

**DEPARTMENT OF DEFENSE AUTHORIZATION FOR
APPROPRIATIONS FOR FISCAL YEAR 2002**

HEARINGS

BEFORE THE

COMMITTEE ON ARMED SERVICES

UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

ON

S. 1416

AUTHORIZING APPROPRIATIONS FOR FISCAL YEAR 2002 FOR MILITARY
ACTIVITIES OF THE DEPARTMENT OF DEFENSE, FOR MILITARY CON-
STRUCTION, AND FOR DEFENSE ACTIVITIES OF THE DEPARTMENT OF
ENERGY, TO PRESCRIBE PERSONNEL STRENGTHS FOR SUCH FISCAL
YEAR FOR THE ARMED FORCES, AND FOR OTHER PURPOSES

**PART 6
PERSONNEL**

APRIL 24 AND JULY 18, 2001



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**DEPARTMENT OF DEFENSE AUTHORIZATION
FOR APPROPRIATIONS FOR FISCAL YEAR
2002**

TUESDAY, APRIL 24, 2001

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

**RECRUITING INITIATIVES OF THE DEPARTMENT OF DE-
FENSE AND THE MILITARY SERVICES AND AN UPDATE
ON THE STATUS OF RECRUITING AND RETENTION
GOALS**

The subcommittee met, pursuant to notice, at 9:32 a.m., room SR-222, Russell Senate Office Building, Senator Tim Hutchinson (chairman of the subcommittee) presiding.

Committee members present: Hutchinson, Allard, Cleland, and Carnahan.

Committee staff member present: Nora V. Parker, systems administrator.

Professional staff members present: Charles S. Abell, George W. Lauffer, and Patricia L. Lewis.

Minority staff members present: David L. Lyles, staff director for the minority; and Gerald J. Leeling, minority counsel.

Staff assistants present: Kristi M. Freddo, Suzanne K.L. Ross, and Michele A. Traficante.

Committee members' assistants present: Charles Cogar, assistant to Senator Allard; Michael P. Ralsky, assistant to Senator Hutchinson; Kristine Fauser, assistant to Senator Collins; Menda S. Fife, assistant to Senator Kennedy; Andrew Vanlandingham, assistant to Senator Cleland; and Neal Orringer, assistant to Senator Carnahan.

**OPENING STATEMENT OF SENATOR TIM HUTCHINSON,
CHAIRMAN**

Senator HUTCHINSON. The subcommittee will come to order. Before I make an opening statement, I want to just say a word of appreciation to Charlie Abell. I think this is Charlie's last subcommittee hearing that he will be staffing and assisting us on and we're very pleased that he has been nominated to be the Assistant Secretary of Defense for Force Management Policy. We're going to miss him. He has provided me the utmost support, and he is meticulous in his work and his attention to details, and a patriotic

American and we're going to miss him greatly on the subcommittee. Charlie we wish you the best. Thank you.

The subcommittee meets today to receive testimony regarding recruitment and retention of military personnel within the Department of Defense and the military services. This hearing is a follow-up to our February 24, 2000 hearing on this same subject. I asked for this hearing in order to discuss the innovative ideas to enhance recruiting and retention, those ideas that you are pursuing and those that you may be considering. I also want to get an update on the current status of the services' recruiting and retention achievements as compared to your goals and to predictions that each of you made for fiscal year 2001 during our hearing on February 24.

The fact that we have devoted five hearings over the past 4 years to recruiting and retention reflects the priority we assign to this issue. Despite tremendous efforts on behalf of recruiters, the recruiting chiefs, the personnel chiefs, the Department of Defense, and Congress, we're just now beginning to reverse the trends that we've seen over recent years in recruiting. The military services must be able to recruit the best and brightest young Americans to serve in the military. I do not have to remind our witnesses today we're experiencing one of the most challenging times in recruiting the highest quality young men and women.

As this hearing is a continuation of a series of hearings examining the recruiting and retention programs, I want to urge our witnesses to speak with utmost candor, and share common goals in the interest of men and women serving our Nation. Working together I am confident that we can take the necessary steps to preserve the finest military system in the world.

Senator Cleland has been delayed and when he arrives we'll give him an opportunity to make an opening statement. Senator Allard, would you like to make an opening statement? Following your remarks, I will insert for the record the opening statement of Senator Strom Thurmond.

STATEMENT OF SENATOR WAYNE ALLARD

Senator ALLARD. Mr. Chairman, thank you, just a brief comment, if I may. This is the first Personnel Subcommittee hearing of the year and now I'll tell you, you are to be congratulated, Mr. Chairman, for moving on to your second chair. I want to congratulate you on the hard work and I look forward to working with you in the coming year. Now, while I'm extending congratulations, I would like to praise the military recruiting commands. I know that 1999 was a bad year for many of your commands and through hard work recruiting has much improved all around. I want to congratulate you on your hard effort in that regard.

These hearings, I think, Mr. Chairman, serve as a good bellwether for the Armed Services Committee. Two years ago we were in recruiting and retention paralysis because of pay, benefits, and quality of life issues. We were later able to substantially address those matters with passage of Senate Bill 4 at that time.

Last year we discussed here the importance of referrals from former or current military members in the recruits' decision-making process and importance of health care issues for active duty

and retirees. We were then able to develop the Tricare-for-Life, the mail order pharmacy benefit, and other military health care adjustments. I am sure that whatever we learn today will prove just as valuable. Mr. Chairman, I want to thank you for all your leadership in those issues. The recruiting process and retention of members always shows the military life in stark relief.

When people make a decision to commit or not commit to the military they, out of necessity, carefully weigh all sides of the equation. Through the results of that process and by the testimony of recruiters who witness that process up close, we're able to see how years worth of action by us and the administration totaled up. It seems to pretty clearly show some of the most pressing problems in current trends. So I'm looking forward to today's panel and discussions. Thank you, Mr. Chairman.

[The prepared statement of Senator Strom Thurmond follows:]

PREPARED STATEMENT BY SENATOR STROM THURMOND

Mr. Chairman, I want to commend you for making recruiting and retention, which are the cornerstones for maintaining the viability of our Armed Forces, the subject of the subcommittee's first hearing. We may have the most sophisticated weapons, however, without the people to operate and maintain them, they are useless.

It appears that after several years of not meeting recruiting and retention goals, our services will achieve their recruiting goals for the coming year. I want to congratulate our military leaders at all levels for this success which is a reflection of the hard work by top-notch recruiters and the skillful application of the incentives provided by Congress. However, we cannot rest on our laurels. As long as our soldiers, airmen, sailors, and marines are subjected to high deployment rates, frequent family separations and less than adequate living and working conditions, recruiting and retention will remain a challenge.

Mr. Chairman, I congratulate you on your leadership of the Personnel Subcommittee and look forward to working with you in our joint efforts to improve not only the quantity, but also the quality of our military personnel.

Thank you, Mr. Chairman.

Senator HUTCHINSON. Thank you, Senator Allard, and thank you also for the leadership you gave this subcommittee as chairman preceding me. You've moved on to bigger and better things, but continue to serve this subcommittee with great distinction. We're grateful for your leadership. We did accomplish as a subcommittee, and as a Congress, some great things for quality of life of not only our active duty but also our military retirees. I think you are probably getting the same thank-yous from those folks as I am and that's good news. I hope it makes our recruiters' jobs easier.

Our first panel today consists of field recruiters. I want to welcome each of you here today. Please do not worry, do not be anxious about appearing before this subcommittee. We are interested in learning firsthand from you what it's like to be a recruiter, what your workday is like, how Congress can make your jobs easier, and what we can do to assist you. Do not worry about the generals and the admirals that are seated behind you. There are no wrong answers. Would each of you begin by telling us your name, where you are assigned, and how long you have been recruiting? Let's start from my left to right.

Airman RODRIGUEZ. My name is Senior Airman Eric Rodriguez and I am assigned to the 314th recruiting squadron. I recruit out of Jamaica, Queens, New York City and I've been there for 2 years.

Senator HUTCHINSON. Very good.

Sergeant RODRIGUEZ. My name is Gunnery Sergeant Alexander Rodriguez. I recruit out of a recruiting station in New Jersey. I've been on recruiting duty approximately 5 years and also a native from the State of New Jersey.

Petty Officer STROTHERS. My name is Petty Officer Sherry Strothers. I'm a yeoman. I'm stationed out of Navy recruiting station Oxon Hill, Maryland. I've been recruiting for approximately 3 years and my headquarters is NRD Philadelphia.

Senator HUTCHINSON. Very good.

Sergeant STREETER. Good morning sir, I am Sergeant First Class Lindsey Streeter. I have been with Army recruiting command now for 5½ years. I have been a station commander at two different recruiting stations, my current position is recruiter trainer out of Fort Meade, Maryland.

Senator HUTCHINSON. Very good and we're going to begin with Senior Airman Rodriguez. If you would begin, and try to keep your comments 5 minutes or so. Then we will reserve plenty of time for questions. You are recognized.

**STATEMENT OF SENIOR AIRMAN ERIC RAMOS RODRIGUEZ,
USAF, RECRUITER**

Airman RODRIGUEZ. I recruit like I said out of Jamaica, Queens, New York. I have 15 high schools, out of the 15, 13 are public, one is private, one is an alternate and I have two 4-year colleges. I have no problem getting in my schools whatsoever, however I do know of four high schools, three in Queens, and one in Brooklyn, that were Air Force responsibility that would not let us go in. The Flight Chief Master Sergeant Moons and Lieutenant Colonel McAndrews have changed that and now we have full access to those schools.

I'll comment on the quality of life. Because of my rank being in New York City it's poor, an E-5 would do okay but an E-4 getting good living quarters is not going to happen. It has improved a lot though. Before last year I had to pay out of my pocket to live in a not so good neighborhood. Now I don't pay anything at all but there can be some improvement if that can happen or I had better make rank.

Another thing that's hurting us is very low manning and again the Air Force leadership has improved that big time but at least in my office, by myself, I can only get probably six people, with two people we can get 12. Things that are helping me in my recruiting efforts is definitely TV commercials, that has helped big time as far as me in Jamaica, Queens. I just wish those TV commercials were a little more targeted to inner city kids but they're still helping out big time, and of course the education benefits that we have to offer are helping me out. The bonuses are helping the Military Entrance Processing Stations (MEPS) liaison sell the jobs to these applicants, not me in recruiting, I don't go into jobs but as far as the liaisons is concerned, that helps them sell the job to kids and get the reservation.

Like I said, even though I have access to all my schools, I am going to go back on that. I can do lunchroom table set ups, sir, which are great. The only bad thing about it is juniors and seniors go to eat off the school, so I have no access to juniors and seniors

and I said I had 15 high schools, four allow me classroom presentations. That's where I get all of my leads from.

None of my schools provide a school list and things that are hurting also in my area we're trying to get mechanics and electricians. New York City is a high resident alien area so we can't get these jobs for these kids. It would be nice if we had faster laptops or better desk computers and last, but not least, parking. It takes me 35 minutes to find a parking spot. I can do 15 phone calls in 35 minutes and get five appointments, sir. It's ridiculous, plus when we have—worst case scenario we'll park in a no parking zone and we'll get a ticket so that's a big issue.

Senator HUTCHINSON. When you park in a no parking zone, you get a ticket?

Airman RODRIGUEZ. When it says no parking and no standing, we will get a ticket in a heartbeat.

Senator HUTCHINSON. Anything else?

Airman RODRIGUEZ. On the parking thing, I think what would help out is if the City of New York gave us just a block where it would say government vehicles only. Right around my office there is a little piece of property that's vacant, they could give us that.

Senator HUTCHINSON. Very good.

Airman RODRIGUEZ. That's it, sir.

Senator HUTCHINSON. OK. Sergeant.

**STATEMENT OF GUNNERY SERGEANT ALEXANDER
RODRIGUEZ, USMC, RECRUITER**

Sergeant RODRIGUEZ. Sir, just like the Airman mentioned, the access within the high schools, prior to President Clinton moving out of office, there had been a bill signed stating that the schools would release the list, that information has been filtered down to us but it has not been filtered down to the educators at their level so they're not made aware of it and what that causes us to do is—causes the recruiter to put them in a position where you work so hard to establish rapport during that term, some of the recruiters may be perceived as being too aggressive and so between educators and the recruiter, it almost seems as you're just in here to take us, take our young men and women away from us and now you want access to their homes, and so a lot of that information has not been filtered down to them.

Each time we do go into a school with the bills and the acts that have been passed by Congress they're not made aware of it and so they always have a different Privacy Act or some form of act that says, well, we're not allowed to do it regardless what the government says, so the list, the student directory, being one of our biggest and I think all the service members here can say across the board that that is one of our biggest struggles that we face.

One of the other concerns for the recruiting force would be the quality of life, some of us don't have the opportunities to live nearby where there are military installations, the BAH in some cases doesn't cover the cost of living to include the funds that we receive for the Special Duty Assignment (SDA) pay. As far as I can speak on the Marine Corps side a lot of that money is spent trying to attract the young men and women. We utilize that money aside from conducting our appointments to feeding our applicants, to taking

them out, taking them to organizations that we have set up where we can do our mandatory pool functions, as we call them, and try to get T-shirts made up and try to promote anything we can do in our area, obviously to compete with the other services and stay abreast with the trends that we come across on the day-to-day basis in the process for these young applicants to enlist in our service.

The quality of life issue, that money that we need for housing, just in talking with some of the recruiters, a suggestion would possibly be government leasing. That would allow the recruiters who have the access to be able to move into an area where it's a lot closer to where they're at. Myself, when I first started recruiting duty, had an hour and 15 minute drive from where I was living, which was on a Navy base, to my office and that was without traffic. So being able to put the recruiter and have the families close by, nearby, also helps out.

So something that would assist us in being able to get the housing that we need and hopefully be able to live within our communities which we recruit out of which would also assist in the recruiting effort. One of the other concerns is funds being evenly distributed across the board. We do have some of the Montgomery GI Bill benefits and the educational opportunities. Different services offer different incentives. Our plea would just be let's make it even across the board for everybody. That's it, sir.

Senator HUTCHINSON. Very good. Yeoman Strothers.

**STATEMENT OF PETTY OFFICER SHERRY STROTHERS, USN,
RECRUITER**

Petty Officer STROTHERS. Thank you, sir. First I'd like to say good morning to everyone and before I say the things that I'm not happy with, I'd like to say the things that I've seen improved since I've been on recruiting. We had complained about the number of vehicles and now in our recruiting station all recruiters do have their own cars, we are getting cell phones and we all have pretty good laptop computers so that we know that you are listening, so we are happy with that.

In the respect of the things that I as a recruiter have seen that I think could be improved, the SDA pay, the \$375 a month that we receive is significant but I don't think it covers all of our needs. As recruiters we work very long hours, approximately 45 sometimes 60 hours a week, and as a single parent my child care expenses have been excessive because of the long hours. I would ask that there be some consideration to increase the SDA pay.

Also as a Navy recruiter, some of our benefits aren't comparable to the other branches, one in particular is the one where we help pay for college expenses when someone has been to college first, we pay back I believe it's \$10,000, there are a lot of loopholes to get the people this money and they lose signing bonuses and I believe the opportunity to get the Montgomery GI Bill. The Army's program is much better. We've lost applicants because of that particular problem.

I feel that the quality of life in our recruiting area has improved significantly. We do work the long hours but we do see the support, and so in our office we try to maintain esprit de corps so I don't

have any complaints there. Access to the schools, we have good access in our schools. We do not get school lists when they take the ASVAB test. They are not allowed to put their telephone numbers or their desires on the sheets, and so that when we get the scores back we don't know who to contact, it makes it extremely hard for the applicants that want to join the military to get in touch with us, so they'll track us down in the hallway and say, hey, I took the test, why didn't you come get me? Why did no one call me and then I'm like, well, we didn't get your name or your scores, so that makes it difficult.

Private schools do not allow us access at all in the schools. We cannot walk around, we can't talk to people without making appointments first, so that makes it difficult for us. Those are the things that I wanted to hit on the most. Thank you.

Senator HUTCHINSON. Very good. Thank you.

Sergeant Streeter.

**STATEMENT OF SERGEANT FIRST CLASS LINDSEY STREETER,
USA, RECRUITER**

Sergeant STREETER. Sir, my experience. I recruited out of over 20 high schools around the beltway here in our great city which I'm from originally. Access I believe—I've been granted access, however it has been limited access. I've found that schools have their own definition as to what access is. One school may let a recruiter come in for classroom presentations, table set-ups, the whole nine yards, and the school right down the street from that school might only allow you a little cubby hole in the library somewhere tucked away in a corner.

A lot of times they only allow the students to come and meet with you that sign up to come and meet with you and they don't do a real good job of advertising the day you're going to be in the school. So it's a fruitless effort. I haven't experienced any directory information being released. I have to resort to my own measures of getting it and it's tough, it's real tough, sir.

Quality of life issues. Most of my counterparts from my sister services have already touched on the major issues. I want to say that the Tricare program, I believe, has made significant strides since last year. My experience—my personal experience with it has been a great one. My wife had a bout with cancer and everything was handled promptly and professionally through the use of the program. I understand we still have a few problems with some of the providers not getting signed on as fast as we would like in the absence of a provider or during the loss of a provider.

I understand that there's a leased housing initiative that's going on now. I think that's a great idea. With soldiers out in the field deployed as we recruiters consider ourselves being, we want to feel as though our families are taken care of. We want to make sure that they are in a safe and sound environment. I think leased housing would be the fix to that, sir.

Recruiters are allowed an expense account sir of \$75 a month. I think that that payment or that allowance should become a permanent part of the recruiter's salary. A lot of recruiters are spending that money, sometimes not even filing the claim to be reimbursed just because of the paperwork drill and the time-consuming efforts

of doing it and just the distractions caused by it. So I think that we should maybe look at making that a permanent part of what the recruiters get as an allowance, because they are spending the money and it's probably more cost-effective to give it to them in their pay than it is to process the paperwork.

Technology. I'm very pleased with what I see out in the field with the laptops and the new Army technology we've gotten. We've come leaps and bounds. It's easy to go represent what we consider a leading organization with leading edge technology, it's a little easier to sell that organization if you're walking into the house with leading edge materials to work with.

The cell phones have been a great plus. I know recruiting in the inner city areas, cell phones are very important. The phone booths are turned off around 6:00 because of the increased drug activity in a lot of the areas and so a cell phone is very important. A lot of the dwellings that you have to have access to are locked and you can only gain access through the use of a telephone outside which in most cases is inoperable, so you're able to at least call the applicant and let them know that you're there.

Our new Army ad is working. We've surveyed some of the youth out in the different areas. In my new position, I'm a brigade trainer, so I handle the northeastern corridor of the United States and what I've found is that the kids are responding to it well. It kind of fits them and their persona and the way they perceive life and themselves to be. So I think it's a good thing.

Senator HUTCHINSON. Thank you. Excellent presentation. Several of you mentioned access. Airman Rodriguez, what were the statistics you gave on how many high schools, what percentage of the high schools do you have access to?

Airman RODRIGUEZ. Yes, I have access to all of my 15 high schools. The thing is, like the Army Sergeant said, it's not too productive. The reason is, like I said, a lunchroom table set-up, seniors and juniors don't eat lunch at the school so I am just planting the seed pretty much.

Senator HUTCHINSON. So what they allow you to do set up a table during lunch hour?

Airman RODRIGUEZ. Yes, sir, they say take this table and put your information out and stand there and look pretty, that's pretty much what they let me do. Now out of the 15 high schools I have, four let me do classroom presentations, that's where I get them. I mean, I'll do a classroom presentation and guaranteed I'll get two to three people to come in and enlist in the Air Force, take the oath, the whole nine yards.

Senator HUTCHINSON. What classes do you go into on the classroom presentations?

Airman RODRIGUEZ. I go to hit shop classes, sir, like auto hobby, maybe a computer class. I have had regular classes like math and science and co-op, co-op classes are very good.

Senator HUTCHINSON. To the other recruiters, how much access are you given regarding classroom presentations? Do you have a chance to do that?

Petty Officer STROTHERS. In the Prince George's County schools we have pretty free reign. They allow us to come into the schools and walk around. We can go to a classroom and set up presen-

tations in advance. We don't have any problem gaining access to the schools. The private schools we don't have that kind of access to. The only complaint we have is that they will not give us the school list. We can't get seniors' telephone numbers at home or anything like that.

Senator HUTCHINSON. Does anybody else want to say anything on that?

Sergeant STREETER. Yes, sir. My experience with the high school classroom presentations is it's a little more receptive, schools are a little more receptive of the idea as long as I bring a message other than the Army's message. Commanding General U.S. Army Recruiting Command provided us with several different messages to bring to the school. We have a DARE program, stay in school, stay off drugs, which addresses problems with teens and youth pregnancy. We also do history presentations, military history in some of the history classes and then we put our Army plug on the end of that. We make a little money there, sir.

Senator HUTCHINSON. OK. Do you feel that—this is one of the issues we tried to address last year and I understand one of you testified that the problem is the principals don't know, the superintendents don't know, and so while you may know what Congress has said, they don't know and they're still falling back on privacy provisions. Is the access that you're being given equivalent to others that may be recruiting for other purposes other than the military. I mean, do you feel like there's any discrimination against you as a recruiter or is it pretty much across the board with their handling of directory lists and so forth.

Airman RODRIGUEZ. I think you hit it right on the nail. Like a college fair, they'll put all the colleges in the front where they're very accessible to the students and they'll stick us in the corner where you can barely see us.

Senator HUTCHINSON. Have the rest of you found the same thing? Or less or more?

Sergeant STREETER. Sir, regardless of the directory information, I have had a couple instances where I've had friends that were retired recruiters go and work for the different vocational technical institutions and they're provided a directory from the same school.

Petty Officer STROTHERS. Me as well, sir. They will give the colleges access and they'll give them telephone numbers, they promote college and they always I've experienced use the military as a last resort thing. I've had students talked out of going into the military because the counselor felt they should go to college.

Senator HUTCHINSON. Sergeant, how about your experience?

Sergeant RODRIGUEZ. My experience has pretty much been the same across the board. The educators for the most part when you go into the high schools when you go to do your lunchroom set-ups understand that this is all part of we go in there in order to obtain names and those names we try to prospect in order to get those young men and women into the office and tell them the Marine Corps story. It's very time-consuming and adds to the recruiter's hours he has to work.

Also when you go into the schools for the most part some of them will only have two college fairs a year, the first one will be for the seniors and that's shortly roughly around the October/November

time frame, after that they won't let you back in until around April or May and that's dealing with the juniors and the sophomore class, and so in reality going into a high school twice a year if you're only in there for an hour or 2 hours, generally the information that you are going to need in order to prospect those individuals is not sufficient.

With respect to the directories being given to the colleges, I mean, you can walk into a high school any day and see a college rep walk in there and actually see the transaction happen before you, ask the very same person for that same list and they will tell you you need to take it through the superintendent of schools.

Senator HUTCHINSON. So if I remember from last year, the biggest single recruiting tool from these schools that you could receive is the directories. The most helpful thing is getting the student directories, is that correct?

Airman RODRIGUEZ. Yes, sir.

Senator HUTCHINSON. That's where what we said last year in the Defense Authorization Bill was that there should be equal treatment, that if they give the directories out to college recruiters or industry recruiters they should also give the directories out to military recruiters on an equal basis, but you're not finding that the case.

Sergeant RODRIGUEZ. No, sir. In most cases generally the schools that do allow me to obtain the directory, usually when I go in I go in with a recruiter and I present to them all we would like to do is have the student directory info for the most part so that way we can submit to our mail-out program. Generally, if we can get the information mailed to our young men and women contacts, they will fill out the information, go on to our websites. They know how to access us but for the most part when the young man or woman goes to his high school guidance counselor and says, well, I want to make an appointment with a marine recruiter or any recruiter, for that matter, immediately they're thrown into the "well, I think you need to look at your other options and save that as a last resort." So immediately we're cut off.

So if we can get the student directory and have our mail-out program work for us generally we will get a good response and be able to contact those people and they will also be able to help us to refer as to other individuals that are of like mind, who also expressing an interest in the military.

Senator HUTCHINSON. Let me ask each of you, in your view, are the DOD quality standards appropriate from what you now have in place? Airman?

Airman RODRIGUEZ. I'm sorry, sir, can you say that again?

Senator HUTCHINSON. The quality standards that the DOD has established on recruiting, on the mission, if you will, do you find those currently adequate, do you think there should be any adjustments in those, do you think they are appropriate as they currently are?

Airman RODRIGUEZ. I think they're appropriate, sir. There can always be improvement, but like I've said from the stories—I've only been a recruiter for 2 years so I've heard stories from folks that have been recruiting longer than I have and it used to be a nightmare from what they say, now it's a lot better. A lot better.

I mean it's working. There can always be improvement though, in my opinion.

Senator HUTCHINSON. Sergeant, or anybody else, have an opinion on that?

Petty Officer STROTHERS. I have an opinion.

Senator HUTCHINSON. OK.

Petty Officer STROTHERS. The DOD standards are good. It hurts us, our biggest problem in my area is the marijuana use, the policies on the testing in my opinion may be looked at perhaps, it's a prevalent thing in our area and we spend a lot of time running people around and delaying putting people in behind that particular incident, and also I know that it's a touchy subject but has it ever been considered to possibly sometimes lower the advancement exam. I have people that really want to join but cannot get a 31, that probably could be very efficient as an undesignated seaman or fireman but they just cannot pass that test and they often complain and want to write their Congressman for a waiver and I tell them that we can't do anything about that and I know that those standards are in place for a reason but I'm just asking if possibly it could be considered at some point.

Senator HUTCHINSON. Good. Anybody else?

Sergeant STREETER. Sir, I think the quality standards are definitely achievable and it's what the Army really needs with the way that—the direction that we're headed with technology. We need the best qualified person.

Senator HUTCHINSON. How will you do this month regarding your quotas, will each of you be making your quotas this month?

Airman RODRIGUEZ. Yes, sir.

Petty Officer STROTHERS. Yes, sir.

Airman RODRIGUEZ. We've already exceeded it actually.

Senator HUTCHINSON. Good. Senator Carnahan, thank you for joining us, if you would like to make an opening statement or have questions you're recognized.

STATEMENT OF SENATOR JEAN CARNAHAN

Senator CARNAHAN. I may just move on to the questions and insert my statement for the record. As far as your outreach in recruitment, do you feel like you are restricted in any way, that is in the amount that you can travel or the use of your cell phones. Are there any restrictions you feel placed on your being able to recruit successfully?

Airman RODRIGUEZ. I am going to have to go with what I said at the beginning; the parking stuff, parking access ma'am, and where I recruit if you get there in the morning you get a parking spot, great, but as recruiters we do school visits, once we leave that parking spot and come back you're not going to find one.

Senator CARNAHAN. I'm speaking in terms of military restrictions that are put on you as far as your ability to reach out to the people that you're trying to attract.

Airman RODRIGUEZ. Not at all.

Senator CARNAHAN. You have not.

Sergeant RODRIGUEZ. No, ma'am.

Petty Officer STROTHERS. No, ma'am.

Senator CARNAHAN. Do you feel that you could better reach your goals if there were monetary incentives for recruitment rather than commendations and medals and so forth that you receive for reaching your goals?

Petty Officer STROTHERS. Yes, ma'am, and the reason that I say that is I volunteered to be a recruiter. A lot of people won't come out here that would probably be very successful but they're afraid to come out because of the hours and they feel that the money sometimes isn't sufficient enough to compensate the hours that they'll put in.

Sergeant STREETER. In regards to your question, ma'am, I do believe that there's a definite need for increase to the special duty assignment pay but if the monetary benefit that you're speaking of is designed per—to be distributed per contract or for recruiter's individual production, then I don't think that would be a good idea. I think it should be a flat across-the-board increase to the special duty assignment pay but not attach it to a specific recruiter's ability to put people into the Army. It could create a couple of problems.

I know in certain regions of the United States recruiting is a little more lucrative than in other regions, so you have a breakdown in morale in other parts of the nation which don't do as well, and the other thing it could do is it could probably lead to some morality issues if that money found its way into a recruiter's budget and he's used it, there's no telling what he may do unethically to continue to receive that type of money, but I do again think that the special duty assignment pay should be increased.

Senator CARNAHAN. Thank you. What methods are you using to reach out to attract minorities and women?

Airman RODRIGUEZ. What are we using to attract?

Senator CARNAHAN. Yes, how are you doing this, are you using special methods for reaching out to attract the recruitment of minorities and women?

Airman RODRIGUEZ. Well, at least in New York I'll go with—we don't tolerate discrimination and that makes them go hey, because in New York City you'll get that, they're used to being discriminated. When I tell them in the Air Force or in the military it will not be tolerated, sexual harassment and all that, that makes them feel a lot more comfortable and they want to belong to an organization that's going to respect them that way.

Senator CARNAHAN. Do some of the women recruits express concerns about harassment and the possibility of that?

Airman RODRIGUEZ. Yes, ma'am. As a matter of fact, I have spoken to female applicants that heard horror stories from their parents. My mother doesn't want me to join because there's too many men and they sexually harass the women and they don't get treated fairly as far as like job opportunities and promotions and I—I overcome the objection because of like I said the policy of they don't tolerate that.

Senator CARNAHAN. Anyone else?

Petty Officer STROTHERS. Well, in our market it's primarily minority so that part is easy for us. As far as women I do have a lot of the females approach me and ask me how long I've been in and what have I experienced and sometimes parents too are concerned

about their daughters and stuff going in, but I often will reassure them that the military as a whole reflects society and the things that were not accepted prior to the the years of change and society doesn't accept certain actions and behaviors and neither do we so that usually will calm people and also I'm the recruiter in charge and there are four men that work for me. That does a lot for the females that come in. They really like that, and I have had instances where I was asked to speak to an applicant from another office just to make her feel a little bit better.

Senator CARNAHAN. Do you feel that there's a disproportionate number of recruits from any one segment of the population?

Sergeant STREETER. No, ma'am, I don't. In regards to your last question, ma'am, was that question geared towards marketing concepts?

Senator CARNAHAN. Yes.

Sergeant STREETER. The Army has a new initiative. We want to expand more into the Hispanic community. We understand it is the largest growing population in the United States and we do have several ad campaigns which some of my counterparts tell me are very effective out in California and Texas. The New York City recruiters find themselves in the Latino market quite a bit. But I don't think that the Army specifically targets or is more proportionally recognized or represented by a particular race. I really don't.

Senator CARNAHAN. So you don't think there's a disproportionate number of rural versus urban recruits?

Sergeant STREETER. No, ma'am.

Airman RODRIGUEZ. Can I piggyback on that one then. In that case I said it earlier, ma'am, the TV commercials do help me except the TV commercials I'm seeing are not targeted to inner city kids and I'm not talking about black, white, Hispanic, I'm talking about inner city kids, always see some farm guy working on a car or something like that. How about if we see a kid playing ball in a basketball court in New York City and maybe those kids can relate more to it.

Senator CARNAHAN. Thank you, Mr. Chairman.

[The prepared statement of Senator Carnahan follows:]

PREPARED STATEMENT BY SENATOR JEAN CARNAHAN

Thank you for arranging these panels for today's hearing. You have given us a chance to discuss these matters not only with top military leaders but with the people who know this subject best—the enlisted recruiters, themselves.

The recruiters testifying today are charged with the task of attracting qualified men and women to serve in the Armed Forces.

Since the Military Selective Service Act expired in 1973, the United States has depended on an all volunteer military. Because of that, the recruiter has played an increasingly vital role in ensuring that our military remains stocked with its most critical resources—its personnel.

Today, however, the military services face greater competition in the labor market. Eighteen year olds have many choices. Now, more than ever, they are choosing higher education or local employment after graduating from high school.

As a result, the military has had trouble attracting qualified young people to meet its recruiting goals and in 1999 experienced one of its lowest recruitment years in history.

Only the Marines consistently met their recruiting objectives.

The Army fell short of its 74,500 goal by 8.4 percent.

The Air Force missed its target of 33,800 by 1,500 people.

The Navy, which fell 12,000 recruits short in 1998, barely fulfilled its requirements, after lowering its goal and accepting thousands more recruits who earned general equivalency diplomas.

In response, Secretary of Defense William Cohen oversaw a change in recruiting strategies—emphasizing the benefits of military experiences rather than citing military service simply as way of financing a college education. Modeling their recruiting approach after the Marine Corps, our Military Services have pointed to the incomparable rewards of life in the Armed Forces namely—instruction in high-technology fields, character development, team-building experiences, leadership training, and, above all, the distinction of safeguarding our national security. In the last Quarterly Readiness Report submitted to Congress, the Pentagon has finally announced recruiting figures that have exceeded recruiting and retention objectives for the first quarter of fiscal year 2001.

It looks like we are finally beginning to win the battle in recruiting and retention. Hopefully, this hearing will uncover reasons for our recent success. It is imperative that we continue this upward trend. Our missions abroad are too crucial to maintaining peace and security throughout the world. With a military confronting myriad threats throughout the globe, we cannot risk our forces spreading thin. For this reason, I hope that the Department of Defense will eventually complement its Strategic Review with an additional assessment of its quality-of-life conditions. We cannot expect to continue attracting good people to our Armed Services, if we cannot even retain our current personnel.

Having said that, I look forward to hearing the testimony of our distinguished panel. Thank you.

Senator HUTCHINSON. Thank you, Senator Carnahan. Sergeant or Airman, I think that's an excellent point that you make and I'm glad we got to hear it today about how we target some of those TV ads. I'm sure there are some answers on that and we'll be asking some of those questions. Let me just before we dismiss this panel, the Montgomery GI Bill, education benefits, do you see that currently as a very effective recruiting tool? Do you mention it frequently, and how do potential recruits respond to that? Are there changes that could be made in that bill that would make it an enhanced or more attractive recruiting tool?

Airman RODRIGUEZ. Yes, sir, and actually there was a recent change where now they can use the 75 percent and the Montgomery GI Bill at the same time if I'm not mistaken. That was great.

Senator HUTCHINSON. Do you use it frequently? Do you talk about this and do you think it's a very attractive—

Airman RODRIGUEZ. All the time, sir, all the time.

Senator HUTCHINSON. Sergeant Rodriguez.

Sergeant RODRIGUEZ. Sir, if anything I would say for the most part those applicants when they do come into the office and they're looking at what they can get through the military services as far as their educational opportunities, their concern is generally, if someone is coming in and they want to pursue a particular occupational field and college is obviously going to be their parents' concern, generally when the parents are involved and when you look at what the Montgomery GI Bill currently offers to an individual, normally the way it's explained to them is they can utilize it while they're on active duty but for the most part, generally they're going to use it if they decide to leave the service after 4 years, or depending on how many years they serve.

Looking at the tuition for colleges nowadays, if that were to be the case for most of the people that we're coming into contact with, and obviously we're talking about going for the higher caliber individuals with the higher test scores, putting them in the good occu-

pational fields, \$20,000 is really not going to cover much of a tuition for them if they decide to depart our service after 4 years.

Petty Officer STROTHERS. I often discuss the Montgomery GI Bill. As a matter of fact when someone does join the Navy, they have to acknowledge that on one of the forms that they do understand the Montgomery GI Bill. I think it's a great program. I personally feel that the money disbursed over a period of time, I believe it's \$600 a month, while you're enrolled in school is not the most effective way. I had a person complain to me about that before because she had to pay all of the costs of the classes up front which exceeded \$1,100 and she didn't get the check until after she had already paid for it. I think that if we paid for the classes up front I think it would be a little more effective.

Sergeant STREETER. Sir, in regards to your question, yes, the GI Bill is the center, one of the center focal points of any recruiter's day-to-day conversation with an applicant. If there are any changes that I think should be made to it is probably to do away with the \$1,200 initial payment and just make it one of the benefits of service.

Senator HUTCHINSON. All right. Good point. Now what percentage of those that you recruit and sign up are coming from families that served in the military? Can you estimate that?

Airman RODRIGUEZ. No, sir, I can't.

Sergeant RODRIGUEZ. I would say generally probably about 3 percent, sir.

Senator HUTCHINSON. What percent?

Sergeant RODRIGUEZ. 3 percent.

Senator HUTCHINSON. So most of their parents were not veterans?

Sergeant RODRIGUEZ. No, sir.

Senator HUTCHINSON. That's surprising to me.

Petty Officer STROTHERS. I would say mine is a little bit higher, maybe out of five applicants, three or four of their parents because I'm right near the beltway and so most of the people are retired Air Force or currently in the Air Force in the schools that I have.

Sergeant STREETER. My experience has been the same, sir, probably roughly around 10 to 15 percent because I'm in the Fort Meade area.

Senator HUTCHINSON. But that's still only one out of ten of your applicants that came from military families.

Sergeant STREETER. Yes, sir.

Senator HUTCHINSON. Is that typical of other recruiters you've talked to, Airman, I didn't mean to cut you off.

Airman RODRIGUEZ. It depends upon the area. Honestly, sir, I've recruited a lot of people and I can think that maybe two folks that were prior military.

Senator HUTCHINSON. What is the main motivation people have when they enter the military for a tour or for a career? What is motivating them? Why do they join?

Airman RODRIGUEZ. In my case, sir, it's to get out of New York.

Senator HUTCHINSON. To get out to New York?

Airman RODRIGUEZ. Yes, sir, to get out of New York.

Senator HUTCHINSON. OK, we don't want to publicize that too much. Sergeant, what do you find?

Sergeant RODRIGUEZ. Mainly it's for the intangible reasons, they're looking for discipline, they're looking for a challenge, they're looking for leadership, they're looking for a way to prove to themselves and to prove to America for that part that they're a part of an organization that stands behind our core values and seek to better themselves professionally and build themselves physically and mentally and to prepare them for whatever life may throw at them later on down the road.

Petty Officer STROTHERS. In my area, sir, there's not a great deal of patriotism. They do it primarily to go to school. They do it sometimes because they can't find a good job and they know that we can train them and give them the opportunities to go further in life, but education is normally the biggest thing we face.

Senator HUTCHINSON. Sergeant.

Sergeant STREETER. Sir, I've found that it's kind of the same as what the Gunny Sergeant had mentioned, most of my applicants want to serve the nation in some shape or form, but what they do is they reinforce their decision to join the Army by accepting an incentive because they have to defend their decision with so many folks, so they need an incentive to go home and talk to their parents, they need an incentive to fight that guidance counselor off with and that is what I've found.

Senator HUTCHINSON. Excellent. That's very helpful. Senator Carnahan, did you have any other questions for this panel?

Senator CARNAHAN. One other question. Are there any programs being offered in the high schools now? I remember when I was in school they had cadet programs and that sort of thing in high school. Are there programs like that that would introduce the young people to a military style of life that maybe they might choose then to pursue?

Airman RODRIGUEZ. In my area junior ROTC and civil air patrol. The bad thing is none of them pass the Armed Services Vocational Aptitude Battery (ASVAB).

Senator CARNAHAN. But there's not much of this—

Airman RODRIGUEZ. No, now only the junior ROTC and civil air patrol. That is it.

Sergeant RODRIGUEZ. Ma'am, I recruit out of the State of New Jersey. We do have a wide variety of different junior ROTCs and then I've been in several recruiting stations as a supervisor and my first station I recruited out of I had 15 high schools out of the 15, nine had either Air Force or Army or Navy or Marine Corps junior ROTC. So yes, in answer to your question, they are out there and they do exist.

Petty Officer STROTHERS. We have several JROTCs, junior ROTCs in the schools, the sea cadets are really big as well. During spring break they came out and worked in some of the recruiting offices and two were in my office and they did express that they wanted to serve in the Navy. So the programs are working from what I've seen.

Sergeant STREETER. Ma'am, my experience has taken me in over 23 high schools recruiting and I've only had one that had a junior ROTC program but in 1 year I was able to put 19 of those individuals into the Army, so if I had it in more schools I could probably be a more successful recruiter.

Senator HUTCHINSON. We have gladly been joined by the ranking member of the subcommittee, Senator Cleland. Thank you Max for making it. I know you have a busy schedule and before we let this panel go I think Senator Carnahan and I have had our opportunities but we'll be glad to have an opening statement from you or any questions you might have.

STATEMENT OF SENATOR MAX CLELAND

Senator CLELAND. Thank you very much, Mr. Chairman, and it is an honor to be here with all of you.

Senator HUTCHINSON. You guys thought you were done didn't you? You thought we were going to let you go.

Senator CLELAND. Just when you felt it was safe. I've always been fascinated in the role of education particularly with the GI Bill and its power to attract recruitment to the military services. I'm now very much involved with the infatuation and the power of the GI Bill, particularly if we can make it more family-friendly in terms of the power to use that as a retention tool.

My basic understanding over the years, and I ran the GI Bill when I was head of the Veterans Administration (VA). I can remember back about 20 years ago the Commandant of the Marine Corps was asked what benefit did he want most and he said a strong GI Bill. My understanding is that the GI Bill and the educational benefits available in the services is often mentioned as a reason for joining the military. As a matter of fact, I understand surveys have indicated that three out of four reasons why young men and women join the American military has to do with education.

I'd like for you to take that on as a recruitment issue and tell me how important you think educational benefits are and then if you have an opinion about making the GI Bill more family-friendly, that is allowing a serviceman or servicewoman to transfer the unused portion of their GI Bill that they've earned to their spouse or to their kids thereby creating a college fund for their kids, if that would help in retention. I know you're experts in recruitment but you're also professionals in the military and you talk to professionals in the military and so my question is twofold, one, to each of you, what is your take on educational benefits today as a recruitment tool and, two, what is your take on a more family-friendly GI Bill if the serviceman or servicewoman is able to transfer the unused portion of the GI Bill benefits to their spouse or to their kids, would that help retention, recruitment first and then retention?

Airman RODRIGUEZ. Yes, sir, Eric Rodriguez, recruiting out of Jamaica, Queens, New York. As far as a recruiting tool, that's definitely my number one tool, so that's how I close my sale and get the commitment. As far as retention, that will be excellent because sometimes that airman or NCO is getting out because if his wife, if she had a little—if she could dig in the pot, I think it will help a lot as far as retention.

Sergeant RODRIGUEZ. Sir, in reference to your question now, I commented earlier about the Montgomery GI Bill and what it currently offers right now to our young men and women that we are seeking to prospect and put them in our service. As far as the money that is allocated, for the most part when we're talking to

family members they're looking at the amount of money that they would receive. That money really doesn't help out with today's current prices of tuition, with most of our local colleges turning into universities. As they change their name so is the tuition changing along with that, and so when you're talking to a prospect and the issue of how is my son or daughter going to go to college, normally it's been my experience we would refer them to the tuition assistance program which allows them to do their education while they're serving on active duty and then save the Montgomery GI Bill for if they decide to depart our service.

In regards to the Montgomery GI Bill being family-friendly, I'm a great advocate of that. Myself currently I'm working on a masters in theology, my wife is a medical student, both of us going to school at the same time, it would definitely help out but also at the same time I think there is some restriction because that plan would hinder me from paying off my tuition, being able to utilize that money, I utilize both, tuition assistance and Montgomery GI Bill, and so I would narrow it down to one.

As far as retention goes I think that would be a great tool because one of the things that goes through a service member's mind is when they're talking about staying in the military, how is this going to benefit me and my family and so this is one opportunity we can definitely help to solve the retention problems. I think it would be a great idea.

Senator CLELAND. Thank you.

Petty Officer STROTHERS. I agree with him in that respect. Their tuition assistance is the tool that the majority of us primarily use to seek our educations. I am too working on my masters in business administration and I did not take the Montgomery GI Bill initially. However, if I had, it would be a wonderful opportunity to pass it on to my spouse or another family member while I pursued my education on active duty. So I think that would be a wonderful idea and it would help with retention because often the spouse feels somewhat neglected if they can't pursue an education as well, economically, because of the loans and everything.

Senator CLELAND. Thank you very much.

Sergeant STREETER. Sir, as the Army's educational program currently stands, we have a program called the College First Program where we can put an individual in the delayed entry program for up to 2 years while he attends college and he's paid a stipend of \$150 per month while he's in the delayed entry program. Any modification to our program that I would suggest would be to expand that down to the high school level so we could target those individuals that are seniors in high school that know they're going to go to college for at least a year and that's what we get a lot. I'm going to go to college for a year and then come on active duty.

If we can meet those individuals at that point where they're making that type of decision—if we can market our product down to them at that level I think it would be a little more effective program. In regards to your question about the GI Bill, I stated prior to you entering the room, sir, that most of the individuals that I put into the Army have joined the Army for the intangibles, for the sense of belonging, the service to country, dedication, the honor of being in a uniform.

They usually defend their decision with an incentive be it the GI Bill, the college fund or something of that nature. I think by allowing the GI Bill to be transferable it may hurt recruiting efforts in the future, sir, because if a recruiter came into my house and all he was armed with was money for college for my son or daughter to make their decision to joining and I had that money in the form of my GI Bill for service then I would probably opt to allow my son or daughter to enter school, and so I think that if you want to make the GI Bill—give it more power as you stated earlier, sir, maybe we should look at making it a part of the survivor's benefit package or allowing family members, if the individual becomes disabled or if the individual is killed on active duty, or allow the soldier to cash in on it and get some sort of monetary value out of it at the time of his retirement but I don't think it should be allowed to be used by family members below the spouse.

Senator CLELAND. That's interesting. Of course, if an individual is killed on active duty or wounded or disabled the VA benefit structure takes over and then VOC rehab under the GI Bill is allowable, but that's an interesting observation. Are you hindered in some way in terms of marketing your product down to the high school level?

Sergeant STREETER. Yes, sir. As the program currently—the College First Program is limited to high school diploma grads, sir. It's a new program the Army has that allows us to put individuals into a delayed-entry program for 2 years.

Senator CLELAND. You're not able to talk to high school seniors about that?

Sergeant STREETER. Not about the College First Program, sir. I can talk to them about it, they just can't join for it until they're high school diploma graduates. But a lot of our high school seniors we talk to in the beginning of the school year know that they're going to enter college for at least a year, and so if we could market our product down to those individuals, it would expand the use of that product.

Senator CLELAND. I know the Reserves can sign up people in high school. I had some classmates sign up in the Navy Reserve and go to training between their junior and senior years in high school.

Sergeant STREETER. Yes, sir, we can do the same thing but the College First Program you're not allowed—under the College First Program they aren't allowed to enter into the delayed-entry program until after they're holding a high school diploma.

Senator CLELAND. Mr. Chairman, that might be something our staff might want to look at. Thank you all very much.

Senator HUTCHINSON. I thank you also. Excellent testimony. I'll tell you, this is the second year I have had the opportunity to listen to our recruiters here who are doing the tough work in the trenches. This is one of the eye openers always for me, and I think you've represented yourselves well. You've given us excellent testimony. It has been very informative. It's going to assist us a lot as we go through the Defense Authorization markup this year. I thank you. You can either stay and listen to the admirals and commanders or you're certainly free to be dismissed at this time.

While you make your way out, I will introduce our second panel. Representing the Army, Lt. Gen. Timothy Maude, Deputy Chief of Staff for Personnel; and Maj. Gen. Dennis Cavin, Commander, U.S. Army Recruiting Command; for the Navy Vice Adm. Norbert Ryan, Chief of Naval Personnel; and Rear Adm. George Voelker, Commander, Naval Recruiting Command; for the Marines, Maj. Gen. Terrence Murray, Acting Chief of Staff for Manpower and Reserve Affairs; Maj. Gen. Garry Parks, Commander, Marine Recruiting Command. Incidentally, General Parks has been nominated to be the next Deputy Chief of Staff for Manpower and Reserve Affairs, so compliment him. For the Air Force, Lt. Gen. Don Peterson, Deputy Chief of Staff for Personnel, and Brig. Gen. Paul Hankins, Commandant, U.S. Air Force Officer Accession and Training Schools. General Maude, General Cavin, Admiral Voelker, and General Murray, we welcome you to our first hearing.

General Parks, I see you have been nominated to replace Lieutenant General Klimp as the Deputy Chief of Staff for Manpower and Reserve Affairs. Congratulations again on that nomination. I look forward to continuing to work with you in your new capacity once you are confirmed.

In order to ensure that we have sufficient time to address the important issues of recruiting and retention, I will impose some limits on your opening statements. I will ask one representative from each service to take no more than 3 minutes to summarize your statements and, without objection, I will make your entire prepared remarks part of the record of this hearing.

General Maude, if you would begin, then Admiral Ryan, General Murray, and General Peterson in that order, please.

STATEMENT OF LT. GEN. TIMOTHY J. MAUDE, USA, DEPUTY CHIEF OF STAFF FOR PERSONNEL; ACCOMPANIED BY MAJ. GEN. DENNIS D. CAVIN, USA, COMMANDER, UNITED STATES ARMY RECRUITING COMMAND

General MAUDE. Thank you, sir. Good morning.

Mr. Chairman and members of the subcommittee, thank you for the opportunity for the United States Army to appear this morning before you and address our recruiting and retention status and the challenges that we face. We look forward to working with the subcommittee to ensure that the personnel needs of the Army are met as we move through this next century.

The number one priority in the United States Army remains manning the force. There are several implied tasks associated with this, recruiting, retention, and attrition management just to name a few and we recognize the important relationships between the ongoing task of manning the organization and conducting our successful Army transformation.

You've heard our Army vision and its three basic tenets: quality people, readiness, and transformation. Our quality people are the center of our formations and today we have 6,000 more people on active duty than we did at this time last year. As a result of the successful efforts of our recruiting force, our retention force, company commanders, and unit leaders in both basic training and our field units are working to reduce attrition over this past year.

Two years ago we were only able to execute an average strength of 473,000 people for the Active component during the course of the year. Last year we improved that to 475,000 and this year we will finish the year with an average strength of 480,000 people and be well within the tolerance for our Army end strength. We will achieve this through a healthy manpower program that our service leadership has put in place to support both recruiting and retention.

Sir, this past year all three of our components achieved their recruiting goals and this was the first time that has happened since 1992 and before that it was 1983. Also this past year we had a 14 percent increase in our accession production between 1999 and 2000.

Our noncommissioned officers and recruiting command have accomplished what few thought they could. They are a determined, mission-focused, and extremely hard-working group of noncommissioned officers.

We have also had the successes that we have had because of the support from Congress and the members of this subcommittee. The work that has been done on pay increases, REDUX reform, our College First Program are all examples of resources and action that have made our mission possible.

Over this past year we have also renovated our advertising campaign. I have on the display board just to my left here an example of our website, which has been very successful in attracting young people. Our move to "An Army of One" campaign has been put in place as an effort to present a refreshed grand identity for the United States Army. "An Army of One" means to the children today the same as "Be All You Can Be" did to children 20 years ago. This message is about personal growth, opportunity, and pride. We have retooled our message to give our target audience a clear understanding that our Army is—what our Army is and to drive them quite frankly to the Internet where they find credibility in the message and the ability to shop at their own speed.

Early results from this predominantly web-based advertising campaign are very encouraging and we expect in the next weeks to receive the results from an independent study that we had done by a market analyst that will let us know whether our view is the same as their view in terms of the success of the program. Additionally, we moved into partnership with the National Hot Rod Association which is represented by the car, The Sarge, on the next panel. We have been able—this has been a dramatically effective tool in reaching high school students through the joint education and awareness program that we work with the National Hot Rod Association and we think we can say that this program has been directly responsible for gaining us access to three high schools that for many years before this program we have been denied access to.

Our goal now is to establish a smoother recruiting battle rhythm that gets us out of month-to-month recruiting and helps us rebuild our delayed entry program. Given the current competitive market and demonstrated behavior of our audience, we think it will take us just a few more years before we have achieved the battle rhythm.

Our retention program continues to be a good news story for the United States Army and we are having great success in reenlisting soldiers both in their initial term and mid-career and career soldiers. We have also had great success over the last couple years, as I mentioned earlier, in reducing our first term loss and every improvement we make there is one less soldier we have to recruit.

Over the past several years we have reduced our attrition to the net result of saving over 4,600 soldiers to our ranks last year that we did not have to replace with recruiting. Our one principal challenge that remains today is officer retention. Our officer retention is slightly down as compared to our predraw-down data, coupled with some deliberate management decisions that the Army made during the downsizing which caused our current captains to be undersized and our current captain grade plate to be short.

We have a number of ongoing programs to improve our junior officer retention and to help us build back the inventory. Included among these are timing and integration into the regular Army cell count of captains that have been twice nonselect for promotion to captain—and a voluntary recall to active duty of those officers who separated over the last couple years.

Additionally, we are promoting captains at or just above the DOPMA goal which enables us to get the fullest benefit possible from the current promotion opportunities. We are currently promoting to captain at 42 months of service. We will be coming forward to you to ask for your assistance in temporarily reducing the minimum point for pin-on to 36 months to help us smooth our grade plate between lieutenant and captain. We believe that the captain attrition is stabilized and the efforts that I've just mentioned will enable us to address readiness concerns that remain from the shortages that we still have.

Sir, you can feel confident that the Army remains manned today and has a healthy manpower program in place to keep us manned through our transformation and ready to do the nation's missions. General Cavin and I look forward to answering your questions. Thank you, sir.

[The prepared statement of Lieutenant General Maude follows:]

PREPARED STATEMENT BY LT. GEN. TIMOTHY J. MAUDE, USA

Mr. Chairman and Members of the committee:

Thank you for the opportunity to appear today to discuss the recruiting and retention status and challenging issues facing America's Army. We look forward to working with you to ensure that the personnel needs of the Army of the 21st century are met. The transformation of the Army continues and we are excited about the challenges that lie ahead. With your help, we firmly believe that we can ensure the Army remains the absolute best in the world. Briefly, we'd like to discuss some of our on-going initiatives in recruiting and retention.

ENLISTED RECRUITING

The Army achieved its recruiting goal in all three components (190,724) in fiscal year 2000. The fiscal year 2000 recruiting goal was fully achieved for all three components—an achievement realized only twice over the 1990s. For fiscal year 2001, we expect to achieve our goals in all three components again, achieving the first back-to-back successful years in all components in two decades. These successes do not come easy or cheap. A large part of our success is due to the help this Committee has provided us, and we thank you for that.

As the Army begins its transformation, we are continuing our efforts to improve our recruiting practices and develop innovative solutions and business processes more in line with the expectations and needs of today's youth. Our vision is an

Army recruiting effort that is able to connect to the youth of America using a modem with a carefully selected and professional sales force that is supported by credible research, relevant products, state-of-the-art systems and world-class advertising.

We are continuing to shift our focus from our traditional high school senior market to greater emphasis in the college and high school graduate markets. As a result, we have made major strategic improvements in recruiting production. By enlisting soldiers who have already completed high school, we have been able to fill near-term training seats at our training installations better than ever before. This shift in recruiting focus from high school seniors to high school graduates has also allowed us to reduce Delayed Entry Program (DEP) losses. The number of enlistees with some college education has likewise increased, providing us with soldiers able to meet the demands of the many high-tech job requirements of today's Army. In fiscal year 2000 alone we enlisted over 8,000 soldiers with some level of post-secondary education. Of those, over 800 had an Associate's Degree, over 2,000 had a Bachelor's Degree, and over 150 had a Master's Degree or higher.

We have repositioned our recruiting force to match population shifts, more effectively connect with our market, and position ourselves for success. In fiscal year 2000 alone, we opened and relocated more than 110 recruiting stations. We shifted 24 percent more recruiters and associated facilities into the southwestern states and more than 36 percent additional recruiters and facilities in the West Coast states. In fiscal year 2000, more than 20,000 newly trained recruits participated in the Hometown Recruiter Assistance Program, going back to their hometowns to provide personal testimony on a peer-basis about their experiences in basic training and Army life. We continue to emphasize this connection of Army soldiers back to their community. They provide leads for our recruiters, which result in enlistments, but they also provide a known face of the Army back into the youth of their community. Additionally, we continue to allow soldiers with as little as 4 years in the Army to serve as recruiters, again strengthening our connection with the youth of America.

We will continue to leverage the growth of technology in automating the recruiting force. We've modernized our job placement system Army-wide, giving us better visibility of job availability, allowing us to offer a greater variety of enlistment packages and options to enlistees, and reducing the processing time for our applicants. As a result, we have substantially reduced the number of applicants who are qualified to enlist but decide not to accept available options. Likewise, the enhancements associated with the fielding of the laptop computers to our recruiting force are showing positive results. Greater appeal with the improved video sales presentation, reduction in the number of enlistment packet errors through one-time data entry capability, and expanded use of the Internet for college and high school recruiting are all beginning to prove effective.

Closely linked with our improvements in automation is our exploitation of the capabilities and opportunities offered through the Internet. In fiscal year 2000 we had more than 3,000,000 visitors to our web site, providing us with over 90,000 follow-up opportunities (recruiter leads). Our 'cyber-recruiters' corresponded with more than 30,000 chat users visiting our chat room, generating over 7,000 follow-up e-mail messages. Our enlistment contract per lead rate for leads from the Internet is higher than all other lead sources.

In fiscal year 2000, Senior Army Leadership decided on and authorized improvements to the Army's recruiting marketing effort. To this end, extensive efforts took place by RAND, Yankelovich and Leo Burnett to conduct quantitative research to understand youth. Additionally, the Army selected a new Advertising Agency (Leo Burnett) and created a new Army Marketing Brand Group, drawn from the leading private-sector marketing companies. On 11 January 2001 we implemented a new recruiting campaign based on this research. Army leadership's decision to head in a new direction has already resulted in the following major accomplishments with the new Army advertising partnership: Army brand identification, a strategic business plan, a communications strategy, a new Army slogan, an Army logo, three new television commercials in 45 days, use of the Internet as a focal point for Army advertising, and a basic training web series. The campaign is designed to drive youth to the Army's web site. The expansion and redesign of www.goarmy.com allows us to offer more information for web users to surf, click, see and hear. This campaign is based on extensive quantitative research conducted by RAND, Yankelovich, and Leo Burnett to understand the current youth market. It tackles, head on, the basic misconceptions that hinder recruiting—that the Army is not a place I want to be. The marketing plan recognizes the Army's on-going dual needs, putting people in boots now and improves long-term recruiting propensity and accessions by getting the Army into a young person's consideration set. Qualitative research among our target audience indicates they understand the campaign. Daily web site visits are up (+103

percent), on-line cyber-recruiter contacts are up (+92 percent), leads generated on the web site are up (+69 percent), and 800# call volume remains strong (+7 percent). We expect this to generate increased contracts in the coming months.

The Army has clearly made recruiting a top priority. The leadership's willingness to provide the resources and support needed to improve the packaging of the Army product has greatly contributed to our success. In addition, under the leadership of Training and Doctrine Command the school commandants have been mobilized to support recruiting resulting in the significant increase to the hometown recruiter program. Additionally, the entire Army has engaged in "reconnecting with America" by sending teams of soldiers with equipment displays to hometowns across America.

Today's young men and women have more employment and educational opportunities than ever before. Competition for these young people has never been more intense. The Army must have competitive incentives to make service to our country an attractive option. To that end, we've developed programs we think will attract high quality young men and women. The potential impact of these programs is broad-based and far-reaching. The recruit, colleges, private industry, the Army, and the Nation will all benefit from a better educated, highly skilled Army of opportunity that returns a disciplined, mature citizen back to society.

Announced in June 2000, the Partnership for Youth Success (PaYS) program consolidates Army and industry recruiting efforts into a partnership that is cooperative rather than competitive. When a new soldier enlists under this program, he or she can choose from 94 job skills offered by the Army and needed by industry, receive accredited certification in that job skill, and upon successful completion of their term of service, receive preferential hiring status with a participating corporation in need of that skill.

The Army's high school completion program or GED plus offers high quality young people who have not completed their high school education, but score high on the Armed Services Vocational Aptitude Battery and the Assessment of Individual Motivation test and are otherwise qualified, the opportunity to gain their GED and then enlist in the Army. We expect this program to pay big benefits not only to the new soldiers, but also to the Army and the Nation as well.

Geared toward vocational or junior college interests, the College First program offers high school graduates an opportunity to attend 2 years of college before joining the Army. The Army provides enlistees in this program with a monthly stipend during their time in college in exchange for a commitment to service upon graduation. Even though research shows this is precisely the type of option that youth are looking for, response to the program during its first year has been very low (less than 250 contracts). The stipend that we are allowed to pay is only \$150 per month, and we are finding that it is not enough of an incentive to cause youth to commit. We have some proposals on how to address this problem to make this a viable program as we continue to increase our presence in the college market.

The Army, with congressional assistance, has resourced most recruiting requirements in fiscal year 2001. The new ad campaign has \$25 million in fiscal year 2001 unfunded requirements. The Army is currently reviewing ways to fund this critical program. In addition, these new programs initiated to increase the likelihood of success in fiscal years 2000 and 2001 have had residual impacts on the out-year budgets. We will expect to fund recruiting at a level that will ensure success in a challenging environment.

Business practices, incentives and advertising are a part of recruiting but our most valuable resource is our recruiters. Day in and day out, they 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 in making their individual goals. We owe it to these recruiters and their families to provide them the resources, training and quality of life environment that will enable them to succeed. The Army appreciates your continued support for recruiting programs and also your support for improving the quality of life of our recruiting force.

ENLISTED RETENTION

The Army's Retention Program continues to be a success story in this very challenging and demanding environment. The focus of our program is to sustain a trained and ready force that operates around three basic tenets:

- Reenlisting highly qualified soldiers who meet the Army's readiness needs,
- Enlisting or transferring qualified transitioning soldiers into a Reserve component,

- Maintaining maximum command involvement at every echelon of command.

Ensuring that a viable and dynamic retention program continues is critical to the sustainment of the Army. Our retention efforts continue to 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 continues to provide the leverage, which ensures a robust and healthy retention program.

Over the past few years, because of the difficult recruiting environment, retention has played an even greater role in sustaining the necessary manning levels to support our force requirements. Last year both our recruiting and retention efforts were highly successful. It was the first time in the past 3 years when both of these programs met or exceeded their goals, which will in turn provide more soldiers in support of both our manning initiatives and transformation plans. None of this could have been possible without the concerted effort of commanders in the field and their Career Counselors, who are the backbone of our retention efforts.

This year we will have a retention mission that reflects only a slightly lower percentage of soldiers necessary to sustain the force than in fiscal year 2000, given the reduced eligible population that now is coming into the reenlistment window. We will have to sustain relatively high levels of retention for the next several years as under-assessed cohorts move into the retention window.

The ultimate success of our retention program is dependent on many factors, both internal and external to the Army. External factors that are beyond our ability to influence are; the economy, the overall job market, and the world situation. While we continue to be enthusiastic about the healthy economy and the rapidly expanding job market, we are also aware that these factors weigh heavily on the minds of soldiers when it becomes time to make reenlistment decisions. Our force today is more family based, and spouses, who are equally affected by these external factors, often have great influence over those decisions. Also more and more of our spouses have careers of their own and are reluctant to remain in an organization that is very fluid. The internal factors that we all have a hand in influencing are; benefit packages, promotions, the number and length and uncertainty of deployments, adequate housing, responsive and accessible health care, and attractive incentive packages which include reenlistment bonuses. Not all soldiers react the same to these factors; it continues to be a challenge facing our commanders and their Career Counselors to provide the right package of incentives to qualified soldiers that make them want to remain part of our Army.

Our incentive programs provide both monetary and non-monetary inducements to qualified soldiers looking to reenlist. The Selective Reenlistment Bonus, or SRB, offers a monetary incentive 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, focuses on eleven CONUS installations and Korea where pockets of shortages exist in certain military occupational specialties (MOS). Commanders like the TSRB program since it also acts as a stabilizing force within many of our operationally critical installations. The TRSB 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 there. Both of these programs, which are paid for out of the same budget, play key roles in force alignment efforts to overcome or prevent present shortfalls of junior non-commissioned officers (NCOs) that would have a negative impact on the operational readiness of our force. We use the SRB and TSRB programs to increase reenlistments in critical specialties such as Infantry, 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, and CONUS station of choice. Training and retraining options are also offered to qualified soldiers as an incentive to reenlist. By careful management of both the monetary and non-monetary incentive programs, we have achieved a cost-effective balance that has been proven effective in sustaining the career force.

The Army executes its retention mission through a network of highly dedicated, and experienced professional Career Counselors who serve at the Brigade, Division, Corps and MACOM level. They are supported by unit level personnel who provide retention support to their units as an additional duty. Career Counselors and Unit Reenlistment NCOs are directly responsible for making the Army's retention program successful.

The Army's retention program today is healthy. We anticipate reenlisting 66,000 soldiers against a mission of 64,000 during fiscal year 2001. Our fiscal year 2001

Reserve Component Transition Program is also successful. By the end of the year, we expect to transfer 10,600 Active Duty soldiers into the Reserve component units against a mission of 10,500.

Despite these successes there continue to be concerns surrounding the direction and future success of the retention program. Support skills, which require language proficiency, signal communications, information technology, and maintenance present a significant challenge caused by those external factors mentioned earlier: the economy and growing job market. Civilian employers actively recruit soldiers with these skills wherever they are assigned. They offer bonuses and benefit packages that we simply can not match under current bonus allocation rules and constrained budgets. The Army Retention Program is healthy in the aggregate, however, we continue to be concerned with retaining the right numbers of soldiers who possess these specialized skills.

The success of our retention program continues to rest on the shoulders of unit commanders, leaders and our retention professionals throughout the Army. Our concerns for fiscal year 2002 and beyond centers around the momentum that was initiated in Congress last year to improve the lives of our soldiers through improved pay, full funding of our Selective Reenlistment Bonus Program, and the pay table reform initiative. There is still a perception throughout the force that benefits have eroded over time, particularly in the areas of health care, housing, educational opportunities, continued availability to bonus money, and the impact of frequent deployments. That perception is an important one, and should give both the key leaders within our Army and members of congress a common point in which to proceed in addressing these concerns.

ARMY UNIVERSITY ACCESS ONLINE

The Army University Access Online (AUAO) Program is a major new Army initiative designed to offer soldiers access to a wide variety of online post-secondary programs and related educational services via a comprehensive educational portal, *www.eArmyU.com*. By leveraging technology, AUAO enables enlisted soldiers to complete certificate and degree requirements "anytime, anyplace," thus making it possible for all soldiers to fulfill their personal and professional educational goals while simultaneously building the technology, critical thinking, and decision-making skills required to fully transform the Army.

The Army currently provides 100 percent funding for all student costs, including tuition and fees, a laptop computer and printer, Internet access tutoring and course materials. As of the March registration, there were over 800 courses available from 20 academic institutions. This number is expected to grow over the contract years.

To participate, soldiers are required to have 3 years remaining on their enlistment before enrolling, and they must complete 12 semester hours during the first 2 years of participation or reimburse the Army the prorated cost of the technology package. Based on our experience at the three initial installations where the program has been implemented—Forts Benning, Campbell, and Hood—AUAO is proving to be a successful retention incentive. Of the nearly 4,500 soldiers who have signed up, 625 reenlisted or extended to qualify for participation. We are recommending that this program be extended Army-wide. In addition, it has the potential to offer educational opportunities to other the other Services, as well.

OFFICER RECRUITING AND RETENTION

The Army finished fiscal year 2000 with officer end strength at 76,667. This is 1,133 below our budgeted end strength of 77,800. We are closely monitoring officer retention rates, particularly at the grade of captain. Due course company grade loss rates remain about 1 percent higher than pre-drawdown (1987–1988) loss rates and are exacerbated by constrained accession cohorts during drawdown years. The impact of the captain shortage forecasted for fiscal year 2001 (2,748 captains) is largely offset by a lieutenant overage (3,242 lieutenants), so that in the aggregate, we will finish with a shortage of 380 company grade officers in the Army Competitive Category. There are certain experiential factors, however, that cannot be offset. The Army has programmed for an increase to 4,100 lieutenant accessions in fiscal year 2001 and to 4,300 in fiscal year 2002, and to 4,500 in fiscal years 2003–2005 to support immediate and future officer requirements.

Junior officer career expectations and patterns are impacting retention. They include comparisons of Army career requirements with the civilian sector and Service impacts on personal and family life (PERSTEMPO). Administration and congressional support on REDUX and pay table reform serve to redress the pay issues. Additional initiatives to increase retention include reviewing the timing and integration of officers into the Regular Army, reviewing force structure at the grade of cap-

tain, strict enforcement of Active Duty service obligations, selectively continuing (SELCON) twice non-selected captains for promotion to major, and a voluntary recall of captains to Active Duty.

We will continue to promote to captain at or above the DOPMA goal of 95 percent, and are currently promoting all fully qualified lieutenants to captain at 42 months time in service. We will need Congressional support to obtain authority to temporarily reduce promotion point for Captain to 36 months to correct the readiness impacts that our Captain shortage is having on the force.

Army initiatives to improve retention among its warrant officer AH-64 (Apache) pilot population have curbed attrition rates from 12.9 percent in fiscal year 1997 to 8.9 percent in fiscal year 2000. Last year we offered aviation continuation pay to 596 eligible officers, of which 541 accepted (91 percent take rate). Additionally, we have recalled 150 pilots since 1997, and have 34 Apache pilots serving on Active Duty in SELCON status.

The loss rate for Army Competitive Category colonels and lieutenant colonels has remained steady at 19.8 percent and 13.2 percent respectively. This is slight decrease from fiscal year 1999 for both grades. The years of service that these grades are leaving at has actually increased. Colonels are departing at 28.9 years of commissioned service, and lieutenant colonels depart at 22.5 years of commissioned service. This is an increase in service from fiscal year 1998 of 1 year for colonel and 4 months for lieutenant colonel. The Army is forecasted to finish fiscal year 2001 short 221 colonels and 529 lieutenant colonels in the Army Competitive Category.

CLOSING STATEMENT

The success, prosperity, and security of the United States today establishes the most challenging environment for Army recruiting in the past 30 years. Over the coming years, we face unprecedented challenges in shaping and transforming the Army of the 21st century. We are up for the challenge and will do everything we can to succeed. We believe that the Army has laid the framework for success and is on the right track. Your continued support is essential in setting the conditions for future success.

Senator HUTCHINSON. Thank you, General.

Admiral Ryan, good to see you again and you're recognized.

STATEMENT OF VICE ADM. NORBERT R. RYAN, JR., USN, CHIEF OF NAVAL PERSONNEL; ACCOMPANIED BY REAR ADM. GEORGE E. VOELKER, USN, COMMANDER, UNITED STATES NAVY RECRUITING COMMAND

Admiral RYAN. Good morning, sir. Chairman Hutchinson, Senator Cleland, Admiral Voelker and I are honored to be here this morning with Petty Officer Strothers to talk about the Navy's war for talent.

Our new CNO, Admiral Clark, has set as his number one priority manpower. We are attacking this challenge in three particular areas. First, is in putting a lot more emphasis on retaining those that we recruit into our Navy.

Second, we are trying to reduce the attrition of our first-termers in the Navy. Since the early 1980s, we have lost about one-third of the men and women that sign up for a 4-year contract before their 4-year time is up. Admiral Clark has set a stretch goal for us to cut attrition by 25 percent in each command this year. So a CO of a ship, large ship that may have lost four individuals due to attrition last year, their maximum ceiling is three this year and we expect that each of these commanding officers is going to do their best to lower attrition.

Third, in recruiting we are trying to strengthen our recruiting as well.

Now I am happy to report to you this morning that we have good news in all three of the three-pronged areas that we are attacking. In the reenlistment area we have improved our retention by 6.4

percent over last year for this same period of time. That is across all of our different pay grades, and so that's very good news for us this far.

In attrition, we cut attrition 1 percent last year. We have cut attrition again 1 percent so far this year. Again, good news due to the leadership out in the fleet. Then, finally, in the recruiting areas, we made our goal last year and, thus far, this year both our active and reserve recruiting commands expect to meet their goal for the year with the continued progress that they're making.

Now in the interest of time I heard your 3-minute comment, Mr. Chairman. I will not talk about those initiatives that have really helped us the most in the reenlistment area in the attrition area. They're in my prepared statement. I would simply say in the recruiting area you met our number one secret weapon and that is Petty Officer Strothers and the 5,000 other recruiters like her that are out there recruiting for us in the Navy.

We have changed our philosophy we are looking now to young petty officers who are volunteers who want to be out there to be our recruiters and it is paying off for us in a much higher productivity per recruiter. We have also retrained all of them with a new sales program that has been very successful with our large corporations. We have also given them, as you have heard from her, laptops, cell phones, and cars and we find that they are doing a fabulous job when we give them the adequate resources, and we have resourced them with 5,000 recruiters since last September.

In addition, we are very proud of our new advertising campaign that Admiral Voelker has headed and that is accelerate your life with our new advertising teammate Campbell-Ewald from Detroit. This is a program that now emphasizes the challenges and the opportunities of service rather than what's in it for you in the way of financial incentives and it is appealing to the young person, we are trying to get them to go to the Internet, much like the Army and visit our new website and our life accelerator that tells them about the experiences and the opportunities in the Navy.

We have been very encouraged by the first month that we have had this program in operation. In fact, in the first 10 days, our web page had more hits than we had been averaging in a month prior to the start of our new advertising campaign. So we think we have a winner there that is going to help us.

So in closing, I would simply say we have made progress in all three of the pronged areas that we are attacking, retention, attrition, and recruiting. But there are still challenges out there and we have a long way to go. We know that we are still losing too many young men and woman who volunteer to come into our service and leave before their obligated service is up.

We know that we are still not retaining as many mid-grade and senior petty officers as we would like to and we are confident we can do better in that area. Then in the recruiting area although we have been making goal and scraping by each month with good quality candidates, we are just scraping by because our delayed entry pool is not at the level that it should be and Admiral Voelker and his team are working to get that up, but we still have a long way to go.

So in summary, I would simply say we are making good progress. We are proud of that progress but we are going to need the continued support of this administration, this Congress, and in particular this subcommittee if we are going to continue to make our way ahead. In particular, we have been able to run about 2,400 to 3,000 above the end strength that we have been funded in the Navy as well, Senator, because of our gains and Senator—Admiral Clark has allowed us to do this because he knows we still have significant gaps at sea and ashore and because of the U.S.S. *Cole* incident we have significant new requirements in the way of anti-terrorism and force protection that has allowed us to significantly increase our readiness, but those personnel are not funded in our current budget. So we will be asking for the support of Congress and the administration to help us continue the momentum that we have had thus far.

Admiral Voelker and I look forward to your questions.

[The prepared combined statement of Vice Admiral Ryan and Rear Admiral Voelker follows:]

PREPARED COMBINED STATEMENT BY VICE ADM. N.R. RYAN, JR., USN AND REAR
ADM. G.E. VOELKER, USN

INTRODUCTION

Mr. Chairman, and distinguished members of this subcommittee, Admiral Voelker and I appreciate this opportunity to discuss the status of Navy efforts aimed at winning the “war for people” and to point out some of the promising initiatives our team has initiated to improve retention and recruiting. We have begun to show improvement in most areas, but it would be premature to declare victory. I remain concerned about our ability to maintain the momentum that we have gained as a result of improved retention, the efforts of our dedicated recruiting force and resources provided by Congress. Today’s hearing provides us with an invaluable opportunity to emphasize ongoing efforts to leverage the many successes we have experienced thus far and to solicit your continued support to help us achieve optimum personnel readiness in the near-term and then sustain it in the long-term.

These men and women, who choose Navy, join a force that commands the seas and projects U.S. sovereign power overseas. The return on our investment is to provide our Nation a power that is immediately employable across the entire spectrum of conflict without foreign constraints. These bright, motivated, well-trained men and women on our advanced ships, submarines and aircraft make sacrifices every day. Our challenge is to first recruit and then retain them through an appropriate balance of Total Military Compensation and assured Quality of Service.

END STRENGTH

The single, most important objective in our efforts to establish optimum personnel readiness is providing the fleet with the right sailor, with the right training, at the right place and time. This has become increasingly challenging partly due to circumstances beyond our control, such as the flourishing economy, but also partly due to situations that are within our ability to influence, like the current imbalance in our force profile resulting from an aggressive drawdown strategy during the ‘90s. As we drew down, Navy achieved mandatory strength reductions by consciously under-accessing, so as to keep faith with an all volunteer force who had earned our loyalty by virtue of their having committed to Navy careers during the Reagan-era expansion. Those cohorts are now reaching retirement eligibility imposing a significant exodus of our corporate knowledge base. As we replace these senior, experienced, sailors with new accessions, our force is “de-aging” resulting in an excessively junior and less-experienced force. Our near-term recruiting and retention efforts are focused on initiatives that will help us restore balance to the force profile and manage to steady-state manning requirements. To achieve the desired balance, Navy must continue to improve retention to enhance our experience base while continuing to access quality recruits and junior officers to provide a steady feed of future Navy leaders across all force profile length of service cells.

At this time last year, we were projecting a fiscal year 2001 accession requirement of approximately 60,000 new recruits, as many experienced sailors were leaving the Navy to pursue lucrative opportunities in the private sector. This contributed to an unacceptable 11,500 at-sea billet gap. To address this situation, we reinvigorated efforts throughout the Navy to retain every eligible sailor, thereby easing the recruiting burden by lowering our enlisted accession requirement to 56,348. We offered new and enhanced officer continuation and enlistment/reenlistment bonus programs, expanded E4 and E6 High Year Tenure gates, improved advancement opportunities by gradually increasing the number of sailors in the top six pay grades to more closely match for requirements and concentrated efforts on reducing attrition. These efforts are producing desirable results and have contributed to reducing the at-sea billet gap to about 6,100, permitting us to further reduce fiscal year 2001 accession mission by 1,348 requirements, to 55,000. At the same time, we project that our end of year strength will approach 376,000, above our authorized strength of 372,642. The Secretary of the Navy and CNO have allowed us to maintain this additional strength to help alleviate the cyclical bathtub that has historically presented an inherent readiness challenge in our annual manning profile. Maintaining it, however, is not without cost and we must now identify the additional resources needed to finance the retention benefit to keep this momentum going into fiscal year 2002.

We currently project a significant shortfall across the Military Personnel, Navy (MP,N) account due to a number of factors including the additional strength, Basic Allowance for Housing revisions and other changes enacted in the National Defense Authorization Act for Fiscal Year 2001. We will require your assistance to address this shortfall to avoid having to cut back on programs contributing to our improved readiness profile. Otherwise, it may become necessary to take undesirable alternative measures, such as curtailing advancements/promotions and permanent change of station reassignments, which would hurt morale and adversely impact retention efforts. Our *improved retention is real, yet fragile*. The experience level of Navy's force profile will continue declining as drawdown cohorts retire unless we take prudent steps now to mitigate the de-aging process and position ourselves for long-term success as we transition to a more balanced and manageable future force.

COMMITMENT TO RETENTION

In establishing his top five priorities as Chief of Naval Operations, Admiral Clark has consistently identified people as #1. At every Fleet call, he reminds Navy leaders to remain committed to our people and emphasizes that Quality of Service for our people is a top priority in readiness and mission accomplishment. Through innovative "Smart Recruiter," "Smart Work," and "Smart Ship" initiatives we have renewed emphasis on the value we place on our sailors and the importance we place on convincing them to "Stay Navy." Bolstered by resources provided by Congress, these commitments have led to real retention gains, permitting us to dramatically reduce our accession mission.

Enlisted Retention

When I testified before you last year, I discussed the formidable retention challenges confronting us. We were faced with reversing a declining trend in enlisted retention that was exacerbated by a decade-long drawdown. Through a strategy of improving the recruiting and retention balance, to correct personnel profile imbalances and manning shortages, we experienced impressive fiscal year 2000 retention gains that have carried over into this year. Navy leaders and managers at all levels have reengaged in the retention battle. Through personalized leadership and mentoring, and a variety of innovative initiatives and programs, reenlistment rates across all zones of service are up 6.4 percent over the same time period last year. The combined effects of leadership involvement in sailor professional development, expanded reenlistment bonuses, enhanced special and incentive pays, increased advancement opportunity, and significant Quality of Service improvements, have collectively contributed to this welcome turn-around. While we remain short of long-range steady-state goals require anticipated future manpower needs, we have begun moving in the right direction.

Selective Reenlistment Bonus (SRB). The Selective Reenlistment Bonus (SRB) program continues to be our most cost effective and successful retention and force-shaping tool. At this point in the fiscal year, we have experienced more reenlistments than at the same time last year. These gains primarily resulted from reenlistments under SRB and we are committed to continuing to maintain a robust SRB program. We must now work harder on increasing the number of non-SRB reenlistments. We will meet this challenge head-on by continuing to enhance Fleet retention efforts, providing valuable career information training to counselors and leaders in the Fleet and by responding specifically to the needs expressed in Fleet feedback.

Center for Career Development (CCD). Our Center for Career Development (CCD), established 1 year ago, is the centerpiece of Navy's focus on retention. It funnels energy and resources toward meeting retention challenges and is dedicated to providing the Fleet with the tools necessary to enhance their retention efforts. These include enhanced professional training for Navy Career Counselors and Command Retention Teams, career decision workshops for sailors and their families, comprehensive easy-to-use interactive products using the latest information technology and consolidation and analysis of Navy's retention and Quality of Service data into useful and predictive tools to assist senior leadership in making policy decisions. CCD also provides attrition and retention policy guidance to senior Navy leadership.

Career Decision Fairs are an excellent example of our aggressive efforts to retain high quality sailors. They consist of a four pronged approach: First, with the assistance of a retired Navy flag officer, sailors are shown a comprehensive view of their Total Military Compensation, including pay and allowances, leave, and other related benefits, to assist them in making informed decisions about whether to stay in or leave the Navy. Second, sailors are provided an opportunity to meet face to face with detailers who can discuss career options, conduct community status briefs, or even negotiate orders. Third, command leadership teams are provided retention best practice briefs that are developed and updated from other CCD visits. Fourth, command retention teams are given a Professional Selling Skills course specifically designed to assist them in "closing the deal" with their sailors. Since its inception, CCD has visited 33 commands, has hosted Career Decision Fairs for more than 5,000 sailors and their families, and has convinced over 300 sailors who were planning to separate at the completion of their obligation to reenlist for subsequent terms. Had these 300 sailors left the Navy as they originally planned, we would have spent nearly \$10 million in recruitment and training costs to replace them. Other initiatives targeted at giving sailors increased flexibility in assignment options, collecting feedback from sailors on areas of Navy life that they find enjoyable or unattractive, and using information technology to provide sailors timely and quality career decision information will allow us to expand upon our recent retention successes.

Detailer Communication Initiative (DCI). We have engaged detailers, a sailor's assignment and career advisor at the Navy Personnel Command (NPC), in our retention challenges through a new Detailer Communication Initiative (DCI). DCI is a proactive contact strategy aimed at providing improved customer satisfaction to the Fleet by having detailers initiate early and frequent contact with sailors and their respective command career counselors to discuss future assignment options and desires. Through DCI, contact begins 12 months prior to the sailor's projected rotation date and allows the command career counselor and detailer to spend quality time discussing a variety of career options with sailors.

Guaranteed Assignment and Retention Detailing (GUARD) 2000. The top priority for reassignment among sailors is geographic location. GUARD 2000 provides an incentive that guarantees assignment to a specific geographic location and/or waiver of up to 18 months of their prescribed sea tour in return for a 4-6 year reenlistment. It also gives detailers greater flexibility in the number and type of billets they can offer sailors. GUARD 2000 has been well-received by the fleet with over 2,500 sailors reenlisting under the program since August 2000, 1,600 of them reenlisting for their first time. GUARD 2000 is an important tool for helping fulfill a sailor's desire for specific geographic assignment while helping Navy retain those we worked hard to recruit.

ARGUS Career Milestone Tracking Survey. CCD and NPC developed a new web-based questionnaire and report generator system designed to assess career decision influences. The web site contains questions specifically tailored to capture sailors' perceptions of their current quality of service and job satisfaction, and their view of leadership's concern over subordinate professional growth and development. Feedback from the survey will provide command leadership a resource from which to gauge the factors that influence a sailor's career decisions.

New Stay Navy Website. CCD and NPC launched the newly designed Stay Navy Website on 28 March 2001. With more than 50,000 hits in the past month, the new site, www.staynavy.navy.mil, is a very popular tool providing high-tech, timely and accurate career information to sailors and families worldwide. I encourage subcommittee members and professional staff to take a moment to peruse the site and would welcome any feedback you may wish to provide about the site.

Enlisted Attrition

We are working aggressively to overcome a pattern of excessive attrition through Fleet initiatives targeted primarily at our first term sailors. BEARINGS is a remedial training curriculum targeted at young sailors who require additional emphasis

on the life skills that will see them through their Navy careers and beyond. SECOND CHANCE is an initiative aimed at giving young sailors who are struggling in their first assignments a fresh start at a new command. Through both programs, we are extending to young at-risk Fleet sailors, opportunities to successfully complete their initial service obligation.

Additionally, Commander, Navy Personnel Command and the Master Chief Petty Officer of the Navy sponsored an attrition summit last fall. This brought together Navy's senior enlisted leadership to explore the reasons for attrition and establish near-term and stretch goals for reducing it. The results of the summit were sent out to all flag officers for incorporation into their retention strategies. We are committed to keeping every sailor who demonstrates potential for productive service, and to providing them with every opportunity to succeed.

Officer Retention

Improving officer retention is critical to our efforts to meet manpower requirements and achieve steady-state force structure. Under-accession of junior officer year groups during the drawdown, and changes in the post-drawdown force structure, mandate officer retention levels significantly above the historical norm. We must continue to improve retention to meet officer manning requirements, particularly among the Unrestricted Line communities; i.e., aviation, submarine, surface and special warfare. While we are beginning to see positive retention indicators, largely attributable to effective special and incentive pays that target specific officer retention problem areas, the strong economy and thriving civilian job market continue to compete directly with our retention efforts.

The Aviation Career Continuation Pay (ACCP) program provides incentives for aviators at all levels to make positive career choices. In fiscal year 2000, it contributed to a 10 percentage point increase in aggregate aviator retention, including an 11 percentage point increase in pilot retention and a 6 percentage point increase in Naval Flight Officer retention. We are hopeful that the Fiscal Year 2001 ACCP program will yield similar results; however, we are currently seeing a significant increase in resignations, particularly among the Department Head and Department Head eligible aviators.

Surface Warfare Officer retention at the department head level is on a modest, long-term upswing, currently at 26 percent, up from its post-drawdown low of 17 percent. This improvement is largely attributable to Quality of Service improvements and implementation of Surface Warfare Officer Continuation Pay, first authorized in fiscal year 2000.

Although fiscal year 2000 retention for submarine officers dropped slightly from 30 to 28 percent, and retention of nuclear-trained surface warfare officers dropped from 21 to 20 percent, there has been a 30 percent increase among officers in the target year groups (94, 95, and 96) signing multi-year continuation pay contracts since implementing the fiscal year 2001 Nuclear Officer Incentive Pay rate increase.

Special Warfare Officer Continuation Pay commenced in fiscal year 2000 and contributed to improvements in Special Warfare Officer Retention, which rebounded to 69 percent and 68 percent, respectively, in fiscal years 1999 and 2000 from an all time low of 63 percent in fiscal year 1998. Special Warfare has the highest URL officer retention requirements (74 percent), and SPECWAR retention outlook continues to be positive as a result of Navy and SPECWAR Quality of Service initiatives, as well as fiscal year 2001 improvements to the SPECWAR Officer Continuation Pay program.

We still have more to do in the current challenging retention climate. Navy must continue to approach the officer retention challenge from a number of different directions, including implementation of initiatives focused on improving Quality of Service. We must sustain the push to increase aggregate and individual officer community retention to steady-state levels to meet control grade requirements and improve military personnel readiness.

MEETING THE RECRUITING CHALLENGE

Thanks to the continued hard work of our recruiters, the application of Congressional resources, and initiation of new programs, we achieved our fiscal year 2000 accession mission. Ninety percent of accessions were High School Diploma Graduates (HSDG) and more than 64 percent scored in the upper half of the Armed Forces Qualification Test (AFQT) (Test Score Category I-III). Additionally, we substantially improved our occupational mix, achieved a healthy Nuclear Field posture and made significant gains in recruiting within critical ratings.

Despite last year's accomplishments, we are not yet positioned for long-term success. Fiscal year 2001 finds us continuing to face record low unemployment, formidable competition with the private sector in attempting to hire talented young

Americans and low propensity to enlist. Our most serious challenge is that we have not restored the health of our Delayed Entry Program (DEP) despite our continuing efforts to do so. This has forced recruiters to work on a sub-optimal month-to-month basis, struggling to meet each month's accession goal. This negatively impacts overall productivity and detracts from efforts to improve the long-term health of recruiting. We missed accession goals for January and February 2001, but rebounded to meet the March goal.

Innovative Approaches to Recruiting

Given the requirements and conditions we expect to face over the next several years, we are working to improve our recruiting force and strategies. With continuation of strong Congressional support, fiscal year 2000 saw the continuation and establishment of many improvements in the recruiter force, professional skills training, advertising, incentives, market penetration and attrition reduction. Several additional initiatives are currently being considered to help capitalize our recent successes.

Bolstering the Recruiting Force. Our recruiting force is the most important factor in the recruiting formula. We are striving to sustain a recruiting force of 5,000 with volunteers from the Fleet. We are also shifting to a more junior recruiting force. Our analysis indicates a more junior, largely volunteer, force will be most productive. We are improving recruiter selection with our Recruiter Selection Team (RST) and optimizing geographic distribution of recruiters using analytical methods and market data. This year we expanded Smart Recruiter initiatives to provide cell phones, vehicles and laptop computers to virtually all recruiters.

Professional Selling Skills Program. Starting in fiscal year 2000, Navy Recruiting partnered with a commercial firm, with a proven track record, to create a customized set of training courses for our entire recruiting force. The new selling methodology is based on the understanding that today's recruit is better informed and has more available options. We anticipate that this training will improve productivity, increase the number of DEP referrals and decrease DEP attrition rates. All field recruiters receive initial training during their recruiter orientation.

Bluejacket Hometown Area Recruiting Program (HARP). We initiated efforts in January 2000 to augment the existing recruiter force with a Bluejacket HARP. The aim is to significantly increase the quality and quantity of fleet sailors who return home to assist local recruiters. The entire fleet is helping identify motivated young sailors, generally on their first tour of duty, to participate in this worthwhile program. With the program in place just over 1 year, we have already scheduled over 9,000 participants and are averaging nearly four new referrals per sailor. Along with results of specific referrals and contracts attributable to Bluejacket HARP, we are experiencing residual benefits of increasing local Navy exposure, introducing recruiters to new sources of recruits and exposing fleet sailors to the excitement and satisfaction of recruiting duty. If we are to turn the tide in the war for talent, each and every sailor must contribute to the recruiting effort. Bluejacket HARP moves us in that direction.

Motivating the Recruiting Force. Along with augmenting and equipping the recruiting force, we are exploring a variety of industry practices to better motivate recruiters and direct their efforts toward Navy priorities. We are benchmarking civilian sales and recruiting forces for examples of effective incentives. We have found that individuals respond best to monetary and in-kind awards; therefore, we are examining the possibility of providing, to top recruiters, in-kind awards at some point in the future.

Advertising—Getting the Message Across

Throughout fiscal year 2001, Navy has been improving its advertising based on an outstanding partnership with our new Advertising agency, Campbell-Ewald, which rolled-out our new "Navy, Accelerate Your Life" advertising campaign and web site this past month. Both have been extremely well received. We are engaged in all media markets, including television, radio, Internet, CD-ROM direct mail, printed materials, newspapers, magazines, job fair and convention support (including F/A-18 flight simulators) and public service announcements. We are leveraging new communication technologies to enhance our message, including streaming video/audio, live web casts and virtual ship tours.

Advertising is vital to the success of Navy's recruiting effort. The goal of our advertising campaign is to gain a positive awareness of the Navy among our target market (18 to 24 year old men and women), motivate their interest in the Navy as a "Career of Choice," provide information about Navy opportunities, and reinforce the recruiter's message. The advertising is designed to develop leads by attracting

prospective recruits to our recruiting web site (*www.navy.com*) or toll free telephone number (1-800-USA-Navy) to generate new contracts.

To continue to be competitive, Navy Recruiting must reach majority and minority markets across an expanding media spectrum including commercial presence on national and cable TV, radio, print media, direct mail, and the Internet. Currently, as a result of inflation and a continuing robust economy, we are insufficiently resourced to adequately convey our message to our target market.

CD-ROM. Navy has moved toward the use of CD-ROM for direct mail advertising. Increased in-house capabilities have helped Navy fully achieve set goals to move several marketing videos and common printed information packets to interactive CD-ROM. For fiscal year 2001, Navy planned to produce 11 new CD-ROM projects that were to be used in marketing Navy's officer and enlisted opportunities. In fact, this fiscal year we will produce 18 such products. The rich media presentation of compact discs offers a stunning and captivating alternative to paper. In the first 3 months of fiscal year 2001, Navy completed five new officer CD-ROM projects and embarked on a historic recruiter motivational campaign supported by an enlisted recruiting support mini CD-ROM. A contest was developed based on the "Navy, Accelerate Your Life" campaign that allows recruiting stations across-the-nation to compete against each other for the recruitment of high school and work force youth by addressing known objections of potential sailors. The mini CD-ROM was developed based on feedback from recruiters and helps dispel many myths our target audience has about the Navy by providing interactive responses to frequently asked questions. Our CD-ROM products appeal to today's computer-savvy target audience and continue to present the Navy message through 3-D motion and robust sound with hyperlinks to our new web site and Cyberspace Recruiting Station. In the coming months, another 13 projects will be completed. Several of these will market Navy directly to an ever-growing Hispanic community, our female target market and other ethnically diverse communities. We plan to increase exploitation of the newest technological advancements in interactive CD-ROM development and to produce 18-20 compact discs annually.

Flight Simulators. We are marketing through such innovative approaches as F/A-18 flight simulator rides at fairs and conventions in exchange for recruiting lead data. Last year, we leased a 3-D full-motion encapsulated ride that simulates a cockpit perspective of a Blue Angels flight demonstration. This unit, plus another smaller, F/A-18 computer-graphics simulator are major attractions at air shows, fairs, conventions and high schools and colleges.

Kiosks. Navy is designated lead agency in developing joint service recruiting kiosks. Plans are to explore the use of kiosks as force multipliers and leads collection tools, which will be placed in a number of venues such as air shows, malls and job fairs.

Internet Recruiting. We are expanding our presence in the fastest growing media market through our Navy web site, our Cyberspace Recruiting Station. In March 2001, as part of a coordinated advertising campaign launch, we debuted our new web site, "*www.navy.com*". This site provides a "Life Accelerator" that enables young people to discover their interests and explore the opportunities that Navy offers relevant to those interests. Within the first week of its debut, the site generated over 70,000 visitors, almost as many as the previous site produced in its best month. Overall, Navy plans to double Internet-generated qualified leads over the past year. For fiscal year 2002, our plan is to keep pace with emerging technology through continuous improvements to the site and again double our presence on the World Wide Web. An expanding and increasingly important recruiting tool is our Cyberspace Recruiting Station. This station consists of a group of handpicked recruiters who conduct online screening and blueprinting of all Internet recruiting lead data. This provides recruiters with a list of high-quality prospects, and enhances efficiency of field operations.

Enhancing the Appeal

Throughout this fiscal year, we have offered varying levels and combinations of Enlistment Bonuses (EB) and Navy College Fund (NCF), as well as a Loan Repayment Program (LRP). We recently initiated an EB kicker available to applicants based on pre-accession college credit. This initiative was available only to Nuclear Field recruits; however, we have expanded eligibility to all recruits eligible for EB. This will assist us in better penetrating the college market and will encourage candidates to continue pursuing education while awaiting entry into the Navy. We are evaluating the awarding of college scholarship loans to individuals who enlist in the Navy and attend up to two semesters of college while in the DEP. Loans would be converted to grants upon successful completion of initial service obligation. This program would be consistent with national aspirations to make college education at-

tainable for all while providing Navy with the talent pool we require in the 21st century.

Our goal is to provide programs that facilitate the pre-service educational aspirations of all qualified candidates and, in combination with in-service training, provide new recruits with their most efficient path to a college degree. Navy benefits from this approach by improving relations with colleges and high school counselors, enhancing Navy's appeal among college-oriented youth, increasing entry level education of new recruits and positioning the United States Navy as an employer of choice. Over time, if enough recruits complete basic education and skills training prior to accession, due to Navy sponsoring and subsidizing such accomplishments, we could shorten training pipelines and realize cost savings.

Technical Preparation (TechPREP) partnerships and Navy College Assistance Student Headstart (NavyCASH) are two examples of educational programs we have in place to accomplish the goal described above and increase our appeal to the college-bound market. With increasing numbers of students choosing to attend college, it is essential to portray the Navy as a viable source of higher education, in partnership with colleges and universities.

TechPREP. Navy began forming TechPREP partnerships with community colleges in fiscal year 1999. Participants earn some college credit in high school, more after high school graduation while in DEP and remaining credits through Navy's basic and select advanced technical training to receive an associate's degree from a partner community college. We currently have standing agreements with 66 community colleges, four of which are statewide agreements, with many more pending. Several high school students are already participating in these programs.

NavyCASH. Currently limited to Nuclear Field and critical technical ratings applicants, NavyCASH offers selected applicants the opportunity to attend college for up to one year, in a paid status comparable to that of a junior enlisted member, prior to entering active service. This exciting program improves the entry-level training of applicants and allows Navy to level load the shipping dates of recruits during the most challenging accession months of February through May.

Expanding Opportunities to Serve

In today's competitive environment, we must explore all avenues to increase our existing market without sacrificing quality standards for new recruits. We have begun accessing limited numbers of home schooled applicants as High School Diploma Graduates (HSDGs), increased our accession mission for Prior Service personnel and stepped up our efforts, through re-establishment of a Diversity Programs Office, to improve our penetration of diverse markets.

DEP Enrichment Program. The DEP Enrichment Program, begun in Spring 2000, is designed to enhance the basic skill level of otherwise qualified candidates before accessing them into the Navy. We identify individuals with high school diplomas and clean police records, but whose test scores fall slightly below those required to qualify for enlistment. DEP Enrichment provides basic skills training and an opportunity to increase their AFQT score to facilitate their enlistment into the Navy. These candidates are typically good retention risks based on education credentials and are low disciplinary risks based on clean police records. By providing basic skills training, provided by Education Specialists (Federal employees) at Navy Recruiting Districts, we give them a second chance to prove themselves and go on to serve with distinction. Since spring fiscal year 2000, 54 recruits accessed through the program (in 5 months), 102 accessed through the first 6 months of fiscal year 2001, 106 additional applicants are in DEP for the rest of fiscal year 2001 and two applicants are in DEP for fiscal year 2002.

Diversity Outreach. Navy currently recruits the largest percentage of minority accessions, but given the increasing diversity of the American people, there is room for improvement. Our Diversity Programs Branch is working several exciting initiatives to improve penetration of diverse markets. VIP tours of Navy commands are a popular means of exposing applicants and their influencers to Navy life in order to generate excitement about Navy opportunities. Trips conducted this year have been very well received. The Diversity Programs Branch has also begun college campus blitzes to spread the word of Navy scholarship and job opportunities on traditionally diverse campuses. Navy has established corporate board membership in the National Society of Black Engineers, Society of Hispanic Professional Engineers, and the Society of Mexican American Engineers & Scientists to ensure that minorities possessing technical backgrounds are aware of the many exciting opportunities available in today's Navy.

Officer Recruiting

Fiscal year 2001 has been challenging for officer recruiting. We continue to experience significant shortfalls in specialty areas, including: Civil Engineer Corps, Chaplain Corps, Naval Flight Officer, Orthopedic Surgery, General Surgery, Optometry, Pharmacy and Health Care Administrator. Emergent goal increases, specialized skill requirements and civilian market competition for these specialties put goal attainment at high risk. Emergent goal requirements are especially challenging because we have no in-year incentives, such as signing bonuses, to offer college graduates or seniors, most of whom are receiving lucrative offers and/or have significant college loans to repay. We have continued to develop long term recruiting strategies for critical program success and the recruiting performance in the programs of concern is far exceeding the performance in fiscal year 2000. However, without an accession bonus to facilitate short term recruiting importance, the nominal time for recovery of a recruiting program remains about 2 years.

Given the challenges described above, fiscal year 2001 has still enjoyed several bright spots. The Nuclear Power Officer Candidate (NUPOC) program filled over 100 percent of its submarine and surface officer goals the second consecutive year after having failed to achieve goal since fiscal year 1996. Improved incentives for new accessions and strong resource sponsor support of the recruiting effort have generated a level of momentum projected to sustain a successful NUPOC program in the foreseeable future.

Along with improving marketing materials, we are pressing for individuals in critical specialty fields to participate in our Officer Hometown Area Recruiting Assistance Program (OHARP) and working with the leadership of several officer communities to take an active role in recruiting the talented individuals needed for their designators. We are exploring the need for additional accession bonuses and/or loan repayment programs to assist with critical in-year officer accession requirements. We are also reviewing steps to streamline the officer application process by contracting commercial physical examinations and establishing web-based applications, blueprinting and electronic application routing.

SUMMARY

Navy is committed to winning its war for people. We need to continue leveraging our recent successes, capitalizing on the commitment of Navy leadership and innovative recruiting, retention and attrition-reduction programs, to maintain the current recruiting and retention momentum. Progress made thus far is, in large part, due to the strong support and leadership that Congress has shown. With your continued help, we remain cautiously optimistic that we will be able to sustain efforts to attract America's high-caliber youth as we challenge them to "accelerate their lives". Navy is an "Employer of Choice" even in the current competitive environment. We will continue demonstrating the many rewarding opportunities that await them through service in the Navy and we will continue concerted efforts to convince sailors to "Stay Navy" once they have joined our team.

Senator HUTCHINSON. Thank you Admiral Ryan.
General Murray.

STATEMENT OF MAJ. GEN. TERRENCE P. MURRAY, USMC, ACTING ASSISTANT DEPUTY COMMANDANT FOR MANPOWER AND RESERVE AFFAIRS; ACCOMPANIED BY MAJ. GEN. GARRY L. PARKS, USMC, UNITED STATES MARINE CORPS RECRUITING COMMAND

General MURRAY. Senator Hutchinson, Senator Cleland, General Parks and I are pleased to be here today. We are also pleased to report that the Marine Corps will meet its recruiting and retention goals this year. We have submitted a statement for the record and we look forward to your questions. Thank you sir.

[The prepared combined statement of Major General Murray and Major General Parks follows:]

PREPARED COMBINED STATEMENT BY MAJ. GEN. TERRENCE P. MURRAY, USMC, AND
MAJ. GEN. GARRY L. PARKS, USMC

Mr. Chairman and members of the subcommittee: We are pleased to appear before you today to discuss recruiting and retention in the United States Marine Corps. The Marine Corps achieved its recruiting goals for fiscal year 2000 in both quantity and quality. We recruited 38,574 non-prior service regular and Reserve Marines, with 95.8 percent being high school graduates, as well as 1,678 new warrant and commissioned officers. Additionally, the Marine Corps will meet both enlisted and officer recruiting objectives for fiscal year 2001. Currently, we anticipate exceeding our end strength by approximately 400 marines at the end of this fiscal year, a figure that places us within the congressionally-mandated ceiling.

RECRUITING OVERVIEW

The Marine Corps has successfully completed more than 5 consecutive years of mission attainment. This success has not come easily. With unprecedented low unemployment, rapidly fading numbers of veteran influencers, higher college attendance, and lower enlistment propensity, today's recruiting environment remains extremely challenging for all military recruiters. There is great competition for the same highly qualified individuals who we seek to make marines. The Marine Corps' achievements are the direct result of our proven doctrine of systematic recruiting, an advertising message that clearly supports our recruiting strategy, and the tireless efforts of our recruiters. In light of the challenging nature of recruiting, the Marine Corps Recruiting Command (MCRC) is pursuing a number of strategic support initiatives that will help us to remain competitive.

Technology Enhancements

Project "Tun Tavern" was developed by the Marine Corps Warfighting Laboratory in support of MCRC to explore ways that advances in communications and computer technology can be used to increase recruiter productivity. Based on a favorable examination, the Marine Corps Recruiting Command has formed a "Technology Integration Working Group (TWIG)" to implement the use of cell phones and an automated enlistment and waiver documents package. These initiatives are time-savings measures for processing prospective applicants which, in the end, will result in an improvement to the quality of life for the recruiter.

MCRIS-RS

MCRC is addressing the need to better manage and analyze information by introducing a significantly upgraded automated information system, the Marine Corps Recruiting Information Support System—Recruiting Station (MCRIS-RS). MCRIS-RS replaces a 20-year-old mainframe system that merely captured information on applicants after enlistment. The new system allows users to capture data electronically, just as soon as an applicant declares intent to become a Marine.

MCRIS-RS will streamline the entire enlistment process and provide immediate benefits in man-hour savings by eliminating redundant data entry and by improving the quality of information available. Moreover, the new system will directly interface with and support key information technology initiatives of the U.S. Military Entrance Processing Command to electronically schedule applicants for processing and receive electronic processing results. MCRIS-RS harnesses state-of-the-art technology and provides MCRC with a solid foundation from which to grow future manpower information systems.

Web-Based Initiatives

Last year Marine Corps Recruiting Command totally revamped its web-based recruiting tools and launched the first phase of brand new web sites. Targeted for the population interested in opportunities as an enlisted Marine is *marines.com* and for commissioning opportunities, *marineofficer.com*. These upgrades have greatly enhanced our effectiveness at Internet-based lead generation.

With the *marines.com* site, our aim is to attract, engage, and compel the qualified prospects to register their contact information. We believe that individuals who actively seek out the *marines.com* web site are generally more interested in opportunities than direct mail prospects. The target audiences for this site are predominately male high school students, recent high school graduates, and the labor workforce.

The *marineofficer.com* site provides information to interested college students, among whom the recruiting dynamics are very different from that of enlisted applicants. Our objective here is to educate visitors about the officer programs and to facilitate contact with local Officer Selection Officers. Knowing that this audience is more educationally aware with goals that are more definitive, the look and feel of the site is more academically and historically developed.

Both these sites are single-minded in scope: to drive prospects to recruiters. Our focus with electronic contact is to maximize a "face-to-face" exchange between a recruiter and a prospect. That is, we do not seek to replace Marine recruiters with virtual recruiters. In the end, it is, and will continue to be, the Marine recruiter who will convince a young man or woman to join the Corps, not a computer program.

In addition to these revised web sites, last year the recruiting command launched its first-ever permissive email campaigns to the officer and workforce markets. We use this program to follow through with our web site hits. Expanded permissive email campaigns are ongoing throughout fiscal year 2001.

Advertising and Marketing Initiatives

The Marine Corps continually evaluates the most cost effective advertising resources to support the recruiting force. We compile and analyze information on media costs, the media habits of our targeted population, and their perceptions of the Marine Corps. By understanding the needs of our prospect audience and communicating to them in a way that conveys a consistent and accurate message, we strengthen the Marine position against competing agencies. Our communications strategy focuses on the benefits derived purely from being a Marine. We avoid presenting service in the Marine Corps as the price to be paid in order to receive extrinsic benefits like technical training and college assistance that are readily attainable from sources other than the military.

The ability to differentiate our image and message has served the Marine Corps well during the past 5-plus years. We are examining new advertising and marketing initiatives that target ways to build on this foundation. MCRC believes in emulating "best practice" examples from private industry where it makes sense to do so. The Marine Corps is most interested in those examples that achieve substantial differentiation through innovative sales practices, help reinforce the positive reputation of our recruiters, and foster trust.

The next, "Millennial," generation of prospects, born after 1983, is emerging. MCRC recognizes the need to adjust our advertising strategy to communicate our message in a way that resonates with this new generation. Our message will target a specific segment of Millennials, a segment that wants to be challenged and that recognizes there are valuable, intangible benefits derived from service to the Nation. Consequently, research is currently underway to develop additional insights with regards to the attitudes, values and behaviors of this generation. Conclusions gleaned from a five-city focus group effort will be incorporated in the development of the fiscal year 2002 advertising campaign.

Parents appear to play a larger role in the decision-making processes of the Millennial generation. Consequently, MCRC created a film to reach out to the parents of prospects who are considering the Corps. This film will soon be fielded this spring to aid recruiters in speaking with parents of graduating students considering military service.

The Marine Corps Recruiting Command has been working on Marine Corps participation in a new IMAX film on vertical flight to be a future presentation at the National Air and Space Museum. We are preparing to commit services of aviation assets for the Marine Corps segment of the film. The presentation is designed to increase the Marine Corps overall awareness through a dramatic documentary.

Additionally, the Marine Corps Recruiting Command is preparing for the 2001 National Scout Jamboree, an event that takes place every 4 years. Within the Boy Scouts of America, the National jamboree is the equivalent of the Olympics, with a sellout crowd of over 35,000 Boy Scouts in attendance. The jamboree is scheduled between July 23 and August 1, 2001, at Fort A.P. Hill, Virginia. Even though the Marine Corps Recruiting Command supports this event, recruiting is not the primary objective. Rather, value development and brand awareness are the primary focal points, aimed at a highly desirable target audience who are may someday be enlistable, if qualified mentally, morally, and physically. The audience represents a unique opportunity to position the Corps within this market for future consideration, while espousing ethics similar to Marine Corps core values.

Assignment and Classification Programs Restructuring

In addition to technological initiatives, MCRC is restructuring the way we allocate Military Occupational Specialty (MOS) enlistment programs. This restructure, while not directly impacting the accession mission, will allow MCRC greater flexibility in providing the Operating Forces with the right marines with the right MOSs at the right time. This continual process is aligning program allocation with trimester phasing, that is the apportionment of the annual accession mission over the course

of the year. It also will help to overcome shortfalls in critical MOSs in the operating forces, increase overall personnel readiness, and ultimately reinforce retention.

Nationwide Restructuring

Due to dynamic changes that shape our recruiting environment, MCRC is undergoing a national restructuring effort to ensure that our recruiting resources are properly positioned. Our internal restructuring program will result in a better balance of territories and an equal opportunity for each recruiter to be successful, based on a distribution of assets among the 2 regions, 6 recruiting districts, and 48 recruiting stations. Factors considered during this restructuring effort include shifting demographics, educational and employment opportunity trends, and logistics implications.

Professionalization of Career Planning

At the direction of the Commandant of the Marine Corps, the Marine Corps' Career Planner school is being realigned under the cognizance of the Marine Corps Recruiting Command. This initiative will allow the career planning students to receive the same level of training in communication and coaching as that received by the recruiting students. The end results will be the ability to increase high-quality retention in the operational forces, thus stabilizing end strength projections.

Recruiting Summary

Marine Corps recruiting initiatives are intended to reinforce past successes and to position MCRC for future success by better empowering Marine recruiters to do their jobs more effectively. MCRC embraces the challenges associated with attracting our targeted population through the Internet, broadcast, and print media. While we may change the face of our advertising products and the forum used to present them, our underlying theme will not change. MCRC will continue to market our core values, ethos, history, and traditions because that legacy defines who and what we are.

RETENTION OVERVIEW

A successful recruiting effort is merely the first step in the process of placing a properly trained Marine in the right place at the right time. The dynamics of our manpower system then must match occupational specialties and grades to our Commanders' needs throughout the operating forces. The Marine Corps endeavors to manage stable, predictable retention patterns. However, as is the case with recruiting, civilian opportunities abound for our marines as private employers are actively solicit our young marines for lucrative private sector employment.

Enlisted

We are very mindful of our enlisted retention issues. Our enlisted force is the backbone of the Corps and we make every effort to retain our best people. Even though we are experiencing minor turbulence in some specialties, the aggregate enlisted retention situation is encouraging. Some shortages exist in a number of high tech MOSs that represent an important part of our warfighting capability, and these young marines remain in high demand in the civilian sector.

We are a young force, making accessions a chief concern for manpower readiness. Of the 154,000 Active Duty enlisted force, over 23,000 are still teenagers—108,000 are still on their first enlistment. In fiscal year 2001, we will have reenlisted approximately 27 percent of our first term eligible population. These 6,069 marines represented 100 percent of the marines we needed to transition into in the career force. This will be the 8th consecutive year we will have achieved this same objective. We have seen a slight increase in the number of marines we need to have reenlist. The first term reenlistment requirement increases to compensate for some of our intermediate force losses . . . marines in their 8th through 12th years of service.

This year we continued to see first term non-EAS attrition rates similar to the lower attrition we experienced in fiscal years 1999 and 2000 compared to previous historical rates. Marines are assuming the cultural values of the Corps earlier in their career. The implementation of the Crucible and the Unit Cohesion programs are contributing to improved retention among our young marines. The impact of lower non-EAS attrition allowed us to reduce our accession mission in fiscal year 2000 for our recruiters and may allow us to do the same this year if the attrition rate declines further.

In the larger picture, we are extremely pleased with our recruiting and retention situation. We anticipate meeting 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 extremely proud of our accomplishments.

We attack our specialty shortages with the highly successful Selective Reenlistment (SRB) program. These shortages persist in some highly technical specialties such as intelligence, data communications experts, and air command and control technicians. Currently, the Marine Corps has allotted \$40 million in SRB new payments to assist our reenlistment efforts in fiscal year 2001. This amount includes the greatly appreciated \$13 million congressional plus-up which significantly aided our reenlistment retention rates and help improve retention for some of our critical skill shortages. We used this funding to implement lump sum payments for the program. Lump sum payments are increasing the net present value of the incentive and will positively influence highly qualified personnel who are currently undecided. This is an incredibly powerful incentive for these "fence sitters" to witness another Marine's reenlistment and award of SRB in the total amount.

In the long-term we would like to reduce the emphasis on bonuses and special pays and continue to focus on increases in basic pays. We believe this to be a potentially powerful incentive for the youth of America to join our Corps and to influence marines already in our Corps to stay.

Officers

By and large, officer retention continues to experience success with substantive improvements in retention, beginning in fiscal year 2000. Our fiscal year 2001 results continue to reflect that an overall attrition rate that is closer to our historical rates of retention. We believe that the reduction of voluntary separations may be attributed to the administratively proposed and congressionally approved compensation triad and the strategic, albeit limited, use of specialty pays. As with the enlisted force, we still have some skill imbalances within our officer corps, especially in the aviation specialties.

Although we are cautiously optimistic, pilot retention remains a concern. The fiscal year 2010 ACP Plan has had mixed results as of the end of the first quarter for fiscal year 2010. Rotary wing pilot (RWP) and Naval flight officer (NFO) "take rates" for ACP have met aggregate retention targets for these communities. Fixed wing pilot (FWP) "take rates," while improved over previous years, have not met retention targets that increased to compensate for the number of previous losses due to civilian airline hiring.

One specific area of officer retention we are aggressively targeting is the FWP major in year of commissioning group 1988–1991. Retaining Marine Corps aviators involves a concerted Marine Corps effort in multiple areas that have been identified as impacting an officer's decision to remain in the Marine Corps. Many recent fiscal year 2000 and fiscal year 2001 retention initiatives have made substantial corrective strides strengthening the Marine Corps' position towards retaining aviation officers (i.e., Marine Aviation Campaign Plan, and Pay and REDUX reform). Supplementary pay programs such as ACP can provide an additional incentive by lessening the significant difference between civilian airline and military compensation. We anticipate a significant return on our investment from ACP and will continue to reevaluate our aviation retention situation to optimize all our resources.

The Marine Corps officer and enlisted retention situation is very encouraging. Through the sensational efforts of our unit commanders, we will achieve every strength objective for fiscal year 2001. Even though managing our retention success has offered new challenges such as maintaining the appropriate grade mix, sustaining quality accessions, and balancing occupational specialties, we will continue to press forward and meet all challenges head on. We are optimistic about our current situation in this difficult retention environment and we expect these trends to continue.

The Marine Corps remains strong in our recruiting and retention efforts. We have achieved these successes through the same tenets that have won us valor on the battlefield. Marines are proud of what they are doing. They are proud of the Eagle, Globe, and Anchor and what it represents for our country. It is our job to provide for them the leadership, resources, and moral guidance to carry our proud Corps forward throughout this new millennium.

Senator HUTCHINSON. Thank you.
General Peterson.

STATEMENT OF LT. GEN. DONALD L. PETERSON, USAF, DEPUTY CHIEF OF STAFF FOR PERSONNEL; ACCOMPANIED BY BRIG. GEN. PAUL HANKINS, USAF, COMMANDANT, AIR FORCE OFFICER ACCESSION AND TRAINING SCHOOLS, MAXWELL AFB

General PETERSON. Yes, sir. Mr. Chairman, Senator Cleland, it is an honor to be before the subcommittee once again. I appreciate the opportunity to come and talk about our recruiting and retention initiatives and challenges and where we are today.

Yesterday afternoon I returned from visiting our troops in southwest Asia. Once again I was renewed at their commitment and their professionalism. It motivated me even more to think about what we can do to help them and sustain that force.

I remember visiting Ali Al-Salain Air Base in Kuwait. It is 39 miles from the Iraqi border. Our troops are there, of course, doing their job in blistering heat and blowing sand, a challenging mission and yet you find that their morale is very high.

They are very much professionals. They serve not only with other airmen but other members of our services together as a real team. They call their place the rock, but you wouldn't know that's an affectionate name for it as they do their mission of detecting threats from the north. There's only eight permanent party members there and 600 deployed folks who are operating in our expeditionary forces. They come together like a great team that we expect.

They're doing their best, they're on the front lines and they're doing what they signed up to do. Seeing those folks, as I said, brings me to the challenges that we have. Today as we know in our society only about 6 percent of those under 65 have had any military experience, as we talked about earlier in the hearing. That leaves us a smaller footprint with a drawdown of our forces. We are operating the longest sustained economic growth period in our Nation's history which is excellent for our Nation and I give great credit to many of our servicemen and servicewomen who created those environments by creating stability around our world.

We also find with the challenges of low unemployment, which is also a great problem to have for our military and its recruiting because it is good for our Nation, but it makes it tough as we compete for the quality people out there to come into our service.

We have responded aggressively in meeting this challenge. In fiscal year 1999 we had 985 recruiters. Today we have 1,442. We are continuing to build that so we can bring in not only the numbers we need but also the quality we need.

We synchronized our marketing and advertising so that it is more efficient and more effective. We have targeted bonuses to those young people that come in with the skills that we need as well as importantly nonprior service, and we have a number of prior service now who have come back to us because they've been outside working, they find that the pay is good but they miss their service, the camaraderie and the people they serve with, and they bring valuable experience that we cannot replace with a new enlistee.

The result is in fiscal year 2000 we exceeded our goal in recruiting and also brought in, as I said, an important 850 members who have served in Armed Services before, which brings that experience

back to us. Just as importantly, we are recruiting the people with quality. We maintain our standard at 99 percent for high school graduates and we brought in about 75 percent of our folks who score in the top half of all the testing.

We have been successful in our officer recruiting in the last couple of years. We have achieved 97 percent rate, even though we increased the requirement over those 2 years. We think we will make our officer recruiting this year. We see challenges in fiscal year 2002 and fiscal year 2003 which we are working to attack right now with the help of the subcommittee and the resources you've given us and the more important flexibility you've given us by giving us authorization to allow us to be more flexible.

We are a retention force. We know that we have strains of tempo, continued high tempo. We are trying to attack that aggressively with our air expeditionary forces which allow our members to see a predictable schedule and depend on some stability in their lives, which is important. As I visited throughout Kuwait and Saudi Arabia, I found this to be an important factor for our troops. They're operating now in the second year of an expeditionary force and they do an excellent job of falling in together to carry out the mission and the expeditionary forces that they're assigned to.

Also, we worked on our quality of life with a robust set of initiatives. We have added an important tool here. These are things that our people tell us are important to them and that is the balance of our manpower and our tasking, working toward adequate manpower and also quality work spaces. We often talk about our homes and our dormitories but it is important to our members to have adequate not only workplaces but the tools that go with those workplaces.

Fair and competitive compensation and benefits, balanced tempo, quality health care, safe and affordable housing, enriched community and family programs all certainly an area we have been interested in for many years. Enhanced educational opportunities round out our quality of life initiatives that our people ask us to support and that we drive into our budgets.

We are working overall though to make sure that we manage our resources with our taskings, that is, to keep our force in balance. That's one of our largest challenges today. Our fiscal year 2001 reenlisted rates are a positive indicator of where we are heading. It is the first time since August 1998 that we actually met our goal and now have exceeded our goal in first term reenlistments.

We are up slightly in our second term reenlistments and pretty much steady in our career reenlistment area. If we hadn't taken the initiatives we have and had the help you've given us over these last few years, I'm certain we would be falling well short of these goals and actually going the other direction. With your continued help, I think we can keep our vector on the upslope.

Our people have changed in their attitude too because of what's happened in the last few years. We have taken surveys in fiscal year 1999 and again in 2000, and in every category of our servicemen and servicewomen we find that their propensity to stay is higher, their appreciation for what the Air Force is doing is higher, and they appreciate the benefits and support that they have received in increasing their quality of life.

Our pilot retention remains a tremendous challenge. We have increased our pilot production and we have also increased the active duty service commitment for our pilots. While it will take a while for that part to kick in, we depend on the authority you've given us in our aviation continuation pay bonuses which we have renewed and provided more options for our pilots and that's helping us hold the line but we are still short pilots overall. This is a tough struggle in light of aviation community growth in the civilian world, so we know we are in for a long fight here.

Our force is a total force and we include about a 160,000 Air Force civilians. Making sure that we keep that force working effectively and well supported is just as important. We manage our civilians and our military together in one pool of human capital. We have asked for and received support from Senator Voinovich and others for some flexibility in adjusting that force, both in the renewal of those that we need in the front end, to help the skills and the broadening of our force in the middle and to handle the accession—excuse me, the draw down of those on the high end of our force, so that we have the right skills in the right places.

The strategy we have taken to work the civilian side has been one with the same interest and initiative that we have in our military side because, as I said, it represents a quarter of our force, when you add our Active Force, our Guard and Reserve and our civilian force together as part of our Air Force.

We greatly appreciate the support of this subcommittee, as I said, and Congress and these initiatives. We know we are in a tough fight. If I had to declare where we are right now I would say we are probably neutral. I would have said we were defensive last year. We want to move to the offensive side now and we think we can do that if we stay on the path that we are on today, with your support.

We are all working for the same goal, that's to have a better and more capable Air Force and a better and more capable military. We think we can get there if we stay, as I said, on this vector. I look forward to your questions.

[The prepared statement of Lieutenant General Peterson follows:]

PREPARED STATEMENT BY LT. GEN. DONALD L. PETERSON, USAF

INTRODUCTION

Mr. Chairman and members of the subcommittee, it is a great honor to come before you to represent the men and women of the United States Air Force and report the status of Air Force recruiting and retention. Our people are our most crucial readiness component, and as we begin a new millennium, we must continue to recruit and retain the best and brightest to sustain the force. We rely on a highly skilled, diverse, educated and technologically superior force of world-class officers, enlisted men and women, and civilians to function as an effective warfighting team. Despite the challenges they face, our people remain willing to give the extra effort needed to achieve the mission—and our families support those decisions. Our people are proud of their contributions to our Nation's security and cognizant of how that security contributes to our Nation's unprecedented prosperity and the freedoms we all enjoy. Air Force leadership values their service and is committed to taking care of our people and their families.

A key to our ability to execute the National Military Strategy is establishing end strength at a level where our resources are appropriate to our taskings. Then, we must attract sufficient numbers of high quality, motivated people, train them, and retain them in the right numbers and skills. Meeting end strength—recruiting and

retaining the right number and mix of people—has been challenging during a decade of sustained economic growth, record low unemployment, increasing opportunity and financial assistance for higher education, and declining propensity to join the military. In fact, exit surveys show that availability of civilian jobs is the number one reason our people leave the Air Force. In addition, we have severely stressed parts of our force, primarily those individuals who man our low-density/high-demand (LD/HD) systems. The Quadrennial Defense Review (QDR) will help us refine our mission and determine the right end strength. However, we already know that the current situation cannot persist—we must either add end strength or reduce taskings. With Congress' continued support, we will be able to address this issue and correctly size and man our force to perform our mission and achieve our national objectives.

During the past year, we averaged over 13,000 Active Duty and Reserve men and women deployed daily around the world, and another 76,000 are forward based on permanent assignment. They do what is necessary to execute the mission—work long hours and endure prolonged separation from their families. At the same time, individuals at home station pick up the duties of those who are forward deployed. Earlier this year, I traveled to Europe and the Pacific to talk with our people, to see the conditions under which they are working, and to listen to their concerns. Despite the fact that our people are tired, stressed, and strained, morale is high. Almost universally, our people expressed concern for our Air Force and pride in what they do. They are interested in understanding and executing leadership priorities. They also want their concerns listened to, understood, and acted upon. They do not ask for much. They simply want the appropriate tools and enough trained people to do the job, and they want to know their families are being taken care of. We need to attract America's best and brightest, and we must retain them. While patriotism is the number one reason our people—both officers and enlisted—stay in the Air Force, patriotism alone cannot be the sole motivation for a military career. We must provide our people with quality of life commensurate with the level of work they perform and the sacrifices they make for their country.

RETENTION

We are unique among the Services in that we are a retention-based force. Our expeditionary mission and our complex weapon systems require a seasoned, experienced force and we depend on retaining highly trained and skilled people to maintain our readiness for rapid global deployment. However, we expect the “pull” on our skilled enlisted members and officers to leave the Air Force to persist. Businesses in the private sector place a high premium on our members' skills and training, which makes retaining our people a continuing challenge. In addition, manning shortfalls, increased working hours and TEMPO continue to “push” our people out of the Air Force. The result of these “push” and “pull” factors is that our human capital remains at risk.

Enlisted Retention

Highly trained, experienced enlisted men and women are the backbone of our personnel force; they are vital to the success of our mission. Adverse retention trends, particularly for our first-term (4–6 years) and second-term (8–10 years) enlisted members, have been our number one concern. We measure reenlistment rates by the percentage of those members eligible to reenlist who reenlist. For first-term enlisted members, our reenlistment goal is 55 percent; for second-term members, our goal is 75 percent; and for career (over 10 years) members, our goal is 95 percent. In fiscal year 2000, we missed all three goals. The first-term reenlistment rate was 52 percent, 3 percent below goal; the second-term reenlistment rate was 69 percent, 6 percent below goal; and the career rate was 91 percent, 4 percent below goal. However, fiscal year 2001 reenlistment rates show some improvement. As of 31 March 2001, the cumulative reenlistment rate for first-term was 56 percent; for second-term it was 70 percent and for career airmen, it was 91 percent. This is the first time since summer, 1998 that we met our first-term retention goal. While second-term reenlistments are slightly up from fiscal year 2000, the continued shortfall in this area continues to be our most significant enlisted retention challenge. Second-termers are the foundation of our enlisted corps; they are the technicians, trainers, and future enlisted leaders. Our career airmen reenlistment rate also continues to be of concern. While the rate remained constant at 91 percent, it is still below goal by 4 percent. Figure 1 illustrates retention trends since 1979.

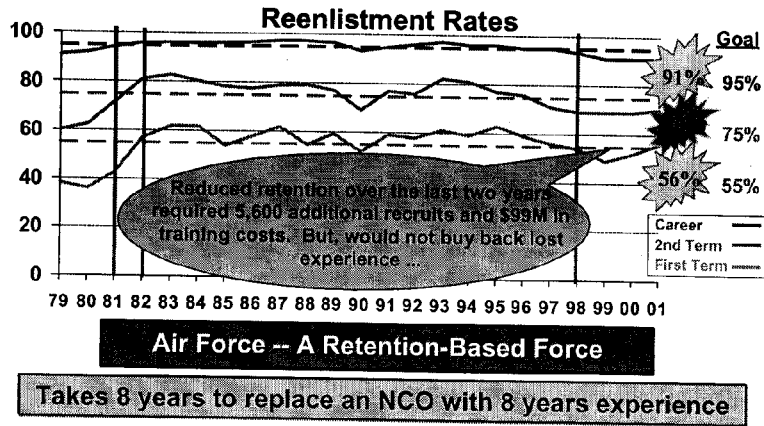


Figure 1 (As of 31 Mar 01)

Retaining the right skills in our enlisted force is just as important as retaining the right numbers. Figures 2 and 3 show trends in first- and second-term reenlistment rates for critical and key warfighting skills. We have shown progress in some areas. However, most of these skills are still below goal. For example, while the second-term reenlistment rate for communications/computer systems control specialists is up 10 percent from fiscal year 1999 to fiscal year 2001, the rate is still 30 percent below goal.

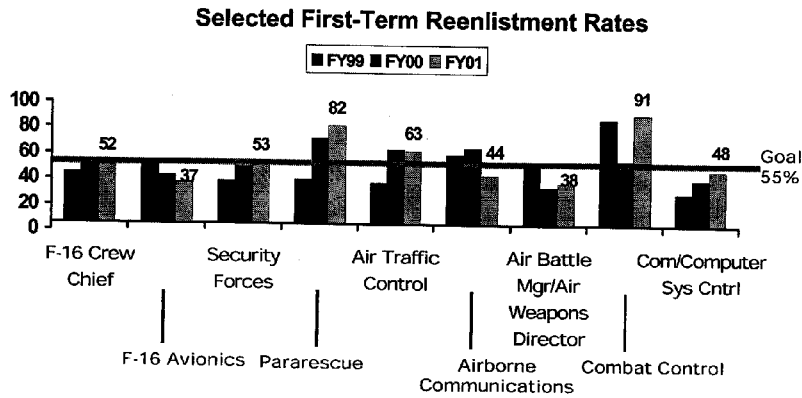


Figure 2 (As of 31 Mar 01)

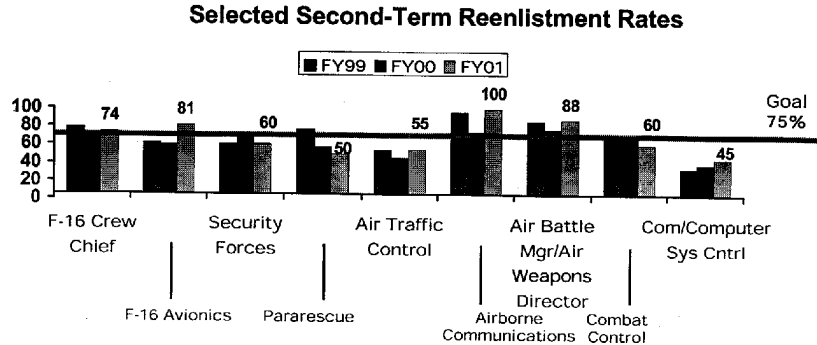


Figure 3 (As of 31 Mar 01)

The Air Force, unlike a business, cannot recruit many already trained members, such as F-16 avionics specialists. It literally takes us 8 years to replace the experience lost when an 8-year noncommissioned officer leaves the Air Force. There are no shortcuts. In addition, it costs less to retain than to recruit and retrain, and when we retain, we maintain skill, experience and leadership. Now, more than ever, we must address the factors that encourage our people to leave or stay. Approximately seven out of every 10 enlisted men and women will make a reenlistment decision between fiscal year 2001 and fiscal year 2004—over 193,000 enlisted members. Considering today's strong economy, potentially large numbers of our enlisted force, our technical foundation, will likely continue to seek civil sector employment and more stable lives for themselves and their families. In fact, availability of comparable civilian jobs and inadequate pay and allowances are the top reasons our people leave the Air Force. We work our enlisted retention challenge with this fact in mind.

Officer Retention

Officer retention is also challenging our Air Force. We measure officer retention by cumulative continuation rates (CCR), the percentage of officers entering their 4th year of service (6 years for pilots and navigators) who will complete or continue to 11 years of service given existing retention patterns. Our navigator and air battle manager (ABM) CCRs showed improvement from fiscal year 1999 to fiscal year 2000; the navigator CCR increased from 62 percent to 69 percent and the ABM CCR from 45 percent to 51 percent. However, our non-rated operations and mission support CCRs declined from fiscal year 1999 to fiscal year 2000. Our non-rated operations CCR was 51 percent in fiscal year 2000, 6 percentage points below the fiscal year 1999 rate, and 8 percentage points below the historical average of 59 percent—the rate as of March 2001 is 49 percent. In fiscal year 2000, our mission support officer CCR was at 43 percent, down from 45 percent in fiscal year 1999—historical average has been 53 percent. Figure 4 illustrates historical CCRs in these specialties.

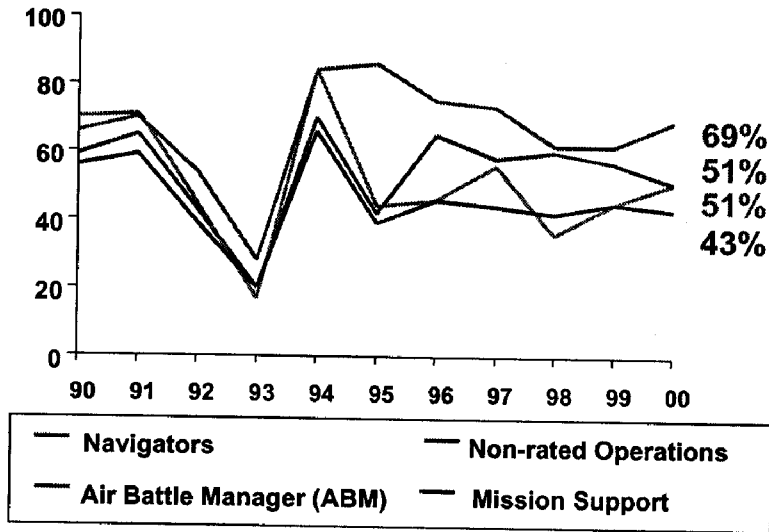


Figure 4 (As of 30 Sep 00)

As with the enlisted force, we have difficulty retaining officers with skills that are in demand in the private sector. We are particularly concerned about retaining our scientists, engineers, and communications-computer systems officers. We are not meeting our desired levels in these critical specialties. In fiscal year 2001, we have shown some progress, as CCR for developmental and civil engineers and communications-computer systems officers improved slightly. However, we remain below historical CCR for these officers. Figure 5 illustrates historical CCRs for selected critical skills.

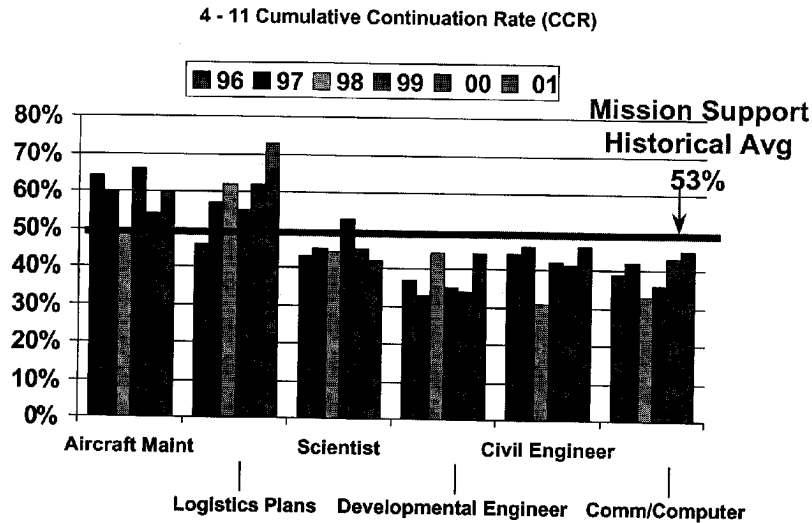


Figure 5 (As of 31 Mar 01)

Retention Initiatives

Through a number of initiatives, we are fighting back; progress is slow but steady. For our enlisted troops, we increased the number of career specialties eligible to receive a Selective Reenlistment Bonus over the past 3 years. Now, 150 of 200 skills (75 percent of enlisted specialties) receive a reenlistment bonus. The number of enlisted men and women who received initial bonus payments increased dramatically from approximately 2,500 in fiscal year 1995 to over 17,000 in fiscal year 2000. Over 24,500 members received anniversary payments and nearly 200 received accelerated payments, which are provided to members experiencing hardship situations. The result has been a moderate improvement to first-term and second-term retention, and the ability to hold steady in career retention.

We appreciate the legislative authority you granted us to offer our people the Officer and Enlisted Critical Skills Bonus of up to \$200,000 over their careers and the increase in Special Duty Assignment Pay to a maximum of \$600 per month. This will help us turn around the crisis we are experiencing in retaining our mission support officers and enlisted members in our warfighting specialties. We also implemented a liberal High Year Tenure (HYT) waiver policy to allow noncommissioned officers with skills we need to stay past their mandatory retirement. In fiscal year 1999, we granted nearly 1,600 such waivers, and we granted over 1,100 in fiscal year 2000. As of 31 March 2001, we granted 593 HYT waivers.

On the officer retention front, our Acquisition community held a Scientist and Engineer Summit to review our long-term strategy for recruiting, retaining and managing these highly technical officers and civilians. A key outcome of the Summit was that our Acquisition community was identified to serve as the interim central manager for scientists and engineers. They are developing a concept of operations for our scientists and engineers, and analyzing scientist and engineer manpower requirements. A second summit is being planned to review and prioritize the requirements, establish career path guidance and request civilian hiring practices to make us competitive with industry. We have also outsourced many of our officer engineering and programming requirements.

Pilot Retention

Management of our pilot force has been a top priority since the fall of 1996 and is one of our most difficult challenges. The "pull" of civilian airline hiring and "push" of TEMPO continue to impact our pilot retention. Major airline hiring is far exceeding predictions. Since 1994, annual airline hires have nearly quadrupled: from 1,226 in calendar year 1994 to 4,799 in calendar year 2000. The 14 major airlines could

hire every fixed-wing pilot that the United States Army, Navy, Marine Corps, and Air Force produces and still not meet their requirements for the foreseeable future. Figure 6 graphically portrays this challenge.

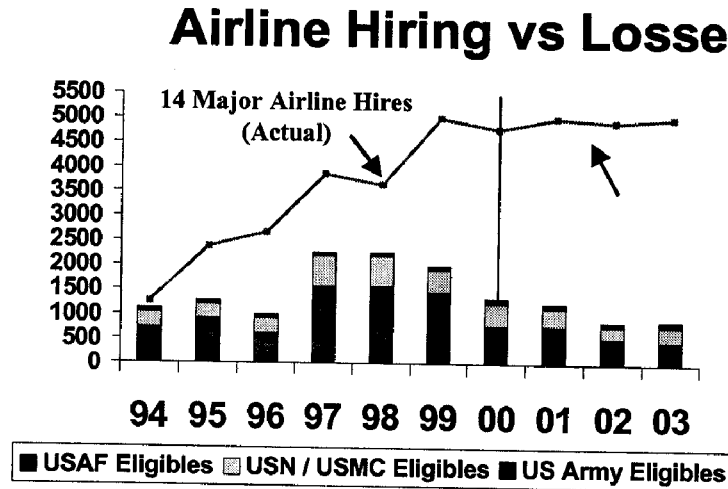


Figure 6

In addition, the overall increase in TEMPO over the past several years has affected the pilot force. A recent Air Force study of pilot retention concluded that high TEMPO carries significant, adverse retention impacts, and recent surveys cite TEMPO as among the leading causes of pilot separations. In fiscal year 2000, there were 1,084 approved pilot separations compared to only 305 separations in fiscal year 1995. As a result, we ended fiscal year 2000 approximately 1,200 (9 percent) below our pilot requirement. Our pilot CCR of 45 percent in fiscal year 2000 is down from a high of 87 percent in fiscal year 1995. We project a pilot shortage of approximately 1,100 (8 percent) by the end of fiscal year 2001.

We are aggressively attacking the pilot shortage from numerous angles. We are focused on fully manning our cockpits and have prioritized rated staff manning. We established temporary civilian overhire billets and implemented a Voluntary Rated Retired Recall Program. We also increased pilot production from 650 in fiscal year 1997 to 1,100 in fiscal year 2000 and beyond. In October 1999, we increased the active duty service commitment for pilot training to 10 years. Additionally, the Expeditionary Aerospace Force is helping us manage TEMPO for our people, affording us greater predictability and stability.

Under a provision of the Fiscal Year 2000 National Defense Authorization Act (NDAA), we began offering Aviation Continuation Pay (ACP) payments through a pilot's 25th year of aviation service at up to \$25,000 per year. We also expanded eligibility to include pilots through the rank of colonel. This ACP restructuring resulted in a substantial increase in committed man-years and improved force predictability. We made further enhancements to the pilot bonus program in fiscal year 2001. The up-front lump sum payment cap was raised from \$100,000 to \$150,000 and up-front payment options were expanded for first-time eligible pilots. These enhancements are designed to encourage pilots to take longer-term agreements. Although the bonus take rate for first-time eligibles has declined over the past 2 years, due in large measure to the growing effects of the sustained "pull/push" retention forces described, the ACP program continues to play a vital role in partially countering these effects.

All of these efforts, along with significant improvements in quality of life, have resulted in a projected increase in our pilot inventory over the next decade. While

pilot shortages will remain, we are holding the line in a tough retention environment.

RECRUITING

Since our transition to an all-volunteer force in 1973, we met our enlisted recruiting goals in all but 2 fiscal years: 1979 and 1999. However, the propensity of our youth to serve in the military has declined. More high school graduates, approximately 70 percent, are choosing to enroll in college versus pursuing a military career—in many cases, they don't realize what the military has to offer. Our footprint in the civilian community is getting smaller. There are fewer military influencers—parents, grandparents, teachers, counselors, and community leaders—who have served in the military. In fact, only 6 percent of our population under age 65 have military experience. These factors, combined with the longest sustained economic growth in our Nation's history, have made recruiting a diverse all-volunteer force extremely difficult. However, we have taken significant steps to reverse the downward trend in recruiting. In fiscal year 2000, we waged an all-out war to recruit America's best and brightest—and won. We increased recruiter manning, developed more competitive accession incentives, instituted an expanded and synchronized marketing, advertising, and recruiting effort, and broadened our prior service enlistment program. Additionally, we targeted minority recruiting markets with a goal to increase diversity.

Using these weapons, we ended fiscal year 2000 at over 101 percent of our enlisted accession goal, accessing 34,369 toward a goal of 34,000. In addition, we did not sacrifice quality. We still require 99 percent of our recruits to have high school diplomas and nearly 73 percent of our recruits score in the top half of test scores on the Armed Forces Qualification Test. Additionally, 848 prior service members returned to active duty, compared to 601 in fiscal year 1999 and 196 in fiscal year 1998. For fiscal year 2001 year to date, we have accessed 487 prior service members.

TABLE 1.—ENLISTED ACCESSION GOAL HISTORY

Fiscal year 1992	Fiscal year 1993	Fiscal year 1994	Fiscal year 1995	Fiscal year 1996	Fiscal year 1997	Fiscal year 1998	Fiscal year 1999	Fiscal year 2000	Fiscal year 2001
35,100	31,500	30,000	31,000	30,700	30,200	31,300	33,800	34,000	34,600

Lower than projected retention/accessions increased fiscal year 1999 goal by 2,300, fiscal year 2000 goal further increased to 34,000. Fiscal year 2001 goal set at 34,600 (Non-Prior Service/Prior Service Goal combined).

As of 31 March 2001, we had accessed 102 percent of our year-to-date recruiting goal and 101 percent of our year-to-date net reservation goal. The significance of this achievement is clear when you compare it to the same point in fiscal year 2000, when we had accessed 83 percent of our recruiting goal and 93 percent of the net reservation goal. Being ahead of our year-to-date recruiting targets alleviates the pressure associated with surging during the summer months to overcome a mid-year deficit—the bottom line is we are slightly ahead of schedule for making our fiscal year 2001 recruiting goals and should enter fiscal year 2002 with a healthy bank of applicants holding enlistment reservations. Also, successful recruiting means enlisting airmen whose aptitudes match the technical skills we need. Recruiting is more than just numbers—we are concerned about accessing the appropriate mix of recruits with mechanical, electronics, administrative, and general skill aptitudes. In fiscal year 2000, we fell about 1,500 short of our goal of 12,428 recruits with mechanical aptitude. In response to this shortfall, we developed a targeted sales program that is now being taught to all our field recruiters to highlight the many opportunities we offer to mechanics. Additionally, we are currently testing a “prep school” to improve the basic skills of the airmen attending courses in hard-to-fill areas such as jet engine repair and avionics maintenance. In just the first 6 months of fiscal year 2001, our efforts have begun to pay off—we accessed 6,351 mechanical recruits against our goal of 5,942 (106 percent). As of April 2001, increased focus and targeted bonuses allowed the Air Force to meet mechanical requirements, but we are still 176 short in electronics aptitudes.

At the beginning of fiscal year 1999, we had 985 production recruiters. Since then, we've made significant improvements in recruiter manning. As of April 1, 2001, recruiter staffing was at 1,442—99 percent toward a goal of 1,450. We are pressing forward to meet a goal of 1,650 recruiters by end of calendar year 2001. To help us reach this goal, we implemented a new system to select recruiters. Historically, filling recruiter requirements through a volunteer system served us well, but to get to 1,650 recruiters has required we change the way we do business. So, we imple-

mented a process that handpicks recruiters and creates a standing pool of eligible noncommissioned officers who ably represent the Air Force.

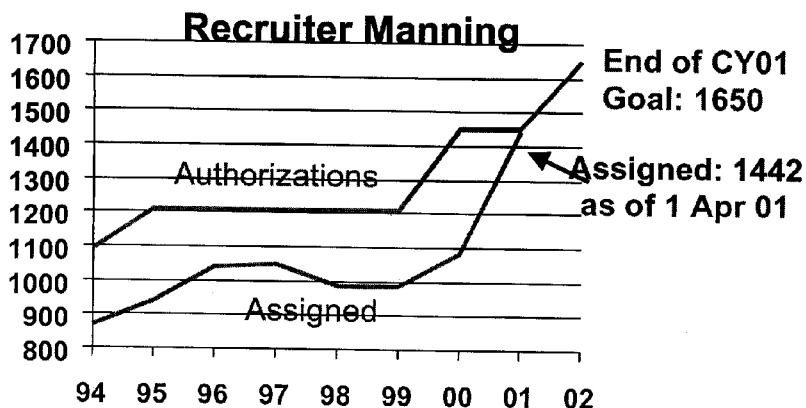


Figure 7

Bonuses have also proven to be effective in helping meet recruiting goals. We expanded the enlistment bonus program from 4 skills in 1998 to 83 in fiscal year 2000, and increased the maximum payment to \$12,000—68 percent of our bonus eligible accessions selected a 6-year initial enlistment in fiscal year 2000. Additionally, an up to \$5,000 “kicker” incentive program helped us fill the ranks during hardest-to-recruit months (February through May). To encourage “trained” personnel to return to certain specialties, in April 2001 we introduced the Prior Service Enlistment Bonus of up to \$14,000 to target a previously untapped pool of prior service personnel. The bonus targets high-tech, hard-to-fill positions. In fiscal year 2001, the bonus program remains an instrumental tool in our recruitment arsenal. The effectiveness of the fiscal year 2001 initial enlistment bonus program is illustrated by our year-to-date success in making recruitment goals. Additionally, the Air Force maintains an aggressive and integrated advertising and marketing campaign in order to saturate the applicant market and reach a cross section of American society.

Officer Recruiting

In fiscal year 2000, we achieved 97 percent of our line officer accession target, even though fiscal year 2000 production was 21 percent greater than fiscal year 1998 and 5 percent above fiscal year 1999. The Reserve Officer Training Corps (ROTC) anticipates shortfalls of 430 officers in fiscal year 2002 and 230 in fiscal year 2003. However, we are working on several initiatives to reduce these shortfalls, such as offering contracts to non-scholarship ROTC cadets after the freshman rather than sophomore year, and some legislative initiatives to ensure a strong and viable officer corps in the future.

Recruitment of health care professionals has also been difficult. Many medical, dental, nurse and biomedical specialties are critically undermanned—only 80 percent of our clinical pharmacy positions are currently filled. In fiscal year 2001, for the first time, we will offer a \$10,000 accession bonus to pharmacists who enter active duty.

QUALITY OF LIFE

The welfare of our men and women serving our Nation is critical to our overall readiness and is essential to recruiting and retention. But more than that, providing our people with adequate quality of life is the right thing to do. With continued strong support from Congress, we will pursue our core quality of life priorities: adequate manpower, improved workplace environments, fair and competitive compensation and benefits, balanced TEMPO, quality health care, safe and affordable hous-

ing, enriched community and family programs, and enhanced education opportunities.

This year, we added two new core quality of life priorities: manpower and workplace environments. Updated wartime planning factors and real-world operations validate increased manpower requirements beyond our fiscal year 2000 level. Meeting our current mission requirements with our current end strength is wearing out our people and equipment at an unacceptable rate. It is essential that we match resources to taskings—manpower requirements must be programmed to the necessary level to execute today's missions and meet tomorrow's challenges. We need to increase our force, primarily in combat, combat support, low-density/high-demand, and high TEMPO areas. RAND conducted an independent assessment of our requirements and reported that manning requirements may be understated. To keep trust with our men and women, we must provide the essential manpower to help balance TEMPO and to meet the National military strategy.

The Air Force recognizes that workplace environments significantly impact readiness and morale. Our workplace environments have been neglected over the years—requirements exceed available resources. Our infrastructure accounts have continually been tapped to pay for readiness. Real property maintenance (RPM) has been underfunded, allowing only day-to-day recurring maintenance and life-cycle repairs, creating a backlog of required RPM. Military construction has been drastically reduced since the mid-1980s. The resulting degraded and unreliable facilities and infrastructure negatively impact productivity on the flightline, in maintenance shops and administrative areas, and also adversely influence career decisions. In the long term, reduced funding results in reduced combat capability and readiness, increased RPM, parts and equipment backlogs, and creates larger bills for the future.

Providing our people with safe, affordable living accommodations improves quality of life, increases satisfaction with military service, and ultimately leads to increased retention and improved recruiting prospects. Our unaccompanied enlisted personnel desire and deserve privacy; the Air Force will continue to pursue a private room policy for our airmen using the 1+1 construction standard. Currently, 86 percent of our unaccompanied airmen housed on base has a private room with a shared bath. This percentage represents airmen living in newly constructed dorms configured to the DOD construction standard, as well as airmen who are living in 2+2 dorm rooms (rooms once shared by two individuals). The Air Force goal is to provide a private room to all unaccompanied airmen (E-1 to E-4) by fiscal year 2009. The 1+1 construction standard will allow our members to live in a private room with a private bath. We are also focusing efforts to improve, replace, and privatize over 10,000 family housing units for our members with families by fiscal year 2010—59,000 of our 104,000 housing units need revitalization, as their average age is 37 years. Ensuring members and their families have adequate visiting quarters and temporary lodging facilities is also a priority.

We are committed to ensuring our personnel are adequately compensated—this is crucial in helping us recruit and retain quality personnel. Congressional support in achieving gains in military compensation played a significant role in improving overall quality of life for our people. We are encouraged by the positive momentum gained from the improved compensation packages in the fiscal year 2000 and 2001 National Defense Authorization Acts. Our 2000 retention survey indicated officer and enlisted intent to stay in the military increased in nearly all categories over the 1999 survey results—from 24 to 31 percent for first-term airmen, 36 to 43 percent for second-term airmen, and 81 to 84 percent for career enlisted members. Company grade pilots' intent to stay increased from 25 to 42 percent, and the intent of other company grade officers increased from 52 to 59 percent. Field grade pilots' intent to stay increased from 63 to 77 percent, but other field grade officers' intent decreased from 87 to 84 percent.

In the 2000 Chief of Staff of the Air Force Quality of Life Survey, First Sergeants ranked pay and benefits as the number one quality of life priority within their units, and commanders ranked pay and benefits as second—TEMPO ranked first. In the October 2000 Major Command Revalidation, all major commands commented that we must continue to improve compensation and benefits. All major commands ranked pay and benefits in their top three quality of life priorities.

The 3.7 percent pay raise (one half percent above private sector wage growth) authorized in the fiscal year 2001 NDAA and the targeted pay raise for E-5s to E-7s ranging from \$32 to \$58 per month were important and positive developments. The need to widen our bonus footprint to cover more career fields, coupled with current retention rates, is strong evidence that the basic pay structure is too low.

Out-of-pocket expenses are also an area of concern. Recent improvements in the Basic Allowance for Housing (BAH) will help prevent further growth of out-of-pocket expenses. In calendar year 2001, our members' out-of-pocket housing expenses will

be reduced from 18.9 to 15 percent—the stated OSD goal is zero out-of-pocket costs by calendar year 2005. This will be an added expense and is likely to be included in the Secretary of Defense's review of quality of life issues. It is also important our members are not adversely impacted by moves required by the government. Our members are particularly concerned about the loss of their spouses' incomes when transferring to an overseas location. The Navy conducted an overseas spouse employment survey in September 1999 at their 13 overseas locations and found that employed spouses lose an average maximum of \$27,600 annually. The Cost of Living Adjustment (COLA) is designed to defray the difference between the cost of living in the CONUS and OCONUS, not to replace lost spousal income. Overseas employment for spouses often is not available or is only available at reduced income levels due to local custom or Status of Forces Agreements.

The loss of spousal income due to assignment to overseas locations is causing difficulties in filling overseas billets and is discouraging members from continuing active duty service. Additionally, members who are ordered into or out of base housing (including privatization or renovation of housing) at their permanent duty station without a permanent change of assignment do not receive a dislocation allowance. To help reduce out-of-pocket moving expenses, the fiscal year 2001 NDAA equalized the Dislocation Allowance for E-5s and below and authorized advanced payment of temporary lodging allowance as well as a pet quarantine reimbursement up to \$275.

Again, we appreciate the support of Congress. Enhancing community and family programs is crucial to the readiness of a force that is 62 percent married. We created the Community Action Information Board (CAIB) to bring together senior leaders to review and resolve individual, family, and installation community issues that impact our readiness and quality of life and to improve the synergy of our resources. The Air Force maintains one of the Nation's largest childcare programs—55,000 children per day. As part of a recent force-wide retention initiative, we launched a major new child care initiative called the Extended Duty Child Care Program to provide child care homes for parents whose duty hours have been extended or changed. Despite these initiatives, we are able to meet less than 65 percent of the need for child care in support of active duty members. We must continue to invest in quality childcare facilities and programs.

We recognize the economic benefits our members and their families derive from strong community and family programs such as youth programs, family support centers, fitness centers, libraries and other recreational programs that support and enhance the sense of community. Physical fitness is a force multiplier; thus investments in fitness facilities, equipment and programs directly impact our capabilities. We also support the commissary benefit as an important non-pay entitlement upon which both active duty and retired personnel depend.

We have an excellent on-line tool available for military members and their families to access detailed information on all our installations. The website, www.afcrossroads.com, provides a host of support programs to include a spouse forum, pre-deployment guide, eldercare hotlines, school information, and a spouse employment job bank. It also offers an avenue for young people to chat with youth at the gaining installations so they can learn from their peers what it is like being a young person at the installation to which the family will be moving. The job bank allows spouses to search for jobs submitted by private industry and post up to three resumes for review by potential employers. In further support of spouse employment needs, we are participating with other Services in providing IT training to a limited number of spouses. This website is receiving seven million hits per month.

Although our current TEMPO can make educational pursuits difficult, our Learning Resource Centers and distance learning initiatives offer deployed personnel education and testing opportunities through CD-ROM and interactive television. The Montgomery GI Bill contribution period of one year (\$100 a month) is a financial burden for new airmen. Additionally, we have joined with the other Services, the Department of Labor, and civilian licensing and certification agencies to promote the recognition of military training as creditable toward civilian licensing requirement.

We are committed to providing quality, accessible, and affordable health care for our Air Force people, their families and our retirees. We greatly appreciate the many health care programs authorized in the fiscal year 2001 NDAA, such as TRICARE for Life for approximately 1.5 million retirees over the age of 65. By enrolling in Part B Medicare, they will be able to visit any civilian health care provider and have TRICARE pay most, if not all, of what Medicare does not cover. We are concerned that out-year medical funding could affect delivery of this critical medical benefit.

We look forward to implementing extended TRICARE Prime Remote to our family members who are accompanying their military family member on assignment to re-

mote areas, eliminating co-payments for military members, establishing chiropractic care for active duty members at some selected sites, reducing the TRICARE catastrophic cap to \$3,000 per year, and improving claims processing. We have established patient advocates, beneficiary counseling/assistance coordinators and debt collection assistance officers at medical treatment facilities to assist our people with TRICARE processing issues.

CIVILIAN WORKFORCE MANAGEMENT

No discussion of Air Force recruiting and retention would be complete without including our civilian workforce. In fact, our Air Force civilians are more critical to our mission than ever before. With an expeditionary aerospace force, they provide critical reachback capability and we have turned more and more to them for critical technical and professional expertise. However, our Air Force civilian workforce is not structured to meet tomorrow's mission, a challenge that is faced by the entire Federal civilian workforce. Our Air Force workforce is out of balance because of significant personnel reductions during the drawdown years. As a result of actions taken to effect these reductions, in the next 5 years, over 40 percent of our civilian career workforce will be eligible for optional or early retirement. This contrasts significantly with our civilian force in 1989—16 percent of our permanent U.S. professional and administrative personnel were in their first 5 years of service. Now, only 8 percent of the workforce are in their first 5 years of service. While we are fully meeting our mission needs today, without the proper force shaping tools, we risk not meeting tomorrow's challenges. Figure 8 illustrates our civilian workforce challenge.

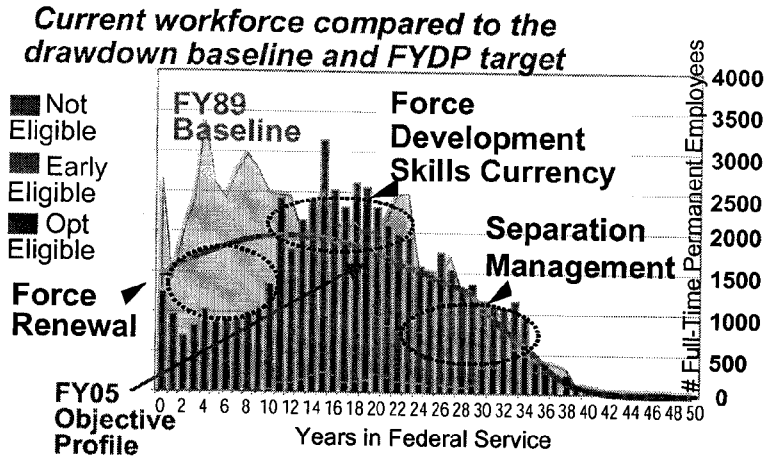


Figure 8

In order to sustain our civilian force, we need a diverse mix of developmental, mid-level, and senior employees. We have not been complacent. We developed a four-prong strategy to attract and recruit civilian employees, streamline our hiring process, better align civilian salaries with those of private industry, and pursue special salary rates for hard-to-fill occupations. We must invest in civilian workforce development to meet today's demands of an increasingly technical force. Job proficiency training, leadership development, academic courses, and retraining are fundamental in addressing our civilian workforce retention concerns.

We will also use separation management tools to properly shape our civilian force. Using methods such as voluntary separation incentive pay and voluntary early retirement authority, we will retain employees with critical skills and create vacancies so that our workforce is refreshed with new talent. Vacancies created as a result of these shaping programs will be used to create an increasingly diverse workforce with new talent with current skills.

IN CLOSING

We are concerned about the decline in our experience levels in the officer corps and enlisted force, and about our out-of-balance civilian work force. We cannot easily replace the experience lost when our people depart the Air Force, nor can we assume that a replacement will be available. The “pull” forces that have severely impacted our recruiting and retention will continue, and while these factors are good for our Nation overall, they represent a challenge for us. We have addressed their impact on recruiting through a strategy that is increasing recruiter manning, synchronizing marketing, advertising and recruiting programs, targeting our bonuses to critical skills, and pursuing prior service members to bring back needed experience.

Retention is affected by both “push” and “pull” factors. In particular, our members and their families are stressed by a way of life that cycles between temporary duty and regular 55-hour work weeks at home. Our retention strategy is based on the premise that if we take care of our people and their families, many of them will stay with us despite the pull factors. Our core quality of life programs underpin the strategy. We must match resources to taskings and recapitalize our people, readiness, modernization and infrastructure areas. We need to upgrade neglected workplace environments, provide safe and affordable living accommodations, adequately compensate our people, enhance community and family programs, provide educational opportunities and affordable health care. Reducing out-of-pocket expenses, and access to health care are two areas in which Congress’ support is key.

Finally, we recognize the increasingly important role of civilians to our Armed Forces. They are our leaders, scientists, engineers and support force that provides reachback for deployed and forward-based forces. We need flexible tools and policies to manage this force.

We depend on a highly skilled, diverse, educated and technologically superior force of world-class men and women to function as an effective warfighting team. Air Force people are an indispensable part of our national military strategy. There is no substitute for high-quality, skilled and trained people. Although we will continue to have a challenging recruiting and retention environment, the Air Force is committed to developing the right programs to recruit and retain America’s best and brightest. You have provided many of the tools we need and we will work hard to gain your continued support for legislation, funding and the flexibility we need to manage our force. These tools are critical to the Air Force’s future and to the future of our Nation.

I appreciate the opportunity to speak to this committee and share the initiatives we have taken to combat our retention and recruiting challenges and convey to you the appreciation of our extremely capable and committed Air Force people.

Senator HUTCHINSON. Thank you, General Peterson. I want to start with you. I know that the Army and the Navy are beginning some new advertising campaigns which were alluded to and which I want to follow up with some questions on that. But when we have an incident like we did over China with our crewmembers who with all the visuals, with CNN covering that, I guess all the networks did when they arrived, the homecoming, the reunion, the images that were broadcast across America. I think Americans were filled with enormous pride at the way they conducted themselves.

Do you see a spike in recruiting and willingness for young people to enter the Air Force or enter the services when something like that happens or is that so nontargeted to the potential recruit pool? What is the impact of something like that was?

General PETERSON. Objectively it is hard to measure that impact over our country, but subjectively it is not. I often hear many comments about our people. As I said before our footprint is very small. We are all about a third less the size we were and we do not have those role models out there like mothers and fathers, aunts and uncles, school teachers, coaches, ministers that had any military experience to talk to our young people.

When these incidents come forward I think they send a powerful signal to our public. I know in Desert Shield and Desert Storm that

it provided us a significant boost because there were many interviews, as you remember, during that period of time with our men and women in the theater.

What I found consistently in every one of those interviews was you saw someone who was a sharp, disciplined, proud professional who spent most their time talking about the things they were doing that were in fact extraordinary as if they were ordinary and oftentimes concentrating on giving the credit to someone else like, the young people that supported them.

I think that image that we saw across the board sent a powerful signal to our public and our parents and those have influenced our young people as well as, more importantly, the young people themselves that said I would like to be a part of an organization like that.

It is a tragic situation when we often have to be in the news and that incident you just portrayed is one, but out of that it gave a slice of that and I think we need to do more of that. I wish we could put more emphasis, we have discussed this before and I know you've worked as hard, along with Senator Cleland, but to talk about the importance of national service. To highlight what our people do day in and day out I think is the most powerful thing we can do to recruit.

We have no problem once we get somebody on an Air Force base and recruiting them or getting them where they can see our people in action.

Senator HUTCHINSON. Admiral Ryan, equal time that was a Naval plane; what do you see?

Admiral RYAN. We are certainly extraordinarily proud of the entire crew, all 24 members of the crew. I think Admiral Voelker would be more appropriate as far as any impact it might have.

Admiral VOELKER. Mr. Chairman, whenever an event like this occurs, we generally see, depending on whether it is a positive event or negative event, a brief change in recruiting, if you will. Following the U.S.S. *Cole* disaster, for example, we saw a slight downturn in the number of people who were in the delayed entry pool who decided to continue and come into active duty. But that was very transitory.

Really what we see from events like the EP-3 incident and how the positive outcome of that is, as General Peterson alluded to, is an awareness of service among influencers and that helps us in the long run rather than the short term of recruiting right after the event.

Senator HUTCHINSON. Good. Thank you. General Maude or General Cavin, what is the status of the recruiting privatization initiative? We have, I think, established or directed the Secretary of the Army to test a program which civilian recruiters would actually replace military recruiters in several recruiting companies. What's the status of that?

General MAUDE. Yes, sir, we have completed the design of the program and put together the request for proposal for release so that we can get that. We in fact are working through some funding issues for this year with our mid-year review and supplemental. As soon as we get that, sir, we will be ready to go out for proposal. We anticipate a delay over the test period that was directed to the

National Defense Authorization Act and have prepared for the Secretary of the Army a memo to come over requesting to adjust the dates so we can get a full 5-year test. Once we get the test launched, we are prepared to go, sir, as soon as we secure the funding, and we are working through that in mid-year.

Senator HUTCHINSON. OK. General Maude, the advertising on the professional wrestling show, WWF, was an experiment that was discontinued. Can you relate to the subcommittee why that was discontinued and what the experience was?

General MAUDE. Yes, sir, and briefly it was discontinued because we were dissatisfied with the content of the entertainment package that our advertising was associated with and because of that we withdrew our advertising and have not gone back to WWF and at the present time have no plan to do that, sir.

Senator HUTCHINSON. How was the decision made initially, the content was pretty well-known.

General CAVIN. Mr. Chairman, the original intent was to focus on the target audience which clearly was watching that WWF series. We had some agreements with the management of WWF that they did not live up to very frankly, and so we elected to pull out.

Senator HUTCHINSON. All right. We will not ask you to go any further with that. [Laughter.]

General CAVIN. Seriously, sir, if I might follow up. The Army values and integrity that are embodied in the character of a soldier were not well represented in that program and therefore we felt it more important to maintain those standards and to withdraw from the program.

Senator HUTCHINSON. Admiral Ryan, when did the Navy new advertising program begin?

Admiral RYAN. Just in March, Mr. Chairman.

Senator HUTCHINSON. You said that you had a lot of hits on the website?

Admiral RYAN. Right, on our Life Accelerator which when you go to the Navy website it tells you about the Navy, the opportunities, the experiences, and tries to help you get familiar with the Navy and where you might find a niche. So in the first 10 days we got a hit that equals what we normally get in a month.

Senator HUTCHINSON. So now because you have a 1-800 number on there too I was curious when I saw that, when that flashes up on the screen, what is the, with the target audience do you see a comparable increase in calls on the 1-800 number in relation to the Internet and the website and is there any way to compare that? I know it is very early.

Admiral RYAN. It is very early. I've asked the same things of Admiral Voelker. I will let him elaborate a little bit on what we have seen in way of leads. It is the first month, though, of our campaign.

Admiral VOELKER. Mr. Chairman, if we could choose a way to do this we'd prefer to drive them all to the Internet because we believe that the Internet is the way of the future and we are very comfortable with the content that we have placed on there. We really left the 1-800-USA-NAVY number in place to make sure people who do not have access to the World Wide Web are not precluded from getting information. It just takes them longer to get information. They call into the 1-800-USA-NAVY number, they leave

their name, address, telephone number, et cetera, and then we follow up with information that's mailed to them. So we feel there's more real time benefit from the Web and we have not yet seen the same percentage of increase in the telephone numbers that we have via the Internet.

Senator HUTCHINSON. The Internet, when someone hits that do they enter their name at the time they hit it? Are they able to access and look at various, I guess it is kind of interactive, is it not?

Admiral VOELKER. It is interactive yes, sir, and they have a choice to leave their name. They also are not required to leave their name if they do not want to. We can still measure the fact that it is been hit whether or not they leave their name. One of the things that we are seeing of interest is that the average stay time on the new website is more than twice as long as the stay time on our previous website.

Senator HUTCHINSON. The Marines, Air Force, are you doing TV, I assume similar campaigns or any changes?

General PETERSON. Yes, sir, we are. I will let General Hankins talk a little bit about our web as well as our TV.

General HANKINS. Yes, sir. We have seen since we are pretty new into the TV advertising over the last couple of years, we have actually seen a 350 percent increase in the number of leads generated that are a direct result of television.

Our website that's used for recruiting has gone up. We went from just over 800,000 to 4.6 million hits last year and we have already exceeded 4.6 million in the first part of this year. So the Internet recruiting is certainly alive and well and the commercials are driving a great deal of that contact.

Senator HUTCHINSON. Yes, General Parks.

General PARKS. Yes, sir, in regard to the Internet, I think we are very similar to the other services. We continue to use the Internet but because everyone is not wired, we also maintain the 1-800 number, as Admiral Voelker said. It is slower. We'd certainly prefer to drive them to the Net.

In regard to advertising it may be an appropriate time since I brought a video, to refer to that, in the sense that we continue to use the fundamental basis that has continued to make us successful. We put a quality recruiter out there and expect that that quality recruiter is going to come in contact with quality young men and women who have character, who will ultimately produce quality marines. We believe that that was borne out in a statement from James Bradley's best selling book, *Flags of Our Fathers*, when he said in there America's steel is in the heart. The raw material is on the streets of America. Select, choose, sift, and persist and the raw steel of America's heart will be transformed into tomorrow's marine.

Truly, we believe that what our Marine Corps recruiters, and as General Peterson said, that's the secret weapon we have out there is that recruiter on the street who comes face to face in contact with a prospective applicant and in that regard we think that what is true in James Bradley's quote that I just referred to and what we have tried to carry on in this—

Senator HUTCHINSON. Can I ask you how long this is?

General PARKS. This is 60 seconds, sir.

Senator HUTCHINSON. 60 seconds. Fine, please show it. [Video was shown.]

General PARKS. Sir, that's a public service advertisement versus a paid advertisement but it bears out, again, the appeal to the higher ideals that you've heard mentioned by several of the panelists today.

Senator HUTCHINSON. Do you get a good response from stations?

General PARKS. A very good response, as a matter of fact. It is—we tend to find if they have a larger military community they're more inclined to play something like that or, not unlike some of the things you've heard of, access to high schools. If you have somebody who has a military association, they're more inclined to want to play it if they're a member of the staff that way.

Senator HUTCHINSON. Now, Army and Navy, I know you have used marketing specialists in creating ads. How about the Air Force? How was this ad created with the Marine Corps?

General PARKS. Sir, that was created by J. Walter Thompson, our advertising agency for the past 54 years.

Senator HUTCHINSON. OK. So we all rely upon consulting firms and research specialists on this?

General PARKS. Yes, sir.

Senator HUTCHINSON. Senator Cleland.

Senator CLELAND. Thank you very much. I'd just like to focus on the role of education and recruitment and retention. I'd like to ask the panelists exactly the same question I asked the recruiters. What is your take on the existing GI Bill benefits and educational opportunities on recruiting and what is your take on the concept of transferability of those GI Bill benefits that are unused to the child or the youngsters to create an educational opportunity and to enhance retention?

Legislation has passed the Senate the last 2 years unanimously along those lines. We feel good about the legislation that's coming up. Does your service have an official position on it, particularly in terms of transferability? General Peterson, would you like to start off?

General PETERSON. Yes, sir, Senator Cleland. We do think it is an important initiative. We have talked before on this within our service. The Air Force is about 62 percent married in the enlisted corps and about 72 percent in the officers, so families are, as most services are today, a big part of the decision for our members. Spouses in particular make the sacrifices, as our recruiters mentioned earlier, and often delay their education until they get through their early childhood rearing years.

This is a financial thing for many of them too. They also have children they need to put through school and so it looked to us it is a benefit not only because we can provide them education but also we can provide them the opportunity to pay for that education and to us that's an important piece of quality life and bonus that we offer to them, and it is a vector toward something that will be good for not only those individuals, but our Nation.

Senator CLELAND. Thank you very much.

General Murray.

General MURRAY. Sir, our general position on the issue of the Montgomery GI Bill, is that we see it primarily as a tool for the

individual in uniform. One of our concerns is the fact that the authorization or the appropriation bill each year is sort of a zero sum game and a concern would be allowing that there could be some retention benefit in this, that in a zero sum game that where we would like to see that money focused on the servicemen themselves, it could be diverted elsewhere. So there are some pros and cons as we look at this.

Senator CLELAND. OK. Admiral.

Admiral RYAN. Just on the part about recruiting I think our recruiters spoke eloquently on the power of the Montgomery GI Bill. I personally think that what has helped to bring our service momentum back in the right direction is the support that Congress has given to restoring the first two legs of the triad, as I call it, to let men and women know that service is special. Congress restoring our retirement benefits was one of those legs. The steps that were taken last year in the health care area were huge also. We have the third leg, the Montgomery GI Bill.

I think it is a significant impact on bringing people into the service. I think it could be an even bigger impact on keeping our top men and women in the service, Senator. I look at it as choice and I look at our Navy trying to go to a more senior, experienced service as we get more technical. What we need to do is develop a stream of incentives that let our men and women know at the mid-grade that they are very valuable to us and I think in polling our men and women, they would like to have choice on what they do with their Montgomery GI Bill.

That fits very well with the Navy's program. We have a new Navy college program as Petty Officer Strothers mentions where we are emphasizing get your education and stay in the Navy and so we are using tuition assistance and where they need to, thanks to your support, some of the Montgomery GI Bill.

But we think this thing would be a huge incentive for men and women at the mid-grade if the Secretary would designate that this would be transferable as they determine that they want to make a career at the Navy. We think this would be a very significant incentive for men and women to stay in the service for long periods of time so I personally have been supportive of this.

Our Navy has not taken a position yet although we have been working with OSD to get all the services to talk about this and there's a meeting scheduled here in the very near future to discuss where each of the services are in this program because we know there are trade-offs. But I personally, in polling men and women throughout the fleet, think this would be a very significant incentive to encourage people to make a career of the military and restore the three legs that have made service special.

Senator CLELAND. Thank you very much. Of course, the concept is that the service man or woman would indeed have that choice.

I was in Osaka, Japan and a wonderful admiral there pointed out to me that the decision to remain in the Navy is made at home. So it was made pretty clear that it was a decision to be made around the dinner table by the whole family and to the extent to which we can have a sense that the whole family is made whole by staying in the military rather than getting out, I think it enhances the opportunities to keep them.

General Maude.

General MAUDE. Sir, good morning. United States Army, sir, is fiercely dedicated to education as a theme for all we do from our stay in school campaign for high schoolers to our Army University Access Online and Army continuing education programs we have for men and women in the service.

We agree that the incentive that you've proposed will improve recruiting and we think and we also know that it will absolutely improve retention. We have a concern that the GI not be taken out of the equation of the GI—of the Montgomery GI Bill and that any measure put forth provide for protection for the individual soldier remains propensed to also want to use the education benefit. We are concerned about the cost of such a program as we look through it and certainly that will have to be worked through but Tim Maude's opinion is this would be a significant tool for our retention program.

Senator CLELAND. Well, thank you all very much and thank you for the observations. Thank you, Mr. Chairman.

Senator HUTCHINSON. Thank you, Senator Cleland. Just a couple more questions. General Maude, Admiral Ryan, and General Peterson, there have been a number of articles that I have read recently saying that the services are having an increasingly difficult time recruiting qualified applicants for Special Ops Forces. I know in recent years we have been working with the Navy to discuss the loss of lieutenants in the SEALs. What's the current status in your Special Ops units?

General MAUDE. Sir, our Special Ops units, our current status is we are slightly behind on our 18 series MOS for our enlisted primarily of our own doing because of the way we managed the draw-down years and the difficulty in terms of the nature in which we assess people into that MOS, it will take us a number of years to get back to full strength. But all of our operational units, all of our special operation units are operationally ready and we are on target for our recruiting and accession program for this year, sir.

Senator HUTCHINSON. All right.

Admiral Ryan.

Admiral RYAN. Mr. Chairman, I just visited our special forces training out in California and I'm very encouraged by the efforts that our program is making in the way of reducing attrition without lowering the standards by being smarter about how we build up our young men and women as they come in to SEAL training and they're making significant progress out there and lowering the attrition without lowering the standards. In fact, the commanding officer of the school is the senior SEAL in the entire Navy, started as an enlisted person, so he has immense credibility in what he's doing out there and they're making progress in that area.

On the officer side, Congress has been very helpful in allowing us to have a bonus for our officers in the SEAL community and this has turned around our retention. We need very high retention among our lieutenants in the SEAL program because of the requirements at the senior officer levels and we were able to improve our retention by about 8 percentage points last year with this bonus program. We need about somewhere between 68 and 74 per-

cent of our lieutenants to stay in and this bonus program has been working for us.

We have one or two minor modifications that you've already given us permission for that we are going to implement this year that we think will get us additional retention in the officer corps. So we are positive about where our special forces are going, both in the enlisted and the officer side

Senator HUTCHINSON. General Peterson.

General PETERSON. Sir, generally speaking, we enjoy good retention in that portion of our force because primarily the mission and also the command itself is very involved in recruiting. We, like the Navy, have gone back and relooked our program to reduce attrition in the front end of the course for bringing new members on and now we think we have a course that builds a more aggressive way and gives us the talent we need.

We do find, though, that to attract and sustain those once they're in, aside from the mission because they have very high tempo because of their mission, that selective reenlistment bonuses have been very effective and we appreciate the authority in that area.

Senator HUTCHINSON. In the area of the service academies, there are those who argue today that service academies have lost their attractiveness to today's youth. It is not what it was once was. Can you give me an impression of how difficult it is today to recruit to the academies and is there anything that Congress can do to make that job easier?

General Maude.

General MAUDE. Yes, sir, I'd like to respond separately for the record because I do not have the facts in front of me. But as I recall, the last time I discussed it with the superintendent their applicant pool and the quality of their applicant pool had remained extremely high and a large robust pool from which to choose.

Senator HUTCHINSON. So the supposition of the question is rejected. I said some have argued, but you have not seen that.

General MAUDE. We are not seeing a turn down in the number of applicants or the quality of the applicant pool for the United States Military Academy that I'm aware of, sir, but I will check and respond back.

[The information referred to follows:]

RECRUITING POOL TO THE MILITARY ACADEMY

The number of applicants to the United States Military Academy has been on a gradual trend downward during the last 10 years (Class of 1995), as demonstrated in Chart 1 attached. However, the chart by itself does not provide a complete picture. The Military Academy has, in recent years, changed its procedures with regard to recruited athletes. As a result, there are now fewer recruited athlete applicants, which has led to an increase of about 7 percent in general candidate applications. In addition, the ratio of admitted to qualified remains strong.

The quality of applicants continues to be high. The Military Academy uses a number of factors to determine an applicant's potential. One measure of quality are SAT scores, see Chart 2 attached, which have remained relatively constant since 1991.

CHART 1

USMA Admissions Numbers

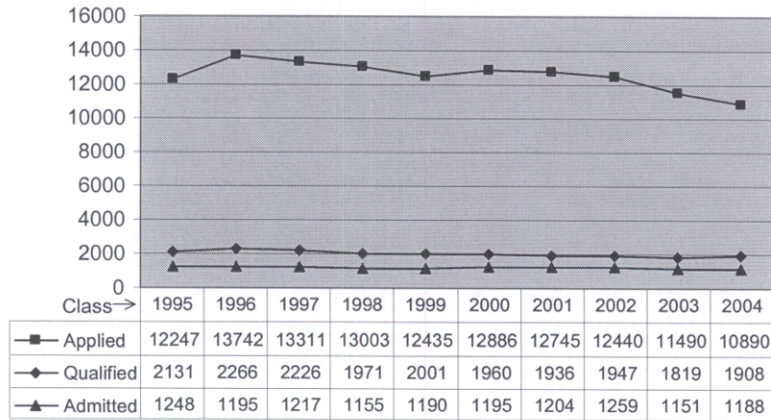
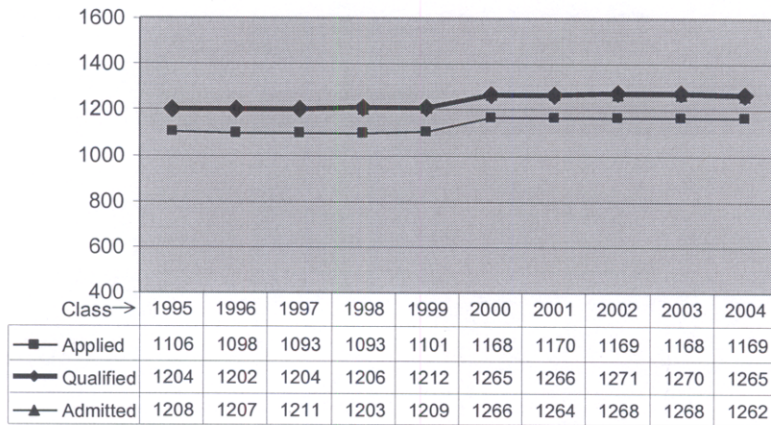


CHART 2

USMA SAT Scores



Average scores for applicants that submitted SAT as a basis for admission.
 Note: SAT was recentered in 1995, affecting Class of 2000 and subsequent classes.

Senator HUTCHINSON. Admiral Ryan.

Admiral RYAN. Mr. Chairman, 2 years ago I think we saw a slight declining trend in the number of applicants overall, though the quality was still very high. For the last 2 years, applicants are up and in fact, the SAT scores, the total person scores are up for the candidates. So I think they've done a very aggressive job of building the awareness of what the academies have to offer and

that has paid off. They've brought in a lot of different educational groups. They've made presentations. In fact, members of Congress here and in particular the Black Caucus to make them aware of the opportunities that exist for appointments at the academy. So for the last 2 years applicants have been up and actually the standards, the quality of the applicants has gone up as well.

General MURRAY. Sir, from a Marine Corps perspective Admiral Ryan provided the details that you need, but we would simply emphasize the importance of the Naval Academy and the academies in general as institutions from which we get key members of our officer corps.

Senator HUTCHINSON. General Peterson.

General PETERSON. Sir, we still have a good demand between two and a half to three to one highly qualified applicants for our academies' positions each year. We are producing just under a thousand annually, with an academy size of 4,000. We do think that as in all the other programs, more awareness would help us in that area as well, general awareness of the U.S. military and what the academies do. But our academy is doing well today.

Senator HUTCHINSON. Very good, thank you. Let me just throw out a general question. The subcommittee has encouraged you to look at thinking outside the box. I think you're doing that as far as recruiting. You're looking at new approaches, innovative techniques.

Is there anything else that we have not covered today that any of you would like to share that the services are doing in terms of new, creative approaches to recruiting? We have heard about some of the advertising campaigns. Is there anything else that you'd like to make the subcommittee aware of?

General MAUDE. Yes, sir. If we might, first I will have General Cavin talk to the programs that they're putting out on the street this year.

General CAVIN. Mr. Chairman, in addition to obviously the National Hot Rod Association we are partnering with several of the Fortune 500 companies throughout America in something called the Partnership for Youth Success. It is a dynamite program, kicked it off last year. We have grown to approximately 400 young soldiers who have taken advantage of the over 4,800 jobs that are available through companies like Pepsi Cola, Sears, Halliburton, John Deere, which allows them to serve their country with a sense of opportunity, to go back, once they've completed, and go into a preferential hiring status with those companies. It is going great guns.

Senator HUTCHINSON. Good, great.

Admiral VOELKER. Mr. Chairman, we have several issues that we are doing that are somewhat outside of the box, although in keeping what some of mainstream American recruiters are doing, one of them is many of our mail-outs now or several of our mail-outs are being, instead of just pieces of paper, we are sending mini CD-ROMs which we find the young people are more likely to look at, open up and read, if you will, than they are pieces of paper we get a much better response rate from those than we do from paper.

Then we are also able to target areas that we are working on, for example, high school, female high school graduates, we can go

target that specific market. Another thing we are doing is we built an F/A-18 simulator. It sits on the back of an 18-wheeler it is a full-motion simulator that we take to places that we cannot take U.S. Navy ships to give people an idea of what it is like to be in a Blue Angels airplane. Then finally we are executive agent for all of DOD in developing kiosks that we can put in places like shopping malls or places where we expect large segments of the population to come where people can select and get information about any of the services, not just the Navy, and we think this has great promise as well, because when they enter their name, address, and telephone number, it generates a lead and we are able to act on that

General PARKS. Mr. Chairman, I'm not going to talk about specifics. I put that in my prepared statement and testimony to you, but more in a broader sense of the fact that this recruiting is truly sales and as we do that and as we approach that task, we have to continually look at what's the market, who are we marketing to, how do we sell to them, look at the advantages to how do we leverage our own particular service or the environment of the day or what works, whether it be Montgomery GI Bill or whether it be kiosks or whether it be marketing via some specific example.

It strikes me that some of the challenges that we are having in military recruiting at large, as well as your earlier question of articles in regard to service academies, tracks to the basic issue of our country's awareness of its United States military.

We are representing, and our need to get access to high schools is based on the fact that we are an all volunteer force and we have the dichotomy between Harris poll voting of the United States military as the number one most respected institution in the country repeatedly and yet on the other side we are struggling to find people to join the services. It is because not of lack of interest but lack of awareness and lack of knowledge and understanding. So any of the things we can do to advertise and enhance the visibility that we have are beneficial.

General HANKINS. Yes, sir. Obviously our experience in fielding the Air Force Experience, which is the 18-wheeler with the F-16, about a year and a half ago has gotten to 600 cities and over 85,000 visitors, but that's also led us to field some more of the same kind of tractor trailers in different regions of the country.

Probably the most significant thing we have done internally is try to create a synergy and to synchronize our recruiting efforts with all of the things that are going on between Air Force leadership and speaking engagements, community outreach and partnerships that we have tried with local high schools and base visits. All these efforts—what we have found is that we had an awful lot of people recruiting in an awful lot of places in a lot of different times, but we did not have a lot of synergy in the way we approached those. With the efforts and the lessons we have learned and what we have created a kind of air tasking order where we actually go out and task our recruiters to support those kind of events in areas where in the past they were disjointed in their support.

In addition, the efforts in the Internet have really proven to be highly successful and the focus that all the services have given in

that area to drive people toward the Internet certainly in a highly technical service like ours is starting to pay significant dividends.

Senator HUTCHINSON. Very good, thank you. I've seen a lot of the ads on television. I know that you've targeted networks, even MTV. How much is being done or is anything being done on Hollywood and movie previews and can you target, and is there much being done in that area?

General PETERSON. Sir, we have a couple of movies being made right now, Blackhawk Down coming to mind real quick. Obviously the more we are in the public presence, the greater awareness of serving your country, the greater the opportunity to educate and enlighten our youngsters to join the service, to serve in uniform.

Senator HUTCHINSON. Is much of the advertising done on previews?

General PETERSON. Yes, sir. We found, I think we picked this up from some of our fellow services here, but we found that advertising during the previews at movies is very effective. I think I first saw it with the Marines and I was very impressed myself. But it is very effective and it is very cost efficient as well. You're targeting an audience there that's just about full of lots of interest.

General CAVIN. Sir, I think we are all doing the same thing.

Senator HUTCHINSON. General Maude, I'm about done, but will the conversion of the Army headgear, the black beret, help or hinder retention?

General MAUDE. Sir, I believe it is going to help. Certainly there's a lot of emotion in the Army today as we move towards 14 June when we all don the new headgear and I think once we have done that it will be behind us and we will all stand proud and ready on the parade field and I think it will help retention.

Senator HUTCHINSON. Will they say made in China on it? I hope not. You're not going to respond to that, are you? [Laughter.]

Let me just wrap it up. Senator Cleland has led a longtime effort on the Montgomery GI Bill. All his questions today both on the first panel and the second panel were very heavily directed toward that education benefit and I've supported him in that.

He's led, I think, a tireless effort to make that GI Bill education benefit portable. We are going to be approaching it a little different this year. I am, in offering a bill that will try to achieve some of the same goals through the use of the savings bonds, the government savings bonds. Essentially we would aim at critical specialties who enlist or extend for a period of 6 years, provide a savings bond benefit.

We have hit a brick wall sometimes on trying to make that Montgomery GI Bill benefit portable and I'm convinced of the effectiveness and the value of having an education benefit that's going to be able to be used for dependents, spouses, and so forth. So by using the savings bonds, that you avoid—you already have it in the tax code, as I understand it, allowing that to be a tax exempt when used for educational purposes and that would apply whether for the member himself or herself or a dependent and what I would like to do is submit that legislation for you to give us a written comment on that, rather than trying to go into that today.

I would like to commend that to you for consideration and ask for you to provide the subcommittee with a written evaluation as

to whether that would be an effective tool, whether it has promise, or any suggestions that you might want to make on how the legislation could be changed or modified to make it more effective.

If you would do that for me, and a nod of the head will be sufficient on that. I want to thank you.

[The information referred to follows:]

SENATOR HUTCHINSON'S PROPOSED SAVINGS BOND LEGISLATION

The proposed bill will receive strong support from the majority of the military ranks since the bill will favorably impact quality of life and will for many provide a starting education "nest egg" for family members. The majority of soldiers who will receive the benefits of the bill will be soldiers with less than 10 years active federal service (AFS) since the proposed eligibility is based in reenlistment. These soldiers are also the primary recipient of Selective and Targeted Reenlistment Bonuses that are paid at time of reenlistment. Career soldiers, at or past 10 years of AFS, who are not yet in the Indefinite Reenlistment Program, will reenlist one last time to enter the program. These career soldiers would also qualify for the proposed legislation. This population of soldiers will slowly disappear as they become eligible for reenlistment into the Indefinite Program. Career soldiers already in the Indefinite Reenlistment Program (i.e. Section 323(a)(3)) would not qualify for the proposal since they no longer have an ETS. The soldiers can no longer reenlist since their separation/retirement date is adjusted out to the retention control point for their grade. This group of soldiers will normally have 16 or more years of AFS. The soldiers may feel slighted at not being eligible for the education incentive. This is especially true considering the fact since this is the group who will most likely have teenagers preparing for college and would immediately benefit from the proposal. Section 323(c)(2) captures the intent of establishing a 6 year Active Duty Service Obligation (ADSO). The point at which an officer is first eligible to enter into an agreement under this section should be upon completion of any initial ADSO (e.g. USMA, ROTC, Scholarship). Any subsequent ADSO as a result of training, education, change of station, etc. should run consecutively to the ADSO incurred under this section. The proposed legislation to present U.S. Savings Bonds to soldiers who reenlist will have a favorable impact on reenlistment if the program does not negate or reduce any normal bonuses the soldier may be eligible for at time of reenlistment. Career soldiers in the Indefinite Program who are not eligible for the proposed legislation may see themselves as forgotten by senior Army leadership and Congress.

Senator HUTCHINSON. You have one of the most difficult jobs in the country, certainly one of the most important jobs. I'm very pleased with what I've heard today and with the efforts that you're making and with the results that you're getting. I hope that you'll continue to be aware of the subcommittee's support and my personal support for what you're doing. I look forward to having the opportunity to visit with you periodically in my office or on the phone to do what we can to make your job easier and to give you the resources and the support from Congress to continue to provide the quality young men and women in uniform to do the job for our country.

I thank you for your time today. We were aiming for 2 hours and I think we are going to hit it right on the nose. Thank you all very much and the subcommittee stands adjourned.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR STROM THURMOND

1. Senator THURMOND. General Maude, Admiral Ryan, General Murray, and General Peterson, as you may be aware, I believe the Junior ROTC program plays a vital role in instilling a sense of service, patriotism, leadership, communications skills, team work and self esteem in our Nation's youth. Additionally, statistics demonstrate that over 40 percent of the students who graduate from the JROTC program choose some form of military service.

Do your recruiting statistics track the propensity of JROTC students to enlist in the military services? If so, what percent of your recruits participated in the Junior ROTC program?

What are your views on the cost effectiveness of the JROTC program as a recruiting tool?

In your view would the expansion of the JROTC program benefit recruiting?

General MAUDE. While we cannot track the propensity of JROTC students to enlist, we can give you a sense of how many enlistments in the Regular Army occurred after some attendance in a JROTC Program.

The following percentages delineate the Regular Army enlistment (by fiscal year) of applicants with 1–4 years in a JROTC Program:

Fiscal Year	Percent
¹ 2001	16.6
2000	12.5
1999	13.6

¹ Note that fiscal year 2001 is year-to-date (October 2000–May 2001) only.

The JROTC mission remains to motivate young people to be better citizens. We are very cautious to avoid calling the JROTC program a recruiting tool. Many teachers and counselors are sensitive to the perception that recruiters might “sidetrack” their students into a military enlistment, rather than going straight into college after high school graduation. However, any program that provides a focus on the military is a platform for recruiters of all services to discuss service opportunities and options. As such a platform, expansion of the JROTC program will increase student exposure to service values, discipline, and leadership development.

Admiral RYAN. Yes.

Our most recent recruit surveys suggest that 10 percent participated in NJROTC. However, CNET indicates that of the NJROTC graduating seniors approximately 40 percent pursue a career in one of the Armed Forces.

NJROTC is cost effective in that high school funds are paired with government funds in order to pay salaries and provide classroom space. It also enrolls over 67,000 youths annually. However JROTC is not a recruiting tool in that there is no direct linkage into Navy service, but instead is a citizenship program to help teach accountability and responsibility.

Yes. Although predominantly a citizenship program, JROTC presents a positive presence in schools and in the public, thereby enhancing Navy recruiting efforts.

General MURRAY. Recruiting statistics do not track the propensity of MCJROTC students enlisting in the Marine Corps. The MCJROTC Program collects informal statistics from each unit on what senior MCJROTC cadets intend to do upon graduation from high school. This report demonstrates that approximately 40 percent of the students who graduate from the MCJROTC program possibly choose some form of military service.

By public law, the MCJROTC is not a recruiting tool, and we need to take care to not present it to the public as such. The purpose of the Junior Reserve Officers’ Training Corps is to instill in students of United States secondary educational institutions the values of citizenship, service to the United States, personal responsibility, and sense of accomplishment. Exposure to the Marine Corps and positive role models provided by instructors probably influence young men and women to join the service. However, we have no statistics to support the programs cost effectiveness in recruiting.

The informal MCJROTC program statistics support this as a reasonable expectation.

General PETERSON. Yes, although JROTC is not a recruiting program, we believe expanding the JROTC program would benefit recruiting. Our recruiting surveys provide information on the propensity of JROTC students to enlist in the military, but do not capture the number of recruits who participated in JROTC. Currently, 45 percent of Air Force Junior ROTC graduates indicate they plan to affiliate with the military. We believe JROTC is an important and cost effective citizenship program, which allows us to broaden our footprint. The program is invaluable in helping to instill the values of citizenship, service to our Nation, and personal responsibility. Through the program, young people can gain confidence, self-respect and a sense of accomplishment. Many students are motivated towards military service and expanding the program would benefit recruiting. Currently, we have 654 active units and, with Congress’ help, we hope to have 945 active units by end of fiscal year 2005.

2. Senator THURMOND. General Maude, Admiral Ryan, General Murray, and General Peterson, I understand that the Montgomery GI Bill is a significant recruiting tool for each service. I also note that because of the high demand for technical skills, the services are recruiting more individuals with some college credits or degrees.

Since we offer the opportunity to earn money for a college degree, are there any programs that offer college graduates some degree of education debt relief for enlisting in the military? If not would such a program encourage college graduates to enlist?

To increase recruiting, what thought has been given to targeting individuals who have student loans and have dropped out of school?

General MAUDE. A program that offers college graduates some degree of debt relief for enlisting in the Army is the Loan Repayment Program. This program provides qualified applicants enlisting in any skill, for a term of service of at least 3 years, up to \$65,000 loan repayment of qualifying student loans. Section 2171 of Title 10 U.S. Code describes the types of loans that qualify for the Service's Loan Repayment programs. In fiscal year 2000, 2,194 new soldiers enlisted for the Loan Repayment program.

As part of its strategy, USAREC has directed that prospecting efforts should be focused not only on the high school but also toward the post-secondary market. We conduct college campus recruiting, and we have directed our market strategy toward college and post-secondary vocational-technical school "stops outs." We believe that loan repayment programs are a vital part of this strategy.

Public Law 102-325, Higher Education Amendments of 1992, eliminated the deferment for performance of military service. The loss of military deferments affects all individuals with Federal student loans enlisting in the Regular Army. Without a military deferment, soldiers and other service members may find it financially difficult to make regular monthly loan payments or interest payments. Request that Congress pass legislation that would reinstate military deferments for Federal student loans.

Request that Congress allow the Army to combine the Montgomery GI Bill (MGIB) and Loan Repayment Program (LRP). Combining these two incentives should have a direct impact on college recruiting, especially 2-year college grads. Presently, enlistees have to choose between the MGIB and the LRP. For enlistees with 2 years of college or less, having their loan paid off leaves them with no money for future college. Combining the two incentives will provide recruiters with an excellent sale tool in the college market.

Admiral RYAN. We currently have two programs that offer debt relief, the Loan Repayment Program (LRP) and Enlistment Bonus (EB) for College Credit. Although a low percentage of recruits qualify, this is a useful incentive. Navy is studying the feasibility of expanding these two programs.

This can be done through the Loan Repayment Program (LRP); however, those who take LRP cannot, by law, also receive Montgomery GI Bill (MGIB) benefits. Consequently, those who wish to be eligible for MGIB benefits must forego receiving Loan Repayment.

General MURRAY. The Marine Corps does not offer college loan repayment programs. The Marine Corps does not see a necessity to target those who have student loans and have dropped out of school. Anecdotal evidence has suggested that recruits who have dropped out of college are more inclined to attrite from recruit training than those who have completed high school or college. The Marine Corps continues to believe that its ideal enlisted target market for recruiting is the Tier 1, Category I-III, 18- to 21-year-old applicant.

From an enlisted perspective, a program for college graduates with loans probably would not have that much impact on enlistments as military pay is so low, a college graduate would not be likely to enlist. One possible exception to that would be musicians, who often need college degrees to attain proficiency in some instruments and then enlist in order to work in their chosen career fields. However, such a program used in this manner could cause an institutional imbalance by placing a higher value on musicians than on officers, many of whom have college loans.

For a college graduate seeking a commissioning program: While a college debt relief program would add one more tool to the kit of attractive features we can offer prospective Marine officers, we can continue to achieve our annual recruiting mission without it. What would be much more beneficial, however, is a graduate school deferment component to our Platoon Leaders Class (PLC) commissioning program. Students enroll in PLC as undergraduates, attend Officer Candidate School during summer recess, and then receive a commission and begin active duty upon receiving a baccalaureate degree. We would like to see a small percentage of these graduates each year offered the chance to delay their assignment to active duty in order to complete a graduate degree. This proposal will allow us to formally acknowledge the

value of a graduate degree and further reinforce our recruiting message, as well as enroll students in the PLC who might otherwise not pursue a marine commission.

General PETERSON. The Air Force does have a program that offers debt relief for enlisting. We implemented a College Loan Repayment Program (CLRP) in May 2000 that repays up to \$10,000 in college loans acquired before entry on active duty. This program is available to all 4- and 6-year enlistees entering in any Air Force occupational specialty. However, since its inception, less than 1 percent of accessions have accepted CLRP. Air Force members accepting CLRP are not eligible for MGIB education benefits unless they serve a second enlistment due to a conflict between U.S.C. Title 10 and U.S.C. Title 38, which stipulates that the same period of service cannot establish eligibility for both. Recruits choose MGIB over CLRP.

We recognized the need for aggressive recruiting on college campuses. In 1997, we made junior colleges and other 2-year colleges "priority one" schools, which required recruiters to visit those campuses once a month. Our recruiters team well with Air Force Reserve Officer Training Corps (AFROTC) units on campuses. Our Basic Military Training surveys indicate that approximately 40 percent of our enlistees have at least some college. This has been consistent over the last 5 years. At least 15 percent have 15 semester hours (full semester) of college credit, so we are attracting college students.

Our strategy includes a focused advertising campaign. We advertise in 447 college newspapers every spring and fall ("drop out time"). Also, we are placing posters in over 400 junior colleges in places such as bookstores, career rooms and student centers. These posters tie into our "you have dreams, let the Air Force get them off the ground" ads and each poster includes mail-back cards. Further, we put a full-page ad in the Job Search Guide mailed to all college counselors and two full-page ads in a job search booklet mailed to all college students. We recently obtained a national list of students who have dropped out of college, which is enabling us to specifically target these individuals. We continue to view the college dropout market as an excellent source of recruits and believe that our combination of advertising, targeted recruiting, and educational incentives is achieving positive results.

3. Senator THURMOND. General Maude, Admiral Ryan, General Murray, and General Peterson, what impact do the Department of Defense's educational requirements have on recruiting of minority and Hispanic youths? Are these standards inadvertently discriminating against inner city and poor rural area youths?

General MAUDE. The Department of Defense requires that at least 90 percent of non-prior service accessions be high school diploma graduates. The remaining 10 percent may have an alternative educational certification such as a General Educational Development (GED) certificate, or no high school certification. The GED accounts for over 14 percent of all high school credentials granted each year.

The Army remains strongly committed to encouraging America's youth to stay in school, stay off drugs, and graduate as the best road to success. If a person is in high school, we want them to stay there. If a person is eligible to return to high school, we want them to do that. However, the Army also wants to provide a road to success for those who have high indicators of potential for successful service, but who left school for whatever reason and are now unable to return to high school. The Army initiated "GED Plus—The Army High School Completion Program" pilot program in February 2000 to address this population. The purpose of the program is to help young people who do not possess an education credential, and therefore are currently not eligible to enlist, to gain a GED and therefore be eligible to enlist. The Department of Defense is allowing the Army to access 4,000 per year through this program outside of the 10 percent non-high school diploma cap. The test allows the Army to penetrate expanded markets, and provide new educational opportunities and education experiences to recruits while maintaining the Army's quality criteria. Recruits must meet required test scores for the Armed Forces Qualification Test as well as an Assessment of Individual Motivation Test and other legal and moral selection criteria. These are stricter requirements than what high school diploma graduates must meet for enlistment. Race, gender, and ethnicity are not factors in the selection process. Any qualified applicant will be accepted within program volume limits.

Admiral RYAN. There is a correlation between graduating from high school and completing basic training. Therefore, DOD has established a policy that 90 percent of accessions must be high school diploma graduates. The impact on minority and Hispanic youths varies depending on their graduation rate. For instance, Hispanics have a higher high school dropout rate than do other minorities. Consequently, their opportunities for enlistment may be limited by virtue of limitations on the number of accessions allowed who do not possess a high school diploma.

I do not believe that this policy discriminates against inner city and poor rural area youth. I believe it is necessary and appropriate to establish standards by which to identify candidates for enlistment who demonstrate potential for successful completion of basic training. Statistical data suggests that high school diploma graduates generally enjoy a higher rate of success in completing recruit training. Educational credentials provide a reasonable and reliable indicator of potential for success.

General MURRAY. DOD educational requirements do not have a significant impact on recruiting minority and Hispanic youths. The racial demographics that comprise today's Marine Corps are proportional to relevant applicant pools, based on the racial demographics of the United States as a whole. The standards do not discriminate against any ethnic or disenfranchised group of the population.

General PETERSON. The DOD's educational requirements are standards or benchmarks prescribed for each of the Services. These education standards/benchmarks provide each of the Services the flexibility to apply standards to meet their individual Service mission requirements. These benchmarks are based on the relationship to recruit quality in the areas of persistence, training outcome, and job performance.

The DOD educational standards of 90 percent high school graduates and 60 percent Category I-III A (50th percentile and above) on the Armed Forces Qualification Test (AFQT) have resulted in accessing high quality recruits who perform better on the job and retain at higher rates. Air Force policy is more stringent—99 percent high school graduates and 80 percent Category I-III A. Research continues to show that the educational attainment of youth predicts first-term military attrition. DOD, in conjunction with the National Academy of Sciences, developed a mathematical model that links recruit quality benchmarks and job performance.

These DOD educational standards are equally applied across the board without regard to race, ethnicity, religion, sex, or national origin. These benchmarks have not been a barrier for the Air Force. Last year, the Air Force successfully recruited over 18 percent African American, 6 percent Hispanic American, 2 percent Asian-American/Pacific Islander and 2 percent Native American/Other non-prior service accessions.

Since fiscal year 1985, the Services have accessed greater numbers of Hispanic-Americans each year. Measuring Hispanic-American accessions can be misleading as many Hispanic-American recruits self-identify as White. This phenomenon means we have more Hispanic-Americans on active duty than what the data shows. High school completion rates are up among all minority groups with the exception of Hispanic-Americans. The Hispanic-American high school dropout rate is increasing and this is a big concern. The high school dropout rate among Hispanic-Americans is 30 percent, 8 percent for Whites and 14 percent for African-Americans.

We have implemented an aggressive and synchronized marketing campaign to all of America. Targeted minority recruitment and marketing efforts are directed at high quality recruits in minority-rich communities. 22 percent of all Air Force magazine advertising is in 16 minority publications. We have also increased our televised advertising on Black Entertainment Television (BET) and Univision. Additionally, recruiting and commissioning materials are published in Spanish.

DOD educational benchmarks are the foundation for the success of our high quality force and they are applied equally to all potential recruits and accessions.

4. Senator THURMOND. General Maude, Admiral Ryan, General Murray, and General Peterson, the Department of Defense has at its disposal many tools, such as advertisement, enlistment bonuses, the Montgomery GI Bill, and preferred assignments, to assist in the recruiting effort.

Can you give us an estimate of what it costs to recruit a young man or woman in your service?

General MAUDE. The average cost per recruit is calculated by dividing the Army's total number of accessions (prior service and non-prior service) into the total active enlisted expenditures for recruiting and advertising resources. These resources (cost categories) include: recruiting personnel compensation (military and civilian pay) enlistment incentives (including enlistment bonuses, Army College Fund and the Loan Repayment Program expenditures for that year), recruiter support (vehicles, equipment, computers, supplies, communications and applicant transportation/food/lodging), and advertising. The cost per recruit was estimated at \$13,030 in fiscal year 2000, pending final budget submission.

Admiral RYAN. The latest figures show that it costs \$9,847 on average to recruit each person into the Navy.

General MURRAY. The "cost per recruit" is calculated by the Office of the Assistant Secretary of Defense (OASD)—Accession Policy based on information furnished by the recruiting services in the bi-annual Military Personnel Procurement Resources

(Format 804) Report. Data collected reflects all actual or estimated resource information applicable to enlisted and officer personnel procurement for the recruiting and advertising programs for both the Active Force and the Reserve components. Resources reported are those funded under the Military Personnel Account (personnel, bonuses, college funds), and Operation and Maintenance (O&M) funds for supplies, equipment, and procurement items. Reports developed are to be consistent with data in the President's budget and the Office of the Secretary of Defense (OSD) budget requests. The current "cost per recruit" for fiscal year 2001 is \$7,010 and is based on our October 2000 804 report.

General PETERSON. Over the last 5 years, the cost per recruit increased from \$4,423 in fiscal year 1997 to \$9,759 in fiscal year 2001 (fiscal year 1998—\$4,755, fiscal year 1999—\$6,425, fiscal year 2000—\$7,989). This cost to access one non-prior service recruit is calculated by taking the sum of our recruiting activities and recruiting advertising budgets and adding related costs not paid directly by the Air Force Recruiting Service (e.g., all Military Personnel and leased facility costs), divided by the number of non-prior service recruits. The increased cost is due to implementation of paid television advertising in fiscal year 1999, increases in the number of recruiters, and an expanded enlistment bonus program.

QUESTIONS SUBMITTED BY SENATOR WAYNE ALLARD

5. Senator ALLARD. General Cavin and General Peterson, what can you tell us about the current Anthrax Immunization policy's effects on retention?

General CAVIN. The Army's retention program is once again exceeding its mission in all three (initial, mid-career, and career) categories this fiscal year. We have not seen any evidence to date that would suggest the Anthrax Immunization policy is having any impact on soldiers' decisions to reenlist.

General PETERSON. We are aware of recent GAO testimony indicating that up to 25 percent of Guard and Reserve pilots have left or transferred because of the anthrax vaccine. However, in the 2000 Air Force New Directions Survey, only 16 of 1,047 personnel identified Anthrax as a factor affecting their decision to separate from active duty. In each case, it was mentioned in conjunction with other reasons, i.e., TEMPO, pay and allowances, stability, etc. While immunizations is not one of the 38 factors measured in the Air Force New Directions Survey as influencing the decision to leave active duty service, separating personnel are given an opportunity to list any other factor that influenced their separation decision.

6. Senator ALLARD. General Peterson, what career fields are you having the most difficulty filling and retaining, and why?

General PETERSON. We met our fiscal year 2000 recruiting goals. We accessed 34,369 recruits against a goal of 34,000. However, we did not meet the desired skill distribution, falling short in mechanical specialties. This impacted career fields such as aircraft maintenance and crew chiefs. The Air Force has used targeted enlistment bonuses and a more robust recruiter force to ensure we meet our fiscal year 2001 goal and access the specific skills needed to meet our warfighting needs. Thus far, we are exceeding our fiscal year 2001 accession goals and meeting skill mix requirements in all four categories—electronics, mechanics, general, and admin.

Retention in many highly technical enlisted and officer career fields has been challenging. Our people have skills and experience that are sought-after and competitive in the civilian employment sector. We are experiencing difficulty retaining pilots, developmental engineers, scientists, communicators, and acquisition managers—all technical officer career fields. Similarly, the enlisted force suffers from declining retention in highly skilled fields such as air traffic control, air battle management, fire protection, crypto-linguistics, communications, and many maintenance specialties. As with the officer career fields, these are all marketable skills in the civilian sector. Our TEMPO, a thriving economy, and military/public sector pay inequities challenge our ability to retain motivated, technologically adept, mid-career airmen and commissioned officers.

7. Senator ALLARD. General Peterson, what are we doing to work with employers to ensure we have access to separated specialists, and others, through the Reserve component?

General PETERSON. The Air Force Reserve has in-service recruiters at every active duty base to discuss the option of continued service through the Air Force Reserve. Every active-duty member must visit this recruiter during his/her outprocessing. In addition, the Air Force Reserve works closely with the National Committee for Employer Support of the Guard and Reserve (ESGR), an organization chartered by the

Department of Defense in 1972 to inform employers of the ever-increasing importance of the National Guard and Reserve and to explain the necessity for—and role of—these forces in national defense. ESGR is a nationwide network of local employer support volunteers, organized into 54 committees (one in each state, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands), which seeks to gain and reinforce the support of America's employers for a strong National Guard and Reserve system.

With thousands of volunteer executives, senior government representatives, educators, and military personnel serving on local ESGR committees, a wide variety of informational and assistance programs are in place designed to capture the attention of the employers and win their support.

Some of the programs conducted by ESGR to enhance the Reserve components' relationship with civilian employers include "Briefings with the Boss" and "Bosslifts." Briefings with the Boss provide an informal forum in which employers, unit commanders, ESGR members, and community leaders meet to network and discuss issues that arise from employee participation in the National Guard and Reserve. Bosslifts transport employers and supervisors to military training sites where they observe National Guard and Reserve members on duty as part of the Total Force. This provides the employer a better understanding of what their Reserve component members do when they are away from their civilian occupation for duty with their military units. ESGR Bosslifts give employers the opportunity to provide input to the Department of Defense leadership and are an excellent way to see the critical role National Guard and Reserve members perform in our Nation's defense.

QUESTIONS SUBMITTED BY SENATOR EDWARD M. KENNEDY

8. Senator KENNEDY. Sergeant Streeter, Petty Officer Strothers, Sergeant Rodriguez, and Airman Rodriguez, there are many reasons that young people join the military right out of high school including the ability to earn money to pay for college and on the job training.

How large a part do enlistment bonuses play in successfully recruiting high school students into the Armed Forces?

Sergeant STREETER. The enlistment bonus plays a significant part in recruiting quality high school students into the Army. In fiscal year 2000 over 26,000 of the total 80,113 enlisted for an enlistment bonus. The enlistment bonuses are a key element to channel quality applicants, especially quality high school students to the priority skills the Army requires.

Petty Officer STROTHERS. In my area enlistment bonuses are really great incentives. I am in an urban area; many of my applicants are really excited about getting \$5,000. Also, I feel that bonuses should always be given to applicants that ship within 30 days of joining. As a recruiter, I am asking people to take days off work and miss days of school so that I can process them as soon as possible. I have found that applicants are more receptive to these requests when they know that they will be getting an enlistment bonus.

Sergeant RODRIGUEZ. In fiscal year 2000, 16 percent of non-prior service regular recruits shipped to recruit training with some form of bonus. Of these bonuses, less than 4 percent were tied to a specific job field. Five percent were to get recruits to ship during specific times of the year, and 7 percent were Marine Corps College Funds. Bonuses play a relatively minor role in the enlistment process because the Marine Corps emphasizes the intangible benefits of becoming a Marine. In many cases, there is less than one bonus program per recruiter per year. Recruiters sell the Corps and its legacy; not skills, jobs, and travel. The challenge of taking the rite of passage to earn the title Marine is our primary sales tool.

Airman RODRIGUEZ. The enlistment bonus program is a valuable part of what attracts applicants into the recruiting office. When added to the other benefits (including education, training, and travel), we have a good package to offer. The enlistment bonus really plays a vital role during the job matching process. Targeting the bonuses allows us to fill positions that have historically been difficult to fully man, especially in the mechanical field.

9. Senator KENNEDY. General Maude, Admiral Ryan, General Murray, and General Peterson, President Bush's budget proposes shifting \$5.7 billion in Pentagon spending for increased pay, health care, and housing. Of this, \$1.4 billion would go to pay. The proposed fiscal year 2002 pay raise of 4.6 percent would cost \$400 million, leaving \$1 billion for targeted pay raises, re-enlistment bonuses, and other incentives.

Where do you feel that the money proposed by the President could be best used for the retention of qualified people?

General MAUDE. It is the Army's position that the entire \$1 billion be used in a targeted pay raise, which addresses three major concerns:

- NCO Pay. We recognize the emerging findings from the 9th QRMC that the demographics of the force have changed. Personnel in the grades of E5–E9 are attaining higher levels of education than they had 10 to 15 years ago. This opens civilian employment opportunities, for higher wages, that were not there before. Therefore, there is a good argument that we should change the standard on which the pay table is based to more closely align pay with the civilian sector we are competing against for quality soldiers.
- Warrant Officer Recruitment. The Army has begun to see a downward trend since last year's pay table reform, which raised pay for grades E5–E7s. This reform did not adjust Warrant Officer pay to maintain parity. The Army would like to make sure that this January's pay raise does not exasperate the existing pay differential.
- Captain Attrition. The grade of O3 is the only pay grade in the pay table where the Army and other services are having problems with retention. We feel that we need to send a clear message to Army captains that we too are concerned enough to target them with a higher than normal raise.

Admiral RYAN. Navy supports the DOD position that, in conjunction with an across-the-board pay raise, additional funding for increased pay should be applied to the basic pay table in a targeted fashion that would raise the level of pay and alter the structure of the pay table. This approach is consistent with the recommendations of the 9th Quadrennial Review of Military Compensation. Structural modifications would include targeting pay raises to the enlisted mid-grade ranks to better match their earnings profile, over a career, with that of comparably-educated civilian counterparts and provide a sufficient incentive for these members to complete a military career.

General MURRAY. The Marine Corps continues to be concerned with creating divisions among those who receive bonuses and those who do not; preferring to increase the pay for all marines vice only a select few. Our preference is to apply the entire \$1 billion to the basic pay table in the form of an equal-percentage, across-the-board increase. If congressional intent centers on targeted pay raises, we would prefer to focus the \$1 billion on our mid-career force (E5–E7, O3–O4) to the extent that these raises do not adversely impact the promotion increases of our more senior members.

General PETERSON. We appreciate Congress and the President addressing pay for our military members. The projected 4.6 percent increase to basic pay will help in our efforts to retain our best people. Based on comparisons with private sector counterparts of similar education levels and experience, coupled with our greatest retention needs, we believe it is best to target the additional \$1 billion at a pay raise for noncommissioned officers (NCOs) and certain commissioned officer grades. This adjustment would make the overall pay table more competitive with private sector wages. We are working together with the other Services and with OSD to develop a consolidated DOD position on this important issue.

10. Senator KENNEDY. General Maude, Admiral Ryan, General Murray, and General Peterson, in both our military and in DOD's civilian workforce, the need for highly qualified information technology personnel is essential.

How are the services doing in retaining qualified information technology personnel?

General MAUDE. We have had mixed success over the past several years retaining our information technology personnel. This field is one that there is great demand for with new recruits and we have had no problem getting enough of them to meet our skill level one requirements. We have had some difficulty in retaining those who are at the end of their initial term of service and have countered that by putting reenlistment bonus dollars on those specialties. That has been the most effective way we have seen to influence reenlistment behavior. Once a soldier reenlists the first time, he or she is likely to stay for a full career in the information technology field.

Admiral RYAN. Information technology crosses several ratings and mission areas throughout the Navy. Unlike the other services, Navy does not currently have a designated Information Professional (IP) Community or Signal Corps providing dedicated Officer and Enlisted community oversight and management. As a result, this has made it somewhat difficult to gauge the number of personnel performing legitimate IT functions but who are not designated as Information Professionals, and what the potential loss has been to Navy. The Department of the Navy Chief Infor-

mation Officer (DON CIO) recently completed a study to identify those personnel performing Information Management/Information Technology (IM/IT) functions that will ultimately support establishment of a Navy IP community.

Retention of Navy personnel designated as Information Systems Technicians (IT), and performing information systems-related functions, currently exceeds Navy-wide retention rates, 71 percent to 54 percent respectively. This figure, however, is artificially high due to the relative infancy of this rating (historical data available only since 1999).

Our ability to mitigate the affects of "industry draw" centers on availability of Enlistment and Selective Reenlistment Bonuses (SRB). Continued availability and competitiveness of these tools will be essential if we are to attract and retain highly qualified Information Professionals into several source ratings. An additional challenge associated with this issue is our ability to train sufficient numbers of highly qualified personnel to meet rapidly growing IM/IT requirements.

General MURRAY. Our small computer specialists (4,066) and ADA programmers (4,067) are currently staffed at 94 and 89 percent of our personnel requirements respectively. However, we are only retaining 56 percent of those marines in the first term force that we need to reenlist into the career force. This requires us to laterally move some marines from other Military Occupational Specialties (MOS) into this specialty, to maintain the overall inventory levels above.

General PETERSON. In fiscal year 2001, we made slight improvements in retaining enlisted members in the information technology career fields. However, our overall retention in first-term, second-term, and career enlisted members in the information technology fields remains below Air Force goals. As with our enlisted force, retaining communications-computer systems officers is challenging. The civilian sector continues to draw our highly skilled people. Cumulative continuation rates (CCR) for communications officers have improved slightly, although we remain below historical mission support averages. CCR is the percent of officers entering their 4th year of service who will complete their 11th year of service given existing retention patterns. The historical CCR for mission support officers is 53 percent. The fiscal year 2001 CCR for communications-computer systems officers is 45 percent.

The Air Force also has difficulty retaining newly hired, qualified civilian IT professionals. On average, 88 percent of IT professionals stay with the Air Force for more than 1 year, compared with a 93 percent rate for all civilian interns in the Air Force. Further, an average of 48 percent of all IT civilian professionals leave the Air Force within 8 years of service (YOS). This data reflects the dynamics of the current work force and industry. During several years of restructuring, downsizing, and outsourcing, we have also been competing with industry for scarce numbers of qualified IT workers.

11. Senator KENNEDY. General Maude, it is my understanding that the U.S. Army offers a 2-year enlistment that offers the enlistee a bonus to join and makes that individual eligible for the GI Bill and other educational benefits.

How many people take advantage of this 2-year enlistment?

What kind of benefit does it offer the Army to have such a short enlistment period?

General MAUDE. The total number of applicants that enlisted for a term of service of 2 years in fiscal year 2000 was 1981 or 2.1 percent of the total enlistments. The number of applicants enlisting for the 2-year enlistment bonus was 436 or 2.0 percent of all enlistment bonus takers. The benefit to the Army for 2-year enlistment periods is it expands the recruiting population to individuals who would not have otherwise served based on longer terms of service. This provides more people back to society to help bridge the civilian-military gap. Also, the 2+2+4 program option directly places Active component soldiers in Army Reserve units after a 2-year active duty obligation.

12. Senator KENNEDY. Admiral Ryan, General Murray, and General Peterson, do any other branches have a similar 2-year enlistment program like the Army?

Admiral RYAN. Navy offers a limited number of 2-year obligation (2YO) enlistments. While we have recently been authorized to offer enlistment bonuses to certain 2YO recruits, who are also eligible for Montgomery GI Bill (MGIB) benefits, Navy does not have a College Fund for 2-year obligors.

General MURRAY. The Marine Corps does not have 2-year enlistments due to the fact that shorter enlistments would provide less return on our training investment, would run counter to our unit cohesion program, and would not support our deployment cycle.

General PETERSON. The Air Force is a retention-based force. Because we are very technically oriented, many of our career specialties require extensive training not

suitable for a short enlistment period. The average technical training school is approximately 55 days, or 3 months, duration. Additionally, individuals complete 6 weeks of basic training, duty with the first-term airman center, and 15-months for upgrade training. Total training time takes 20–21 months. Therefore, the Air Force must focus on longer-term enlistments (4-year and 6-year). Over 53 percent of all recruits who entered in fiscal year 1999 were 6-year enlistees; 55 percent in fiscal year 2000. Our analysis also shows that a longer-term enlistment results in a higher percentage of reenlistments, which is very important for our force.

QUESTIONS SUBMITTED BY SENATOR MAX CLELAND

13. Senator CLELAND. General Maude, Admiral Ryan, General Murray, General Peterson, Sergeant Streeter, Petty Officer Strothers, Sergeant Rodriguez, and Airman Rodriguez, I continue to read article after article about service men and women who either are being punished for refusing to take the anthrax vaccine or who have experienced adverse reactions to the vaccine. Are the potential recruits aware of the DOD anthrax vaccination policy? Does the fact that they may be required to take these vaccinations deter a significant number of people from enlisting?

General MAUDE. Recruiters answer questions about the anthrax vaccination when asked, but there is no policy to address the subject as part of the recruiting process.

Admiral RYAN. Typically, recruiters do not discuss vaccination policy with the recruit. Although there has been much written in the news about this vaccine, especially in the Air Force and Army, there are no indication that this deterred a significant number of personnel from enlisting in the Navy.

General MURRAY. Neither the DOD anthrax vaccination, nor vaccinations in general are items of discussion unless broached by the applicant. Should the matter arise in an objectionary fashion, the choice would remain for the applicant to enlist or decline enlistment based on personal choice as we are a voluntary force. Because the anthrax vaccination policy has not become an issue for recruitment, the Marine Corps has not conducted any surveys to ascertain the impact of the policy on potential recruits.

General PETERSON. While we do not specifically address the DOD anthrax policy with recruits, they must acknowledge that they will be required to comply with all vaccination requirements needed to be eligible to deploy. However, we have no evidence that fear of the anthrax vaccination is keeping young people from enlisting in today's Air Force. The greatest barriers to finding qualified young people to enlist in the Air Force continue to be a thriving economy, college opportunities, and decreasing numbers of military influencers in the community.

Sergeant STREETER. There is no quantifiable data nor anecdotal information that would suggest or support any statement that the anthrax vaccination policy has had any effect on recruiting.

Petty Officer STROTHERS. Applicants in my area are not aware of the DOD anthrax vaccination policy. Because my applicants are not aware of the policy, it has never been a deterrent.

Sergeant RODRIGUEZ. Neither the DOD anthrax vaccination, nor vaccinations in general are items of discussion unless broached by the applicant. Should the matter arise in an objectionary fashion, the choice would remain for the applicant to enlist or decline enlistment based on personal choice as we are a voluntary force. Because the anthrax vaccination policy has not become an issue for recruitment, the Marine Corps has not conducted any surveys to ascertain the impact of the policy on potential recruits.

Airman RODRIGUEZ. I totally agree with Lieutenant General Peterson. Air Force Policy on anthrax is not specifically addressed with recruits. The recruits are told that they will be required to comply with all vaccinations requirements needed to be eligible to deploy. The fear of anthrax vaccinations is not a factor in finding qualified people to join the Air Force. The biggest obstacle is a growing economy, college opportunities, and decreasing military influences in the community.

14. Senator CLELAND. General Maude, Admiral Ryan, General Murray, and General Peterson, several years ago, we were seeing challenges in retaining captains in the Army, surface warfare officers in the Navy, and pilots across the services. What if any specific technical skills professions or grade levels are still experiencing retention problems?

General MAUDE. Army Competitive Category (ACC) officer retention patterns have changed little from fiscal year 2000. With the exception of a small increase in losses at the grade of major, attrition is basically flat. Company grade attrition (lieutenants and captains) is holding steady at 8.8 percent. The Army is forecasted

to lose about 40 fewer captains in fiscal year 2001 than it did in fiscal year 2000. The ACC is projected to be short 2,505 officers in the grades of captain to colonel in fiscal year 2001. This shortage is partially offset by a lieutenant overage of 1,392. This represents a fill of 47,675 against an allocation of 48,788 and an aggregate shortage of 1,113. While significant, this problem is manageable. Current remedies include increased promotion rates, selective continuation programs, and an increase in lieutenant accessions in fiscal year 2001–2006. To help offset the current captain shortage the Army has requested a change in Title 10, USC that will lower the captain pin-on point to 36 months from the current 42 months.

Warrant officer pilot retention has improved over the past few years as a result of recall programs and the implementation of aviation continuation pay (ACP). Apache pilot strength has increased from 87 percent in 1997 to 94 percent today. Special operations aviator strength has increased from 80 percent to 94 percent. The take rate for ACP exceeds 75 percent for both categories of aviators.

Admiral RYAN. Navy is meeting overall authorized officer end strength; however, shortfalls still exist at different grades and within various communities. This problem is most prevalent among mid-grade officers within the Unrestricted Line (URL). While various community-specific continuation or incentive pay programs are showing favorable results, projected retention rates are still less than steady state requirements. The following is provided to address specific areas of concern within the URL:

Surface Warfare Officer Retention: The Surface Warfare Officer (SWO) community has not retained to department head (mid-grade officers, typically with 6–10 years experience) requirements since fiscal year 1993. Surface Warfare Officer Continuation Pay (SWOCP) was enacted in fiscal year 2000 to help bolster retention of these critical, trained, and experienced fleet officers. The following table summarizes recent Surface Warfare Officer retention history:

[Percent]

Fiscal Year 1999 Actual	Fiscal Year 2000 Actual	Fiscal Year 2001 to date	Steady State Required
23	29	26	35–38

The Navy is examining the possible expansion of SWOCP under the Critical Skills continuation authority enacted in the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001.

Nuclear Officer Retention: As with other highly skilled Navy communities, retaining the right quantity and quality of officers is a challenge for the Nuclear Field.

Submarine officer fiscal year 2000 (YG–93) retention was 28 percent, down from 30 percent in fiscal year 1999 (YG–92) and below the fiscal year goal of 34 percent. Retention must improve to a nominal 38 percent to meet department head manning requirements while preventing department head tour lengths from increasing significantly. Surface Nuclear Officer fiscal year 2000 (YG–91) retention was 20 percent, up from 18 percent in fiscal year 1999 (YG–90). Although adequate for now, this retention must improve to a nominal steady-state 24 percent to maintain manning requirements and desired department head tour length. The following table summarizes recent Nuclear Officer retention history:

[Percent]

	Fiscal Year 1999 Actual	Fiscal Year 2000 Actual	Fiscal Year 2001 To Date	Steady State Required
Submarine	30	28	30	38
Surface (N)	18	20	19	24

The Nuclear Officer Incentive Pay (NOIP) program remains the surest and most cost effect means of achieving required retention. A fiscal year 2001 increase in NOIP rates is targeted at improving retention of these talented officers.

Special Warfare Officer Retention: SEAL officer retention requirements are necessarily high to match the relatively large number of Joint and Navy staff officer assignments for SEALs at 0–4, 0–5, and 0–6. The following table reflects recent Special Warfare Officer Retention Trends:

[Percent]

Fiscal Year 1999 actual	Fiscal Year 2000 actual	Fiscal Year 2001 to date	Steady State Required
69	68	60	74

Retention increased in fiscal year 1999 as a result of the Special Warfare Officer Continuation Pay (SPECWAROCP) first authorized in fiscal year 2000. SPECWAROCP take-rates exceeded projections in fiscal year 2000 and are expected to do so in fiscal year 2001. Additional improvements to SPECWAROCP are being staffed to influence first-time eligible officers to execute longer agreements in the latter part of fiscal year 2001.

Aviation Retention: After 4 years of decline, naval aviation experienced a 10 percentage point increase in retention from 31 percent in fiscal year 1999 to 41 percent in fiscal year 2000 through department head (12 years of service), a direct result of the fiscal year 1999 and fiscal year 2000 Aviation Career Continuation Pay (ACCP) bonus programs. Despite these favorable trends, a shortage of over 1,000 rated aviators existed at the end of fiscal year 2000, influenced significantly by a robust economy, airline hiring, and under accessions during the drawdown. The following table reflects aggregate aviation retention rates:

[Percent]

	Fiscal Year				
	1997	1998	1999	2000	2001
Required	28	36	40	34	37
Actual	40	34	31	41	¹ 42

¹ Projected retention

General MURRAY. In the Enlisted Career force, we are experiencing challenges in retaining marines, primarily in the grades of E-6, in the technical skills of:

2823	SSgt	Technical Controller
2834	SSgt	Satellite Communications Technician
2821	Sgt, SSgt	Computer Technician
5952	SSgt	Air Traffic Control Navigational Aids Technician

In the Officer Career force, we are experiencing challenges in retaining marines in the grade levels of Capt. through Lt.Col. in the technical skills of:

0180	Major	Adjutant
0202	Capt, Major	Intelligence
0602	Major	Command & Control
1302	Major, LtCol	Engineer—Construction
3404	Major, LtCol	Financial Management
4302	LtCol	Public Affairs
6002	LtCol	Aviation Maintenance
6602	Capt, Major	Aviation Supply
75XX	Capt, Major, LtCol	Fixed Wing Pilot

General PETERSON. We are experiencing difficulty retaining officers in several of our technical career fields that are in high demand in the civilian sector, such as developmental engineers, scientists, acquisition managers, and communications officers. Retention for each of these career fields has declined. Our pilot inventory is still a concern and management of our pilot force has been a top priority since 1996. A robust Aviation Continuation Pay program is helping us “hold the line” until we benefit from the positive effects of increased production and the 10-year active duty service commitment for pilot training. Within our enlisted corps, we are particularly concerned about retaining our first and second term airmen, those with 4–10 years of experience who represent our fully trained airmen and mid-career NCOs. Our TEMPO, a thriving economy, and military/public sector pay inequities continue to challenge our ability to retain highly skilled, technologically adept mid-career airmen and commissioned officers.

QUESTIONS SUBMITTED BY SENATOR JEAN CARNAHAN

15. Senator CARNAHAN. General Maude, Admiral Ryan, General Murray, and General Peterson, in less populated areas of the country, such as small rural towns in the Midwest, is it more difficult for interested high school students to meet with recruiters?

General MAUDE. No. Our recruiters are assigned high schools as part of their market. Every high school has a representative from the Army as a point of contact. Our recruiters have established rapport with the high school counselors and work with them to schedule visits, ASVAB testing, and presentations.

Admiral RYAN. No, it is not more difficult for interested high school students to meet with recruiters. Every effort is made to place Navy recruiting stations so as to optimize visibility and access for the geographic territory it is assigned to serve. Recruiters develop and execute high school contact itineraries to ensure they visit as many high schools as possible within their respective geographic areas of responsibility, on a routine basis. This provides opportunities for potential applicants to meet with Navy recruiters, even in remote locations. Recruiters initiate follow-up phone calls and personal visits when a potential prospect is determined, through telephone "blueprinting," to be qualified and eligible for enlistment. Cyberspace operators (located at Navy Recruiting Command headquarters) work with potential applicants, who contact us on the Navy.com website or our 1-800-USA-Navy phone line, to ensure timely contact with a recruiter from the Navy recruiting station in closest proximity to the individual's location.

General HUMBLE on behalf of General MURRAY. No. Marine recruiters make the extra effort to meet with all qualified applicants and potential applicants throughout the Nation. Even though, geographically, it may require a longer drive, and greater effort on the part of recruiters assigned to rural areas—no stone is left unturned and all qualified applicants are actively prospected. Marine recruiters in rural America make it a part of their daily and weekly regimen to set up appointments and ensure that time is used wisely, as travel of great distances is often required.

General BROWN on behalf of General PETERSON. The simplistic answer would be yes; however, Air Force Recruiting Service has processes in place (see answer to Question 16 below) to ensure interested potential enlistees have ample access to a recruiter.

16. Senator CARNAHAN. General Maude, Admiral Ryan, General Murray, and General Peterson, if the closest recruiting station is over 100 miles from this potential enlistee, are recruiters encouraged to travel the distance to meet with him or her? Are there certain limitations (high fuel costs or insufficient number of recruiters) on recruiters' ability to travel these distances to meet enlistees?

General MAUDE. Recruiters in limited rural areas, where distance may be a factor, meet prospective applicants at prearranged points that are convenient to the prospect. In all areas, applicants are afforded the opportunity to speak with recruiters, make appointments in which the recruiter will meet with the prospect and parents, and arrange to see a recruiter at their local high school. There are no other limitations, other than using safety risk management procedures when driving long distances.

Admiral RYAN. Yes, the Navy provides government vehicles specifically to permit recruiters to travel to meet with potential recruits and this is expected of them. Fuel costs do not inhibit recruiters' ability to travel, as may be required to meet with prospective recruits, and we are sufficiently manned to achieve the mission.

General HUMBLE on behalf of General MURRAY. Marine recruiters are required to meet with all qualified applicants within their area of responsibility (AOR), regardless of travel distance. Leadership ensures that appropriate resources are budgeted for and managed to ensure that recruiters can enlist all interested qualified applicants regardless of where they reside.

General BROWN on behalf of General PETERSON. Each recruiter is given an area of responsibility. This coverage ensures that every school and every area is covered. Some recruiters have hundreds of square miles to cover, so they are instructed to use their time wisely. If an applicant calls a recruiter and expresses an interest in the Air Force, the recruiter has set procedures to follow no matter how far away the prospective applicant lives. First, they will try to ensure, through a series of questions, whether or not the applicant is even minimally qualified. These may include questions about law violations, drug involvement, academic qualifications, and dependency status. If the applicant still appears to be qualified and shows a sincere interest, the recruiter should set up an appointment. The recruiter, in most cases, will first ask the applicant to come to his office. If, however, this is not practical or an inconvenience, the recruiter will schedule a visit in the potential enlistee's hometown. There are no travel limitations placed on recruiters (regarding resources, etc.). The only caveat may be regarding safety issues.

17. Senator CARNAHAN. General Maude, Admiral Ryan, General Murray, and General Peterson, are there regulations restricting recruiters from expending resources in order to contact recruits, either in person or otherwise? Are there some

restrictions placed on recruiters' use of cell phones during evening or weekend hours, which are good times to reach high school students?

General MAUDE. There are no resource restrictions on our recruiters limiting access to potential recruits. We restrict the use of cell phones for official use only, but do not restrict them to any particular days or times. However, we do review use of all resources to avoid actual and potential fraud, waste, and abuse.

Admiral RYAN. Recruiters are authorized to travel on Temporary Additional Duty orders, at Government expense when overnight travel is required. They are also eligible for reimbursement of up to \$75 per month for out-of-pocket expenses associated with conducting the mission. Reimbursable costs include, but are not limited to, the purchase of snacks, non-alcoholic beverages, occasional lunches or dinners for prospective applicants, and other incidental expenditures related to official duties.

Recruiters call prospective applicants during evening and weekend hours, subject to reasonable limitations intended to avoid intruding at inappropriate hours.

General HUMBLE on behalf of General MURRAY. In response to the first question, there are no regulations that restricts recruiters from using allocated resources to contact applicants. Responding to the second question, recruiters are allowed to use cell phones during evening and weekend hours up to their allowable minutes as specified in the service contract established with the vendor.

General BROWN on behalf of General PETERSON. No. However, a responsible use of resources is required. The cell phone is a tool of convenience, but if it is not used properly can quickly become a financial burden on a small organization. Recruiters can use the phones to contact or follow-up with applicants and potential enlistees, but cannot use them to "telephone prospect."

[Whereupon, at 11:30 a.m., the subcommittee adjourned.]

**DEPARTMENT OF DEFENSE AUTHORIZATION
FOR APPROPRIATIONS FOR FISCAL YEAR
2002**

WEDNESDAY, JULY 18, 2001

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 9:34 a.m. in room SR-222, Russell Senate Office Building, Senator Max Cleland (chairman of the subcommittee) presiding.

Committee members present: Senators Cleland, Akaka, E. Benjamin Nelson, Carnahan, and Hutchinson.

Committee staff member present: Nora V. Parker, systems administrator.

Majority staff member present: Gerald J. Leeling, counsel.

Minority staff members present: Patricia L. Lewis, professional staff member; Suzanne K.L. Ross, research assistant; Scott W. Stucky, minority counsel; and Richard F. Walsh, minority counsel.

Staff assistants present: Gabriella Eisen and Michele A. Traficante.

Committee members' assistants present: Menda S. Fife, assistant to Senator Kennedy; Andrew Vanlandingham, assistant to Senator Cleland; Davelyn Noelani Kalipi, assistant to Senator Akaka; Eric Pierce, assistant to Senator Ben Nelson; Neal Orringer, assistant to Senator Carnahan; Douglas Flanders and Charles Cogar, assistants to Senator Allard; and James P. Dohoney, Jr., assistant to Senator Hutchinson.

**OPENING STATEMENT OF SENATOR MAX CLELAND,
CHAIRMAN**

Senator CLELAND. The subcommittee will come to order. May I just say that when I was a young intern on the House side, in the summer of 1965, and came in this committee room and saw the venerable Senator Dick Russell sit right about here and speak to the interns in this august room, I never thought that I'd be sitting here as chairman of a subcommittee in the Armed Services Committee. As a matter of fact, it was here where Senator Russell took pictures with all the interns, and I can remember, Sonny, that in order to make us look good, he had a copy of the *Congressional*

Record, which we held up like this, pretending like we were going to read it, and that somehow interns knew something. [Laughter.]

My first political picture. I was so intimidated by Senator Russell that when I got in the presence of this great man and looked at the *Congressional Record*, my eyes shut when the flash went off. In my office, I have this great picture of Senator Dick Russell studiously looking at the *Congressional Record*, and this young intern, deer-in-the-headlights blank, like this. [Laughter.]

So, it's nice to come back with my eyes open and see all of you today. The things that I am committed to in this committee are fairness, openness, and informality. I think subcommittees are where great work can be done, and it does not always have to be formal or structured. We like to proceed along those lines and make everyone as comfortable as possible. Having sat on the other end of a committee hearing table, I know that at best it's an uncomfortable, difficult situation.

Additionally, we know that the body can only take so much, and we intend to have frequent breaks from time to time. I sometimes feel like having witnesses and panelists present for 1, 2, or 3 hours at a time is cruel and unusual punishment and outlawed by the Constitution, so we'll take breaks from time to time.

May I just say, it's wonderful to welcome the ranking member of our subcommittee, Senator Tim Hutchinson, my dear colleague and friend. We have been through so many of these personnel issues together. We have co-authored legislation together, and it's wonderful to be with him today. Senator Ben Nelson has just joined as a member of this subcommittee, and we welcome him today. Also present with us is Senator Danny Akaka, who we'll recognize in just a moment.

The subcommittee today meets to receive testimony regarding personnel programs for all of our military and civilian personnel. Shortly, we'll be marking up the National Defense Authorization Request for Fiscal Year 2002. Unfortunately, we didn't receive the DOD budget as usual in February. We received it in July this year. As a result, we've not been able to have the normal array of hearings to prepare our bill. We still don't have budgetary details, but we have to proceed with what we have in hopes of finishing our bill in a timely manner. Although there's no way to make up for the hearings we're not able to hold, this hearing is designed to provide an opportunity for interested parties to give us their top priorities for this year's legislation.

Today's hearing consists of three panels. I'd like to state at the outset that we'll take short breaks between each of the panels. We'll start with a discussion of the Montgomery GI Bill with Congressman Sonny Montgomery. This benefit has served our military and our Nation very well for many years. The composition of our military force has changed, though, from the time the Montgomery GI Bill was enacted. At that time, our military was primarily a drafted force of mostly single males who served their obligation and returned to civilian life. I was in under those days. Life today in the military is quite different.

The Montgomery GI Bill was a great transition benefit that helped people prepare for their civilian careers. Today's military is a volunteer force, with both male and female service members.

Most of them, married with families, make the military a career. It's time to update the GI Bill to meet the changing needs of our military.

For the last 2 years, I've proposed legislation to make the Montgomery GI Bill more family friendly. As we debated the merits of my proposal, we learned a great deal, and my legislation has been modified to take this into account. What I propose this year gives the service secretaries the discretion to allow a service member to transfer up to one half of his or her basic GI Bill benefit to family members.

My proposal is designed to be a tool for the service secretaries to retain service members with critical skills. Service secretaries will be able to authorize a service member who has completed 6 years of service and who agrees to serve at least 4 more years in the military, to transfer 18 months worth of basic benefits to family members. A spouse would be able to use these transferred benefits right away, while children would be able to use them once the member completes 10 years of service. This gives our service members the ability to create an education savings plan for their children, or to help their spouses to qualify for better employment. This creates a win-win situation. The service members win because they can allow their families to use GI Bill benefits that, in many cases, would otherwise go unused. The services and our Nation benefit because we keep highly-skilled service members in the service. It's better to retain than retrain, and keep service members in the service with the support of their families. In talking with service members upon their departure from the military, we've found that family plays a critical role in the decision of a member to continue his or her military career.

I remember last August, I was out in Hawaii, and I talked to a young Army sergeant. He said, "Sir, we're losing a lot of good people." He said, "When I talk to my men, they say sometimes the wife gives the ultimatum that 'It's me or the service.' Eighty percent of the time, the service member leaves." Families and their impact on the military is something we have to deal with. Reality dictates that we must address the needs of the family in order to retain our soldiers, sailors, airmen, and marines.

Our second panel consists of witnesses who will bring to us the concerns and priorities of our service members. The third panel is composed of the Under Secretary of Defense for Personnel and Readiness and the service personnel chiefs. We hope these witnesses will help us to understand their top priorities and answer some questions about the department's legislative proposals. We've also received a prepared statement from Dennis Duggan of the American Legion, and a letter from Stephen Ambrose, the great historian, expressing his support for the GI Bill and the GI Bill legislation. Without objection, these documents will be included in the record.

[The information referred to follows:]

PREPARED STATEMENT OF DENNIS M. DUGGAN

Mr. Chairman, the American Legion is grateful for the opportunity to present its views regarding the National Defense Authorization Act for fiscal year 2002. The American Legion values your leadership in improving the quality-of-life, readiness and modernization of the Nation's armed forces. As history continues to dem-

onstrate, it is important for Congress to meet its constitutional responsibilities *to provide for the common defense* in a highly uncertain world.

With the end of the Cold War, the clear and identifiable threat posed by easily identified foes no longer exists. Today, America faces a myriad of threats and challenges that appear more perplexing, complex and difficult. Serious regional threats continue to plague freedom and democracy, especially in areas like the Balkans, North Korea, the People's Republic of China, Iraq and Iran. America now must confront the on-going proliferation of weapons of mass destruction and international terrorism posed by rogue nations and radical groups.

The National Commander of the American Legion, Ray Smith, recently visited American troops in South Korea, as well as a number of installations throughout the United States. During these visits, he was able to see first hand the urgent, immediate need to address these real quality-of-life challenges faced by service-members and their families. The marked decline in quality-of-life issues for service-members, coupled with heightened operational tempos, plays a key role in the recurring recruitment and retention woes and should come as no surprise. The operational tempo and lengthy deployments must be reduced. Military pay must be on par with the competitive civilian sector. If other benefits, like health care improvements, commissaries, adequate quarters, quality childcare, and improved school systems are ignored, it will only serve to further undermine efforts to recruit and retain the best this Nation has to offer.

The American Legion recently developed a new program to encourage Legionnaires and their families to spend more quality time with today's military members and their families. During visits to Active Duty posts and National Guard armories, American Legion leaders are able to discuss the issues of concern to today's military member. Soldiers, sailors, airman, and marines repeat common themes: inadequate pay, high ops tempo, housing problems, health care difficulties, and child care concerns.

MODERNIZATION

The very force projected from the build-up in the early 1980s is the one being worn out as a result of extensive operational deployments and inadequate funding. As former Secretary of Defense Schlesinger previously indicated before the House Armed Services Committee, the U.S. military continues to live off and wear out the "capital" of the Cold War. Modernizing and maintaining even today's smaller military forces takes the kind of sustained commitment and fiscal investment, in the future, that took place in the early 1980s. What this Nation really cannot afford is another decade of declining defense budgets and shrinking military forces. If America is to remain a superpower able to promote and protect its global interests, it must be capable to project force with complete confidence, using state-of-the-arts weaponry, in a timely manner.

Just last week, in testimony before the full Committee, Deputy Secretary of Defense Paul D. Wolfowitz described the scene of a ballistic missile attack on U.S. and allied troops during the Persian Gulf War. In the waning days of the Gulf War, a single SCUD missile hit a U.S. military barracks in Dhahran, killing 28 U.S. soldiers and wounding 99. For American forces, it was the single worst engagement of the Gulf War. Deputy Secretary Wolfowitz went on to explain that the ability to meet such a threat today is "hardly any better" than it was 10 years ago. He also stated, "To those who wonder why so many of the regimes hostile to the United States—many of them desperately poor—are investing such enormous sums of money to acquire ballistic missiles, I suggest this possible answer: *They know we don't have any defenses.*"

The American Legion believes no soldier, sailor, aviator, or marine should go into battle without the very best training, equipment and weaponry available to win the war. No enemy should ever have a technological edge over U.S. forces. To achieve this objective, defense modernization efforts must remain a top priority of the administration and Congress.

READINESS

In recent years, over-optimistic assumptions about actual funding requirements, coupled with multiple unbudgeted contingency operations, have resulted in a series of unit readiness problems. Training goals are not being met. Military readiness ratings have plunged due to reductions in operations and maintenance accounts as a result of extended peacekeeping operations. Both the 1st Infantry Division and the 10th Mountain Division felt the adverse consequences of peacekeeping operations on combat readiness. Last year, the 3rd Infantry Division was rated as less than combat-ready due to lack of combat-oriented training and personnel. Today, thousands

of military personnel (both Active and Reserve components) are deployed to approximately 140 countries around the globe. At any given time, 26 percent of the active duty military force is deployed to overseas commitments. Members of the armed forces have little opportunity to spend meaningful time with their families. Junior officers are leaving the military in large numbers. Maintenance of equipment and weapon delivery systems is in peril because of limited spare parts inventories. Due to depleted supplies of parts, the cannibalization of parts and *creative engineering* has become a common practice. Manpower shortages have resulted in ships *cross-decking* or *borrowing* of crewmembers from other ships in order to deploy. Such back-to-back tours adversely impact on crew integrity, morale, and readiness. Hands-on training, actual flying hours, and ammunition are being restricted due to inadequate funding.

When proficiency cannot be maintained, readiness is compromised and this places the Nation's ability to wage high intensity conflict at risk.

QUADRENNIAL DEFENSE REVIEW

Since the collapse of the Soviet Union in 1991, America has conducted three substantial assessments of its strategy and force structures necessary to meet the National defense requirements. The assessment by the former Bush administration ("Base Force" assessment) and the assessment by the Clinton administration ("Bottom-Up Review") were intended to reassess the force structure in light of the changing realities of the post-Cold War world. Both assessments served an important purpose in focusing attention on the need to reevaluate America's military posture; but the pace of global change necessitated a new, comprehensive assessment of the current defense strategy for the 21st century.

The American Legion continues to support the force structure proposed by the Base Force Strategy: Maintain 12 Army combat divisions, 12 Navy aircraft carrier battle groups, 15 Air Force fighter wings and three Marine Corps divisions, and a total manpower strength of at least 1.6 million. The American Legion supports the theory behind the two-war strategy: if America were drawn into a war with one regional aggressor, another could be tempted to attack its neighbor. Especially, if this aggressor were convinced that America and its allies were distracted, lacked the will to fight conflicts on two fronts, or did not possess the military power to deal with more than one major conflict at a time. Determining the right size of U.S. forces for more than one major conflict would provide a hedge against the possibility that a future adversary might mount a larger than expected threat. It would also allow for a credible overseas presence that is essential in dealing with potential regional dangers and pursuing new opportunities to advance stability and peace. The American Legion believes such a strategy, however, should be threat-based rather than budget-driven.

Furthermore, the strategy must employ more robust force structures and increased budgeting for quality-of-life, readiness and modernization than that recommended in the Bottom-Up Review or its follow-on Quadrennial Defense Review (QDR). The American Legion believes that the two-war strategy has not been adequately funded. The American Legion believes the "win-win" two-war Bottom-Up Review strategy was delusional. With growing worldwide commitments, America has a "win-hold" strategy, at best, with only 10 Army combat divisions and three Marine divisions to utilize.

Peacekeeping and humanitarian operations, that do not serve vital national security interests, further detract from America's combat power and military readiness. Funding for peacekeeping operations must be congressionally approved, on a case-by-case basis, and fully appropriated by Congress rather than funded through the Services' limited operations and maintenance accounts. America expects its civilian and military leadership to develop a reasonable and common sense national military strategy. If all other reasonable alternatives are explored, U.S. forces must only be committed in response to threats against America's vital interests.

The current national security and military strategies prescribed in the QDR fail to match increased military missions with the required resources. The QDR, like the Bottom-Up-Review, provides neither the forces, lift capabilities, nor budgets to fight two nearly simultaneous major regional conflicts and win. Peacekeeping operations fail to properly train combat forces to win wars. Congress and DOD need to provide a strategy that better matches missions with resources.

PROCUREMENT

Only a few major systems currently in production would be funded in the fiscal year 2002 defense budget. The funding level for weapons procurement is one of the lowest of any administration, since 1950 and has been some 71 percent less than

that of 1985. The American Legion fully supports the Army's Transformation Program. Major development programs that The American Legion also supports include the Air Force F-22 fighter and C-17, F/A-18Es for the Navy and Joint Strike Fighters for the Air Force and Navy and more DDG-51 destroyers. Unquestionably, the Navy will also need to acquire more submarines.

If left unadvised, omissions in DOD's modernization budget could have the following implications:

- They will result in the continued deterioration of the defense industrial base.
- The future technological superiority of American forces will be at risk thereby increasing the danger to servicemembers should they be called into combat, and
- The failure to replace and upgrade equipment in a timely manner will create a massive modernization shortfall in each of the military services and possibly, lead to even more serious readiness problems in the long run.

The American Legion further urges Congress to expedite the procurement of improved and sensitive equipment for the detection, identification, characterization and protection against chemical and biological agents. Current alarms are not sensitive enough to detect sub-acute levels of chemical warfare agents. Improved biological detection equipment also needs to be expedited.

The American Legion opposes further termination or curtailing of essential service modernization programs, diminution of defense industrial capabilities, and rejects the transfers of critical defense technologies abroad.

The American Legion firmly believes with the continuing threat of nuclear proliferation, America should retain its edge in nuclear capabilities as represented by the TRIAD system, and the highest priority should be the deployment of a national missile defense. Although the development and deployment of advanced theater missile defenses to protect U.S. forward deployed forces is imperative; any dismantling of acquisition programs to defend the American people is imprudent. America should focus on developing and deploying by 2003 an anti-ballistic missile detection and interception system that is capable of providing a highly effective defense against limited attacks of ballistic missiles.

ACTIVE FORCE PERSONNEL

The American Legion is deeply concerned that a number of influences pose significant—and often underestimated—recruitment, retention and readiness risks for the remainder of the decade.

Mr. Chairman, The American Legion and the armed forces owe you and this subcommittee a debt of gratitude for your strong support of military quality-of-life issues. Nevertheless, your assistance is needed now more than ever. Positive congressional action is needed to overcome old and new threats to retaining the finest military in the world. Servicemembers and their families continue to endure physical risks to their well being and livelihood, substandard living conditions, and forfeiture of personal freedoms that most Americans would find unacceptable. Worldwide deployments have increased significantly, and a smaller force has operated under a higher ops tempo with longer work hours and increased family separations.

Now is the time to look to the force recruiting and retention needs. Positive congressional action is needed to overcome past years of negative career messages and to address the following quality-of-life features:

- *Closing the Military Pay Gap with the Private Sector*—The Chairman of the Joint Chiefs of Staff previously stated that the area of greatest need for additional defense spending is “taking care of our most important resource, the uniformed members of the armed forces.” To meet this need, he enjoined Members of Congress to “close the substantial gap between what we pay our men and women in uniform and what their civilian counterparts with similar skills, training and education are earning.” But 11 pay caps in the past 15 years took its toll and military pay continues to lag behind the private sector by about 10 percent. The American Legion applauds the 3.7 percent pay raise effective on January 1, 2001 and E-5, E-6 and E-7 grade-adjustments to pay made in July 2001. With the new administration pledging to significantly increase military pay raises above that dictated by the “ECI plus one-half of 1 percent,” there is excitement in the field. We urge you to support the new administration's plan.
- *Basic Allowance for Housing (BAH)*—For those who must live off base, the provision of the Basic Allowance for Housing (BAH) is intended to help with their out-of-pocket housing expenses. Former Secretary of Defense Cohen set a goal of entirely eliminating average out-of-pocket housing ex-

penses. However, at this time it has been estimated that BAH only accounts for about 70 percent of out-of-pocket housing costs. This committee has taken strong steps in recent times to provide funding to move toward lowering such expenses. Please continue to work to close the gap between BAH and the member's average housing costs.

- *Montgomery GI Bill Enhancements (MGIB)*—The current veterans' educational benefit, the Montgomery GI Bill, has failed to keep pace with escalating educational costs and is significantly diminished in relation to the unique educational benefits offered in the original GI Bill. Today's military educational benefits package directly competes with other federally funded educational programs, such as AmeriCorp, Pell Grants and others that offer equal or greater monetary benefits with less personal sacrifice and hardships. The American Legion believes that the veterans' educational benefits package for the 21st century must be designed to recruit outstanding individuals to meet the needs of the armed forces and to serve as a successful transition instrument from military service back into the civilian workforce.
- *Preserving Military Commissaries*—The Department of Defense has evaluated options to downsize or privatize the Military Commissary System by seeking reduced Federal funding, reducing the number of operating facilities, and privatizing military commissaries. The American Legion strongly opposes each of these proposals. The value of commissaries in the quality of life equation for junior enlisted families and military retirees and others is indisputable. Military commissary usage has ranked second only to medical health care in the non-pay compensation package according to surveys conducted among active duty and retired beneficiaries. With the continued downsizing of the military to include reductions in force and military entitlements, any effort to reduce or dismantle the military commissary system would be seen as a serious breach of faith with military beneficiaries. The American Legion supports full Federal funding of the military commissary system and retention of this vital non-pay compensation benefit that is essential to the morale and readiness of the dedicated men and women serving in the U.S. Armed Forces.

RESERVE COMPONENTS

The advent of smaller Active-Duty Forces reinforces the need to retain combat-ready National Guard and Reserve Forces that are completely integrated into the Total Force. The readiness of National Guard and Reserve combat units to deploy to a second major regional conflict will also cost in terms of human lives unless Congress is completely willing to pay the price for their readiness. With only ten active Army divisions in its inventory, America needs to retain the eight National Guard divisions as its *life insurance policy*.

Growing concerns are that the Reserve components, especially the National Guard, should not be overused in contingency operations, as these servicemembers have regular civilian jobs and families as well. The American Legion understands that retention rates and, therefore, strength levels are falling in those States deployed or scheduled to deploy guardsmen overseas. Governors of these states continue to express concern that state missions will not be accomplished. The National Guard from 44 States has a presence in 35 foreign countries.

The American Legion is also supportive of all proposed quality-of-life initiatives that serve to improve living and working conditions of members of the Reserve components and their families, to include unlimited access to commissaries.

QUALITY-OF-LIFE

Just as military manpower levels, force structures, operational tempos and defense budgets need to be stabilized so must quality-of-life features for servicemembers and their families. This includes enhancements to compensation and incentives to preclude seriously degrading the All-Volunteer Force. The American Legion believes that the most important message is to sustain the momentum begun in the 106th Congress:

- military pay raises;
- improved housing;
- access to quality health care;
- family support activities for the Active Duty and Reserve components;
- TRICARE for Life for Medicare-eligible military retirees;
- full concurrent receipt of military retirement pay and VA disability compensation; and,

- improved Survivors Benefit Plan (SBP) benefits for Social Security eligible surviving spouses of military retirees.

HEALTH CARE FOR MILITARY BENEFICIARIES

Today, there are approximately 8.2 million beneficiaries in the military health care program. Military retirees and their dependents make up nearly one half of that number, and over 500,000 retirees have lost or will lose their access to military health care as a result of the closure of approximately 40 percent of military treatment facilities. Access to affordable health care, regardless of age, status or location, represents a major concern among military retirees. Until recently, military retirees were led to believe that they were entitled to free lifetime health care—after having served 20 or more years in the most demanding and dangerous of professions. In 1993, the promise of lifetime health care was perpetuated in military recruitment literature.

The creation of “TRICARE for Life” and a TRICARE Senior Pharmacy benefit in Public Law 106-398 was an historic triumph for Congress and those 1.4 million Medicare-eligible military retirees and dependents. While TRICARE for Life came with its own funding stream in fiscal year 2001, money must be budgeted to provide for the program for fiscal year 2002. The American Legion recommends that this important program be provided the funding to start the program. The American Legion also applauds congressional efforts last year to eliminate TRICARE co-payments for Active-Duty family members. However, several other important measures signed into law are on hold due to lack of funding. These include extending the TRICARE Prime Remote program to family members; lowering the TRICARE Standard catastrophic cap (maximum out-of-pocket expenses per fiscal year) from \$7,500 to \$3,000; providing TRICARE coverage for school physicals for dependents; and reimbursement for certain travel expenses for TRICARE Prime beneficiaries. The American Legion recommends that this subcommittee take the next step to make sure that the new military health care improvements come to fruition.

Beginning October 1, 2002, TRICARE for Life (TFL) will be fully funded through the Medicare-eligible Retiree Health Care Fund. But TFL actually will be implemented one year earlier—on October 1, 2001. This first-year funding requires an increase in appropriated defense funds over and above the normal defense budget amount. TFL will be funded in any event, but without the added money, the Pentagon would have to pay for it by “robbing” other needed DOD programs. Providing the full added TFL funds sends a powerful signal that Congress intends to honor the lifetime health care commitment to older servicemembers without cutting funds for other needed readiness or quality-of-life programs.

The American Legion recommends that an additional \$1.4 billion be added to the Defense Health Program to meet health benefit obligations to military beneficiaries for the current fiscal year. This program has been chronically under-funded for years.

The American Legion appreciates the significant military health care enhancements enacted in the Fiscal Year 2001 Floyd D. Spence National Defense Authorization Act. The American Legion recommends that Congress reiterate its commitment to authorize and appropriate sufficient funds for these improvements within DOD’s Health Program, and further, to direct the Health Care Finance Administration (HCFA) to reimburse DOD for its care of Medicare-eligible military families at Military Treatment Facilities (MTFs).

The Military Health System (MHS) is chronically under-funded, resulting in execution shortfalls, lack of adequate equipment capitalization, failure to invest in infrastructure and slow reimbursement to managed care support contractors. For years, MHS has been forced to rely on emergency supplemental appropriations or the reprogramming of funds within DOD.

The military’s health care program is one of the most important benefits afforded the men and women who serve in or have retired from the uniformed services. The promise of free health care in MSFT was a major selling point in military recruiters’ or career counselors’ pitch to enlist or retain personnel in the uniformed services.

OTHER MILITARY RETIREE ISSUES

The American Legion believes strongly that quality-of-life issues for retired military members and families also are important to sustaining military readiness over the long term. If the Government allows retired members’ quality-of-life to erode over time, or if the retirement promises that convinced them to serve are not kept, the retention rate in the current Active-Duty Force will undoubtedly be affected. The old adage *you enlist a recruit, but you reenlist a family* is truer today than ever as more career-oriented servicemembers are married or have dependents.

Accordingly, The American Legion believes Congress and the administration must place high priority on ensuring that these long-standing commitments are honored:

- *VA Compensation Offset to Military Retired Pay (Retired Pay Restoration)*—Under current law, a military retiree with compensable, VA disabilities cannot receive both military retirement pay and VA disability compensation. The military retiree's retirement pay is offset (dollar-for-dollar) by the amount of VA disability compensation awarded.

The purposes of these two compensation elements are fundamentally different. Longevity retirement pay is designed primarily as a force management tool that will attract large numbers of high-quality members to serve for at least 20 years. A veteran's disability compensation is paid to a veteran who is disabled by injury or disease incurred or aggravated during active duty military service. Monetary benefits are related to the residual effects of the injury or disease or for the physical or mental pain and suffering and subsequently reduced employment and earnings potential. Action should be taken this year to provide full compensation for those military retirees who served more than 20 years in uniform and incurred service-connected disabilities. Disabled military retirees are the only retirees who pay their own disability compensation from their retirement pay. It is time to cease this inequitable practice. The American Legion supports funding to provide full concurrent receipt to all eligible disabled military retirees.

- *Social Security Offsets to the Survivors' Benefits Plan (SBP)*—The American Legion supports amending PL 99-145 to eliminate the provision that calls for the automatic offset at age 62 of the military SBP with Social Security benefits for military survivors. Military retirees pay into both SBP and Social Security, and their survivors pay income taxes on both. The American Legion believes that military survivors should be entitled to receipt of full social security benefits which they have earned in their own right. It is also strongly recommended that any SBP premium increases be assessed on the effective date or subsequent to, increases in cost of living adjustments and certainly not before the increase in SBP as has been done previously. In order to see some increases in SBP benefits, The American Legion would support a gradual improvement of survivor benefits from 35 percent to 45 percent over the next 5-year period. The American Legion also supports initiatives to make the military survivors' benefits plan more attractive. Currently, about 75 percent of officers and 55 percent of enlisted personnel are enrolled in the Plan.

- *Uniformed Services Former Spouses Protection Act (USFSPA)*—The American Legion urges support for amending language to PL 97-252, the Uniformed Services Former Spouses Protection Act. This law continues to unfairly penalize Active Duty Armed Forces members and military retirees. USFSPA has created an even larger class of victims than the former spouses it was designed to assist, namely remarried Active Duty service-members or military retirees and their new family. The American Legion believes this law should be rescinded in its entirety, but as an absolute minimum, the provision for a lifetime annuity to former spouses should be terminated upon their remarriage.

CONCLUSION

Twenty-eight years ago, America opted for an All-Volunteer Force to provide for the national security. Inherent in that commitment was a willingness to invest the needed resources to bring into existence a competent, professional, and well-equipped military. Now is not the time to dismantle, through the consequences of under-funding national defense, but rather to fully support the All-Volunteer Force.

What needs to be done? The American Legion recommends, as a minimum, that the following steps be implemented:

- Continued improvements in military pay raises, equitable increases in Basic Allowances for Housing and Subsistence, military health care, improved educational benefits under the Montgomery GI Bill, improved access to quality child care, and other quality-of-life issues.
- Defense spending, as a percentage of Gross Domestic Product needs to be maintained between 3 and 4 percent annually. At least \$160 billion should be appropriated over 6 years to address the immediate concerns of the Joint Chiefs of Staff.
- The Quadrennial Defense Review needs to be fully reevaluated as it provides neither the forces nor the defense budgets to fight two nearly simulta-

neous major regional conflicts, while also conducting peacekeeping operations. The strategy-resources mismatch needs to be eliminated.

- Force modernization needs to be realistically funded and not further delayed or America is likely to unnecessarily risk many lives in the years ahead;

- The National Guard and Reserves must be realistically manned, structured, equipped and trained; fully deployable; and maintained at high readiness levels in order to accomplish their indispensable roles and missions.

Mr. Chairman, this concludes the American Legion statement.

STEPHEN E. and MOIRA B. AMBROSE

17 March 1999

Senator Max Cleland
Washington, DC
Via fax

Dear Max:

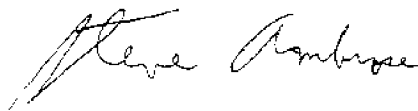
I learn that you have asked me to speak on the GI Bill before the U.S. Senate Armed Services Committee and there is nothing I'd rather do. Unfortunately I'm scheduled on that day to speak to the Louisiana Legislature about The National D-Day Museum of which I am the founder.

The GI Bill is universally praised as the best piece of legislation ever passed by Congress. It gave millions of soldiers, sailors and airmen of World War II and Korea an opportunity to do something they thought they would never do - go to college. They could pick the college or university, and pick their major field of study. They had their tuition paid, meal and room money, and money for books. Or they borrowed money to own a house or start a small business.

World War II gave America the biggest and best armed forces in the world. The GI Bill made America into the best educated country in the world. The graduates, sick of war and of destruction, went out to build. They constructed the Interstate Highway System, the St. Lawrence Seaway, the modern medical establishments, the modern university and college, giant corporations of all kinds, the suburbs, and more. They took on Jim Crow and beat him. They had learned during the war how superior freedom and democracy are to totalitarianism, so they supported the United Nations and the Department of Defense. They defeated Hitler, Tojo, and Mussolini - and then Stalin and his successors. They made the world safe for democracy. The world we live in today is due to them, and what they did is due to the GI Bill of Rights. I wish you every success in revising and extending the G.I. Bill.

To another matter: I'd like to ask you to join the honorary board of The National D-Day Museum. George Bush is a member, as is Colin Powell and any number of others. The Museum is in New Orleans because it was here that Andy Higgins built the landing craft. There is so much more I'd like to tell you, if you are interested. We would love to have you. There are no duties or responsibilities, other than saying a good word for the Museum when the subject comes up.

Sincerely



Senator CLELAND. Senator Hutchinson, I'd like to recognize you this morning, my dear friend and colleague. I would like to give you time to make an opening statement.

STATEMENT OF SENATOR TIM HUTCHINSON

Senator HUTCHINSON. Thank you, Chairman Cleland. I appreciate the opportunity to continue to work with you on the personnel subcommittee. We've had a good working relationship. I think we've been a good team working this last year on vitally important health and compensation issues, and I look forward to continuing that teamwork.

I also want to express my appreciation to you, Senator Cleland, for a copy of your recent autobiographical work. I always held you in great esteem, but after having recently read that and enjoyed it, my admiration for you is only enhanced.

Senator CLELAND. Thank you.

Senator HUTCHINSON. It's amazing the things you've gone through, how you've persevered, and the example that you've set for us.

Senator CLELAND. My book has sold dozens throughout the great state of Georgia. [Laughter.]

Senator HUTCHINSON. By word of mouth, it's going to sell a lot more. I join you in welcoming our witnesses today. In particular, I want to express my welcome to a former chairman of mine on the House side, Sonny Montgomery. Sonny, we may not meet your standard on starting exactly on time, but we came close. He was a great chairman of the Veterans Affairs Committee and a great member of the House of Representatives. He has worked tirelessly for our men and women in uniform and our Nation's veterans. You're looking good and it's a delight to see you again. Thank you for coming over and for what you've done with the Montgomery GI Bill and the lives that you've impacted with that one singular piece of legislation.

In this compressed legislative year, Mr. Chairman, this hearing represents an important opportunity to review critically important personnel programs. I want to congratulate the administration and the department on submitting a budget that puts people first. Without this approach, I believe it would be impossible for our all-volunteer force to succeed in attracting, motivating, and retaining the top-quality people essential to our Nation's security.

We recognize and endorse the budget's increases in pay and allowances for military personnel from \$75 billion in fiscal year 2001 to \$82 billion in fiscal year 2002. I believe the pay raise is wisely targeted at our mid-career personnel, providing for raises of up to 10 percent for enlisted grades E-4 to E-9 and for mid-grade officers. However, it also ensures at least a 5-percent pay raise for every service member. It incorporates a more realistic estimate for military healthcare costs, at \$17.9 billion for the Defense Health Program, up sharply from the \$12.1 billion in fiscal year 2001. While I'm concerned about the adequacy of even this amount, it does reflect more realistic estimates of military healthcare costs, including our managed-care support contracts, pharmacy purchases, and \$3.9 billion for TRICARE for Life, as this committee legislatively directed last year in the authorization bill.

All of these initiatives will help, I trust, reverse the troubling trends in recruiting and retention; but more needs to be done, and I anticipate getting some good ideas today from our distinguished panel members.

Mr. Chairman, thank you for putting this hearing together. I want to apologize in advance. I have another hearing, and I will be going back and forth. I hope to return, but I'm going to have to excuse myself for a few minutes.

Senator CLELAND. Thank you very much, Senator, and thank you for your comments about the challenge of addressing the retention needs of mid-range NCOs and the mid-career officers. The spirit of the pay raise addresses that, and I think that's part of the spirit of the transferability legislation terms of the GI Bill, to allow service secretaries to have options, some arrows in their quiver, that they can use to address those critical years where those service men and women are making career decisions. Thank you very much, Senator.

Senator Akaka, we're glad to have you with us this morning and thank you for coming. We would appreciate any opening remarks you have to make.

STATEMENT OF SENATOR DANIEL K. AKAKA

Senator AKAKA. Thank you very much, Mr. Chairman. I'm glad to be here with you and your subcommittee. I'm pleased to join you this morning to hear from our distinguished witnesses about the personnel programs for the Department of Defense. I want to particularly welcome my good, and long-time friend from the U.S. House, where we served together, the Honorable G.V. Sonny Montgomery. I've spent time with Sonny, not only on the floor and in committees, but also in meetings, special meetings, and also at the gym. [Laughter.]

Sonny, welcome to the Senate.

Mr. Chairman, I've long supported initiatives to improve recruiting, retention, and quality of life for our service members. I believe these issues have a tremendous impact on the readiness of our armed forces. I look forward to working with the Department of Defense, military organizations, and my colleagues to address these matters of concern.

I'm also interested in the department's civilian personnel programs. In my capacity as the chair of the Governmental Affairs Subcommittee on International Security, Non-proliferation and Federal Services, I have closely examined issues involving Federal employees. I agree with Secretary Chu's assessment, that the DOD civilian workforce has been, and will continue be, a major contributor to military readiness because it provides continuity, expertise, and commitment. I believe the human-capital issue is significant and that the Department of Defense will examine this issue closely. Senator Voinovich and I have been working in this particular area and want to spend more time on human-capital issues.

I look forward to hearing the witnesses, Mr. Chairman, and I too will have to race to another committee meeting this morning. Thank you very much.

Senator CLELAND. Thank you very much, Senator, and I appreciate your emphasis and articulation on the need for preserving

and protecting our human capital in the military. It reminds me of the line by General Abrams, the former chief of staff of the Army, that people were not “in” the Army, they “were” the Army. In so many ways, people “are” our defense, and that’s one of the reasons I’m so honored to be chairman of this panel. I’ve always believed that the key to defense was our defenders. How to keep them and how to retain them are the key issues we face today.

On our first panel we’re honored to have, as our first witness, the Honorable Sonny Montgomery, my dear friend and colleague through many years. I was head of the Veterans Administration, and we worked together closely on many issues. He is a member of the greatest generation, a distinguished veteran of World War II and the Korean War. He brings to his task, as a citizen, as a legislator, as a public servant, one of the best backgrounds for dealing with the military issues we face today, particularly personnel issues, of anyone in America. He’s a true visionary who made the GI Bill what it is today, which is why it bears his name. He recognized the importance of education to our service members and to our country. Because of his insight, many Americans have served their nation in the armed forces and received their education because of the benefit that bears his name, the Montgomery GI Bill.

Mr. Chairman, we’re delighted to have you with us today, and thank you for taking time out to share with us your thoughts and recommendations today, particularly on how your legislation might be improved or how this committee might learn from what you’ve done. The floor is yours.

**STATEMENT OF HON. G.V. “SONNY” MONTGOMERY, FORMER
MEMBER OF CONGRESS, FROM MISSISSIPPI**

Mr. MONTGOMERY. Thank you very much, Mr. Chairman, and thank you for those very kind and wonderful remarks. I appreciate it very much. We’ve been friends over the years. I was chairman of a committee when you were head of the veterans department. We worked closely together. We’ve socialized, we’re good buddies, and thank you for giving me this opportunity.

It’s great to see Senator Daniel Akaka and Senator Tim Hutchinson here. Danny and I have been around, and we’ve enjoyed our fellowship and friendship, and that’s the way it’s going to continue to be.

Tim mentioned that I always started a committee on time. I looked at the clock. Mr. Chairman, you were 4 minutes late, after 9:30. That’s very good for the Senate. Congratulations. [Laughter.]

Senator CLELAND. Normally it’s later than that, so thank you very much.

Mr. MONTGOMERY. Well, thank you, sir. To you, Chairman Cleland, and to the ranking minority member, I’d like to say, Tim Hutchinson and my friend, Danny Akaka, thank you for giving me this opportunity. Thanks to Gary Leeling, of the Senate staff, for working with us, for the time and place.

Mr. Chairman, we do have a problem with the Montgomery GI Bill in that only 50 percent of those service men and women who sign up for the bill are using the benefits after they leave the service or while they’re in the service. The House of Representatives, under the leadership of Chairman Chris Smith, and also the rank-

ing minority member, Lane Evans, has passed a bill increasing the GI benefits this year. There was a roll-call vote in the House that passed the bill, Mr. Chairman, without a dissenting vote—it was a recorded vote—and we were very proud of that.

The bill raises the benefits on the GI Bill from \$650 a month to \$1100 per month in the third year. As I've said, this bill is now in the Senate VA Committee. But this legislation does not include the transferability clause that Senator Cleland has worked very hard for in the last several years. Senator Cleland had this provision in the 2001 Senate Armed Services Bill of last year. When it came to the House Armed Services Committee, it included the transferability, and that provision was in the conference.

I personally, as did Senator Cleland, asked Chairman Floyd Spence and Congressman Bob Stump, who control the committee, to keep this transferability in the final bill, but they would not agree. As I recall, the Senator was willing to reduce some of the transferability coverage, but it was not accepted.

I am very proud to support Senator Cleland's new bill introduced in this Congress and before this subcommittee. I know this bill costs money, but it has the potential to be an outstanding recruiting tool and retention factor.

Every year, I am told recruiting of qualified persons is getting harder for the military. In the last 10 years, 4-year colleges and 2-year community colleges, including our state schools, have developed their own scholarships and loan programs to attract the best high-school students to their universities and community colleges. This has made it difficult for the military to recruit. This transferability will be a great incentive to get qualified young men and women into the service.

The original GI Bill, H.R. 1400, introduced in 1984 and sent to the Senate, passed the House with the full transfer clause with it. To get the GI bill through the Senate, we had to agree to drop the transferability in our 1984 bill. Now, Mr. Chairman, is the time to put this clause in the law and improve the GI bill so more service men and women will use these benefits, and they will. Thank you.

[The prepared statement of Mr. Montgomery follows:]

PREPARED STATEMENT BY G.V. "SONNY" MONTGOMERY

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Now is the time to put this clause in the law and improve the GI bill so more servicemen and women will use these benefits and they will.

Senator CLELAND. Thank you very much. Mr. Chairman, what a powerful statement. With your tremendous historical view of the evolution of the GI bill, that was strong information for this committee to hear. I agree with you that it does seem as if, with the evolution of the new force being a volunteer force and basically a married force, we have to adapt our benefits structure for retention purposes to become more family friendly. That's why I got interested in the GI bill, because I knew it was a powerful tool for recruitment.

In the Principi Commission Report about 3 or 4 years ago, I saw a study, authorized by Congress, that looked at the whole structure of benefits under DOD and under the VA. It included a strong recommendation for the ability of the service men and women to have the option of transferring their unused benefits to their spouse or to the kids, as a retention tool.

Is it your understanding that the original, basic precept of the GI bill was to reward a service man or woman after they got out of the military because we were really under a draft environment from World War II through the Vietnam War? That in dealing with a disposable force, a grateful nation wanted to reward that disposable force with benefits to make up for lost time? Now, it seems to me that we want to retain a professional force, that it is not disposable. Every time we lose a pilot or a pilot decides to get out, we have to spend \$6 million more to train another pilot. It's better to retain than retrain. Is it your understanding that, just since you've been in Congress, dealing with this all-volunteer force and a married force requires some new thinking about our benefit structure?

Mr. MONTGOMERY. I think so, Mr. Chairman. Now is the time for transferability to be considered and implemented. It was passed last year in the Senate, and you had a good vote on it. When it got over to the House, we did not get the support of the Republican leadership. This time there's some different leadership and we hope that it will pass the Senate, under your jurisdiction, and come over to the House. Maybe with Democratic or minority support we can get the transferability through the House this time.

Senator CLELAND. I feel good about it. We have great bipartisan support here with Senator Levin, Senator Warner, and others. We have great bipartisan support in the House, with both Congressman Abercrombie and Roscoe Bartlett very much involved in the legislation. We thank you very much for your response and your testimony today.

Senator Ben Nelson, welcome to the committee.

Senator BEN NELSON. Well, thank you, Mr. Chairman.

Senator CLELAND. If you have any question for the Honorable Chairman, we'd like to hear them.

STATEMENT OF SENATOR E. BENJAMIN NELSON

Senator BEN NELSON. Thank you very much. I'd like to welcome our panelists today. It's a pleasure to be joining this subcommittee, and I'm anxious for my responsibilities to truly commence. I certainly am glad to be here today and be part of this subcommittee, to have the opportunity to learn more about and address the critical retention and recruitment issues as well as work on improving base pay, healthcare and other benefits. I'm truly looking forward to the testimony from the panel and I appreciate very much Congressman Montgomery's input, from his statement as well as from all of the other statements that I've received. I'll be looking forward to the next panel as well.

Senator CLELAND. Thank you very much, Senator. Mr. Chairman, a couple more questions. I did not realize this transferability effort had already been made, and actually passed the House, in 1984. I thought the idea came out of the Principi Commission about 3 or 4 years ago. But your testimony indicates this idea has been around almost 20 years. I'm in agreement with you; I think it's time we passed it.

There was another point you raised, that current usage of the GI bill is only 50 percent. What a tragedy. Stephen Ambrose, the great historian of the great generation, a citizen soldier and author of the marvelous book, *Band of Brothers*, which will come to TV later this fall, has written this committee and indicated that the GI Bill is the single-finest piece of Federal legislation, in his opinion, to be passed in the last 50 years. What a tragedy for that to go under utilized.

When I was head of the Veterans Administration, we did a study on the cost effectiveness of the GI Bill, and for every one dollar expended by this government on the GI Bill for educational benefits for our veterans, this country received, in economic benefit, three to five dollars back in higher training, wages, and salaries. There is a powerful multiplier effect with the GI Bill because this Nation receives back three to five times its investment. Of course, Mr. Chairman, so many veterans of your generation would have never had a chance to even come to Congress or get a good job without using the GI Bill. Isn't that true?

Mr. MONTGOMERY. That's true. Mr. Chairman, I think we have a chance to pass the transferability clause this time. I'm sure you'll be able to move it through the Senate, but we're going to have to have these veterans organizations and military service organizations in this country also give us support. If they give us that support, I believe we can pass the bill. It has a cost to it, but it has so much merit to it: it will improve those people staying in the military with the transferability going to the loved ones. It's just a win-win.

Senator CLELAND. Thank you, Mr. Chairman. With that, I'm going to have to go to the floor to pay a tribute to Senator Coverdell, my dear friend and colleague from Georgia who passed away a year ago. I'd now like to turn the gavel over to Senator Nelson.

This is what you get for being on this committee and showing up.
[Laughter.]

You get to chair it your first day. So we'll take a break. We'll take a 10-minute break, reconvene at 10:15. Senator Nelson, if you'll be kind enough to reconvene us at 10:15.

Senator BEN NELSON. Thank you, Mr. Chairman.

[Whereupon, at 10:05 a.m., a brief break was taken.]

Senator BEN NELSON. I want to make certain that my first act as the acting chairman is on time. I haven't been here long enough to learn how to adjust to being late, but maybe that comes with time and experience back here in Washington.

Our second panel consists of representatives of the various military associations that represent our service members and their families. I hope that all of you will bring to us the perspectives of those who serve our Nation in the military forces. We certainly welcome all of you and appreciate your commitment to be here. Ms. Sue Schwartz, from the Retired Officers Association, will address some health concerns that will affect military and their families; Mr. Joe Barnes, of the Fleet Reserve Association, will discuss pay and benefits; Ms. Joyce Raezer, of the National Military Family Association, will talk about the quality of life and OPTEMPO; and Mark Olanoff of the Retired Enlisted Association, who will address issues related to concurrent receipt and survivor benefit plan.

Ms. Schwartz, do you have an opening statement?

Ms. SCHWARTZ. Yes, I do, Mr. Chairman.

**STATEMENT OF SUE SCHWARTZ, DBA, RN, DEPUTY DIRECTOR,
GOVERNMENT RELATIONS FOR HEALTH AFFAIRS, THE RE-
TIRED OFFICERS ASSOCIATION**

Ms. SCHWARTZ. Mr. Chairman and distinguished members of the subcommittee, the Military Coalition appreciates the opportunity to present our views on the Defense healthcare program for your consideration. The Fiscal Year 2001 Defense Authorization Act demonstrated that Congress really does put people first and that you did view the fulfillment of a lifetime healthcare promise as a top priority. Your response to the men and women who dedicated their lives to the service of their country shows Congress' recognition of the extraordinary demands and sacrifices rendered by these beneficiaries over a career of uniformed service. On behalf of our grateful members, we say thank you for the leadership role your subcommittee played in the development of TRICARE For Life (TFL), the most significant retiree benefit improvement in decades.

In the interest of time, Mr. Chairman, I will simply highlight some of the more pressing healthcare issues illustrated in our written statement.

Last year's legislation has given us much to be grateful for; however, it has also presented a major funding challenge. The coalition urges your continued strong support to ensure timely funding and implementation of TRICARE For Life and to fully fund the entire Defense health program. Many older TFL beneficiaries who declined Medicare Part B because they were counseled that they could receive care at military or VA facilities, or were residing overseas, are subject to stiff Part B late-enrollment fees. The coalition asks the subcommittee to consider waiving the Part B enroll-

ment requirement for these older beneficiaries, especially those residing overseas, as you did last year for the TRICARE Senior Pharmacy Program.

We also urge the subcommittee to ensure that Medicare eligibles under the age of 65 are not cut out of the benefits of TRICARE For Life. Currently, DOD has excluded them from the electronics claims processing system being implemented for older TFL beneficiaries. The coalition does not believe Congress intended to make them second-class TFL beneficiaries, and the coalition hopes you will ensure equal treatment for all Medicare eligibles.

Next, we urge your support to ensure that retired beneficiaries are not forced to choose between VA and DOD healthcare. They serve two different purposes, and dual-eligibles need access to both benefits.

Despite the many initiatives that this subcommittee has promoted, we continue to hear from our members about problems in securing TRICARE providers. We ask that you consider additional steps as needed to ensure provider participation in TRICARE.

We also need the subcommittee's continued help on four persistent administrative problems: ensuring portability and reciprocity of the TRICARE benefit between regions; defining what medically-necessary care will be provided to custodial-care beneficiaries, especially the integration of TFL beneficiaries into the individual case-management program for persons with extraordinary conditions; eliminating the 115-percent billing limit when TRICARE is second payer to other health insurance; reinstating the coordination of benefits methodology adopted for TFL; and removing the requirements for non-availability statements for TRICARE standard beneficiaries.

Finally, we support action to provide TRICARE coverage for Ready Reserve and National Guard members and their families to ensure an adequate healthcare safety net for them. With more frequent mobilization of the Guard and Reserve, this is an important continuity of care matter as well as recruitment and retention.

Mr. Chairman and distinguished members of the subcommittee, I thank you for your strong continued efforts to continue to meet the healthcare needs of the entire service community. Next, Joe Barnes will discuss personnel and compensation issues. Thank you.

Senator BEN NELSON. Mr. Barnes.

STATEMENT OF MCPO JOE BARNES, USN (RETIRED), DIRECTOR OF LEGISLATIVE PROGRAMS, FLEET RESERVE ASSOCIATION

Mr. BARNES. Thank you, Mr. Chairman. I echo the appreciation expressed by Sue Schwartz and thank you for the opportunity to present the Military Coalition's views on key personnel and compensation issues. I also extend the coalition's gratitude for the significant pay and benefit enhancements enacted last year. The higher-than-ECI pay hike, pay reform for mid-career enlisted personnel, a plan for eliminating average out-of-pocket housing expenses and other improvements convey a powerful positive message to all uniformed services personnel. These are important improvements. However, the coalition believes more needs to be done to address the formidable challenges facing our military services.

The coalition continues to believe that additional Active Duty and Reserve personnel are required to sustain current deployments and long-term commitments. There are too few servicemembers to do all the work, and many career personnel are opting out of the military requiring relatively junior members to assume jobs previously done by more experienced personnel. This scenario negatively impacts retention and readiness.

Pay comparability remains a top priority, and the coalition strongly supports enhanced raises to close the pay comparability gap as quickly as possible with additional targeted increases for senior enlisted personnel, warrant officers, and certain officer grades. The coalition also strongly supports action to eliminate average out-of-pocket housing expenses as soon as possible for servicemembers and their families, something especially important to junior enlisted personnel serving in areas with significantly high housing and utility costs.

The military Thrift Savings Plan, or TSP, provides an opportunity for Active and Reserve personnel to save and invest for the future. However, the only way many personnel can get ahead is by depositing their bonuses. The first personnel eligible to receive the \$30,000 redux bonus are making their decisions. For those taking the bonus, only \$10,500 is allowed for tax-deferred deposit into their TSP account. To help those electing redux, the coalition recommends that members be allowed to receive the career retention bonus in a lump sum or in two, three, or four installments in order to maximize the investment advantage from the benefit.

Joyce Raezer will now discuss PCS challenges, the commissary benefit, and other issues.

Senator BEN NELSON. Ms. Raezer.

STATEMENT OF JOYCE WESSLE RAEZER, ASSOCIATE DIRECTOR OF GOVERNMENT RELATIONS, NATIONAL MILITARY FAMILY ASSOCIATION

Ms. RAEZER. Thank you, Mr. Chairman. The Military Coalition is grateful to you, the members of the subcommittee, and to Congress for your attention last year, not only to compensation and healthcare, but also to the quality-of-life components such as housing, dependent education, and community programs that support our military community of Active and Reserve component service members, retirees, families, and survivors. The coalition asks you to continue your support of a ready, motivated force by providing the highest quality of life possible for the service member in the workplace and the family in the community. The high PERSTEMPO referenced by Mr. Barnes affects, not only the functioning of the force, but also the family. As operations continue at a high pace, the military family's lifeline, its community, feels the strain. Resources for family centers, schools, morale, welfare, and recreation programs, Guard and Reserve support, and religious programs are more essential today than ever to support the community that supports the force.

The commissary system is not only integral to the military compensation package, but is also important to the morale and well-being of all members of the military community. It is especially important to our junior enlisted families trying to make ends meet,

here and abroad. The coalition applauds the Defense Commissary Agency's efforts, not only to achieve greater savings for beneficiaries, but also to educate single service members and young families about this important benefit. The coalition is concerned about DOD proposals to conduct a commissary privatization pilot, as well as the proposed language that could weaken oversight authority and management over these pilots and create the perception in the community that the benefit is eroding. The oversight provided by the services through the Commissary Operating Board and the input provided through the DCA Patron Council are essential to preserving a strong benefit.

Maintaining strong communities and a strong force starts with strong families. Permanent change of station, PCS moves, are among the biggest stressors for mobile military families. Families increasingly weigh whether the prospect of a career-enhancing assignment for the member is worth another move that disrupts the spouse's career, children's education, damages valued possessions, and eats into a family's savings. DOD estimates that service members spend an average of \$1,100 with each move and are reimbursed at only 62 cents on the dollar; 27 cents for junior enlisted. Per diem and mileage allowances were last adjusted in 1986. Military spouses are often denied state unemployment compensation when the service member receives PCS orders, forcing the family to lose income while facing hundreds of dollars in relocation expenses.

The coalition has been encouraged by programs such as the Full Service Move Pilot designed to fix some of the stressors of the PCS process. We urge Congress to fully fund this project for another year and to restore the intended relationship between PCS allowances and the expenses they are intended to reimburse.

Now, Mr. Mark Olanoff of the Retired Enlisted Association will speak of the issues facing military families and survivors. Thank you very much.

Senator BEN NELSON. Mr. Olanoff.

**STATEMENT OF CMSGT. MARK OLANOFF, USAF (RETIRED),
LEGISLATIVE DIRECTOR, THE RETIRED ENLISTED ASSOCIATION**

Mr. OLANOFF. Thank you, Mr. Chairman, Senator Carnahan. Welcome to both of you in this committee. We look forward to working with you, and we'd like to thank the subcommittee for everything that you've done for the total force.

My portion of the coalition's testimony will cover retirement and survivor issues. This year, the coalition's top retirement priority is the need to correct a longstanding inequity that forces disabled retirees to give up a dollar of their earned military retired pay for each dollar they receive in veteran's disability compensation. This is grossly unfair treatment for those whose service to the country also impaired their health and, in many cases, their future earning capacity. The coalition feels strongly that these two compensation elements are paid for different reasons, and one should not offset the other. Retired pay is earned compensation for ensuring the extraordinary demands and sacrifices inherent in a service career.

Disability compensation is recompense for pain and suffering and reduced post-service earning potential.

Over 80 percent of the House members and 70 percent of the Senate have signed on as cosponsors of legislation to correct this obvious and severe inequity. The only issue seems to be the cost. The coalition looks forward to working with the subcommittee members and staff to find a way to do the right thing by those whose service to their country also impaired their health.

Regarding survivor issues, we hope the subcommittee will once again support a floor amendment to add Senator Thurmond's S. 145 to the Defense Authorization Bill. This is a bill that would raise the minimum age-62 Survivor Benefit Plan annuity from 35 percent to 45 percent of SBP covered retired pay by 2004 and ultimately eliminate the age-62 offset entirely. This change is badly needed for several reasons; first, to help restore the 40 percent government cost share intended by Congress. The DOD actuary acknowledges this subsidy has fallen below 27 percent; second, to improve parity with SBP coverage for Federal civilians whose survivors experience no reduction at age 62; and finally, to keep faith with older retirees and spouses, many of whom were not told of the age-62 annuity reduction when they signed up for the program back in the 1970s.

In each of the last 2 years, the full Senate approved this initiative. This year, we hope Senate conferees can persuade the House to agree.

Finally, we urge the subcommittee to ensure fair treatment for survivors of members who die on active duty. In this regard, we must recognize that death is the ultimate disability and treat every active duty death as if the member had been retired for 100-percent disability on the date of death. This will eliminate a current inequity that provides lower survivor benefits in cases when the member is killed instantly than when the member survives long enough to be disability retired. Commanders find this a particularly troubling inequity in mass-casualty situations.

This concludes the coalition's verbal testimony, and we appreciate the subcommittee's consideration of these inputs.

Senator BEN NELSON. Thank you, Mr. Olanoff, and thank you to the panel for your insight to many of these personnel issues.

I have a 10:30 meeting, and I will be turning the gavel over to my colleague. [Laughter.]

No good deed goes unpunished when you're here and the chair above you leaves for the moment, but I know Senator Carnahan will do an outstanding job. She, too, has an obligation at 11 o'clock to preside. Our hope is, by that time, Senator Cleland will return. Such is the plight of your scheduler.

Before I leave and turn it over to my colleague, who at that point will have an opening statement and will introduce the third panel, I have a question of Ms. Schwartz. It's a TRICARE question. You mentioned that one of the four key concerns that we could address as a subcommittee is how to provide some help with the TRICARE portability-between-regions challenge. Maybe you could explain why there is a difficulty. What's the barrier and why is it difficult to move between regions?

Ms. SCHWARTZ. Well, one of the issues that we find most distressful is people living on border states. TRICARE is divided up into regions. Many times, especially in rural areas, the hospital may be located in an urban center, but if you happen to live across the state line, like Minneapolis, St. Paul, you can't go between regions. So what we would like is for the beneficiaries who have to travel maybe 50 miles to get to a hospital to receive care within their catchment area, when it's reasonable, and to be able to go between the two TRICARE regions. Don't put the burden on the beneficiaries. Let these people get their healthcare. They can't help it that they live across the state line with an arbitrary TRICARE boarder. So what it does is preclude them from getting healthcare from the closest provider. The other—

Senator BEN NELSON. Excuse me. Would that apply, let's say, in the case of a veterans hospital or clinic in Omaha with a veteran who happens to reside in Iowa, right across the Missouri River? Would that apply there?

Ms. SCHWARTZ. If they're different TRICARE regions.

Senator BEN NELSON. So you have to know what the TRICARE regions are.

Ms. SCHWARTZ. You have to know—yeah. Well, first of all, you have to have a map in your head at all times. I work this issue for a living, and I have trouble keeping track. How are my E-4 and E-5 family members supposed to keep of—they don't know where the regions are. So it is problematic in terms of that, and what we would like to see is for the beneficiary to simply get the benefit and let DOD do the mathematics and shift the cost between the managed-care support contractors.

Senator BEN NELSON. Because they could do that—

Ms. SCHWARTZ. Sure.

Senator BEN NELSON. They could do that through a system—

Ms. SCHWARTZ. Transfer the account.

Senator BEN NELSON. Transfer of system, yes.

Ms. SCHWARTZ. I mean, DOD has to pay for that beneficiary's care. I don't care if the money goes to TRI-West. I don't care if the money goes to Sierra. All I want is for my members to be able to go to the closest hospital. We're willing to accept the catchment-area regulations. But for the people along border states it is very problematic.

The second issue is when we PCS. We PCS every 2.9 years. When we go from one region to the next, there have been problems, in terms of enrollment and dis-enrollment. It's more problematic in the summer, and the managed care support contractors have had all kinds of issues enrolling and dis-enrolling individuals. We're hoping that the national enrollment database that's coming up this summer will solve that problem, but it remains to be seen.

Those are some of the issues, in terms of portability and reciprocity, that we've seen.

Senator BEN NELSON. Thank you, and thank you to the panelists. Now, the erstwhile chairman, she'll take over. [Laughter.]

Senator CARNAHAN. I'll take this opportunity to make a statement, and then ask a few questions. I have to preside over in the Senate at 11 o'clock, so I'll have to be leaving in the middle. If Sen-

ator Cleland has not returned by then, we'll adjourn briefly until he does.

STATEMENT OF SENATOR JEAN CARNAHAN

Senator CARNAHAN. I'm going to welcome all of you here and thank you for your presence. I'm sorry I missed the opportunity to see former Congressman Montgomery here today. He has, certainly, a special place in history. He'll forever be known for the tremendous military benefit that bears his name.

Since 1984, military personnel, both active and Reserve, have been eligible for monthly stipends for tuition and other educational expenses. After the Vietnam War, our military faced a significant decline in recruitment and retention and morale. The Montgomery GI Bill helped us turn the tide. It honors the service and the sacrifice that our military personnel made for our Nation. It recognizes that our armed forces must remain an attractive destination for young adults graduating from high school.

Today I am proud to be a cosponsor of legislation to expand the GI Bill, an idea that our chairman has long advocated. The HOPE Act will allow a service man or woman to transfer much of his or her unused GI benefit to dependent family members. This proposal is essential in light of the changing face of today's military personnel. More and more troops are raising families and sending their children to college. Senator Cleland's bill will ensure that our military personnel and their families have the same opportunities to pursue higher education as those in the civilian sector.

In addition, we must do more to meet other needs of our soldiers, sailors, airmen, and marines. Last year, the Armed Services Committee authorized substantial improvements in our healthcare delivery systems and expanded coverage of the military healthcare system to additional military retirees. I support these initiatives, and I'm pleased by the administration's commitment to extending healthcare benefits to families and retirees.

I also believe that the Department of Defense must evaluate our commitments to reservists and National Guard members. Indeed, we have come to depend on our Reserve components in almost every major deployment around the world. Since the Gulf War, our Army and Marine Corps have increased their operations abroad by 300 percent. Air Force deployments have quadrupled since 1986. The Navy now deploys 50 percent of its force on any given day. Last year, Reserve components served a total of 12.3 million duty days compared to 5.2 million duty days in 1992.

Maintaining our commitments around the globe would be impossible without Guard members and reservists. Yet we do not give them the treatment they deserve. Under current law, when Reserve components are deployed abroad, they are temporarily considered Active-Duty components. While in harm's way, they and their dependents are entitled to TRICARE, the same military healthcare coverage as other military personnel. But when they return home, their benefits end immediately. Often times, civilian employers are unable to restore members' healthcare benefits. In some cases, Reserve members quit their jobs before deploying and have no source of insurance when they return home. I believe that this is another important issue that must be addressed. We must

examine these circumstances more thoroughly and work together to find solutions. I hope that we can use this hearing to begin evaluating possible solutions to this problem.

Again, I am thankful for you being here, and I would like, before we adjourn, to ask one question of you. As I had mentioned, I believe the Government should extend, for 1 year, the military health coverage to reservists and guardsmen who return home from deployment and have no other healthcare. I was wondering if a few of you would comment on how you feel about that proposal.

Ms. SCHWARTZ. The Military Coalition is very supportive of efforts to increase healthcare benefits to the Guard and Reserve community. As you said, one of the problems that these folks face is that when they are activated they're called into active duty and they lose their current healthcare program. Now the family member is forced to go into TRICARE standard. This family member may have a preexisting condition. When you're in TRICARE standard, you often have to get a supplemental insurance policy. If the spouse happens to have a preexisting condition, such as she's pregnant, then she can't even get the supplemental insurance. We certainly would support extending those benefits, at least a year after activation. We'd also like the subcommittee to consider looking at it as a broad policy measure to maybe offer it as a recruitment and retention inducement to allow folks to participate in the TRICARE program, much like the dental program. We would also ask your consideration for that.

Senator CARNAHAN. Thank you. Anyone else care to comment?

Mr. OLANOFF. Senator Carnahan, if I could comment, I'm a retiree of the Reserve and Guard program, although I started with active duty, and I'm glad to hear that you're interested in this subject of trying to fix some of these inequities. When I first started working here, about almost 5 years ago, I was told by someone in the Pentagon that there are 186 different personnel policies across the total force. We'll be looking forward to working with you to help correct some of these deficiencies, and I applaud your effort.

Senator CARNAHAN. Thank you very much. I see that our Chairman has returned, and I respectfully return your gavel.

Senator CLELAND. Well, thank you very much. It's interesting being the chairman. I've shared the chairmanship now with four different people already, so—[Laughter.]

—we're an equal-opportunity business here. [Laughter.]

I was in New Jersey just this past weekend, and a comment was made to me by a retiree that the survivor benefit was 35 percent of base pay and that the desire was to get that "back up" to 50 percent. Was it ever 50 percent, or has it been 35 for a long time? I'm not an expert on that at all.

Mr. OLANOFF. Senator Cleland, I went to the Library of Congress because I get a lot of phone calls in our association about this issue. There's a misconception out there that the survivor benefit is going to be brought up to 50 percent, that we're trying to lobby to bring it up to 50 percent to get it back to where it was. However, the original law, from 1972, has a Social Security offset. It's clear, it's not a vague statement. Then, in 1985, Congress changed the survivor benefit law and created a two-tier system which dictates 35 percent after age 62, and 55 percent prior. There's a lot of peo-

ple out there who have a misconception that we're trying to increase the benefit back to where it was.

What we're trying to do is just increase the benefit, because it was never there. As we said in our testimony, the reason for that is that a lot of people who signed up for the survivor benefit plan in the 1970s, when they were counseled by whoever did the counseling, I don't think anybody really explained this offset rule. Now a lot of them are older, and they've realized that there's an offset, and they weren't aware of it.

Senator CLELAND. Thank you very much. That's exactly what I ran into. I had several questions that came from different parts. One was about the offset, and then another was about the 50 percent level, and I really didn't quite understand what was going on there. I promised to check it out.

Describe the situation that we have now. There is an offset. If you're receiving 35 percent of your pay as a survivor benefit and if you receive Social Security, then are you in effect, deducted dollar for dollar for that?

Mr. OLANOFF. Senator Cleland, the way the law is written is, it doesn't matter whether you're drawing Social Security or not. The original law that was passed in 1972 explains in the legislative history that survivor benefits and Social Security were always supposed to be tied together, that you weren't supposed to get a double benefit. The law says that age 62 is when you're eligible to draw Social Security. So even if a widow didn't apply for Social Security at age 62, which probably wouldn't happen, but theoretically, even if they didn't apply for Social Security, the percentage would be lowered from 55 percent to 35 percent.

The interesting thing about this is that in the 1985 law, they actually changed the language. It's no longer technically an offset. They said, "We've eliminating the Social Security offset, and we've now put in place a two-tier system, 55 percent; and then at age 62, it goes down to 35 percent." In the prior law, in 1972, there were some nuances in there that had to do with age. If you were an older man, and you married a younger woman the age differences would impact how much money you would get. Congress changed it in 1985 to this two-tier system, and as soon as you reach age 62, it's 35 percent. It's never been 55 percent at age 62. We hope that the subcommittee will support Senator Thurmond's bill, and I think you're a cosponsor of that, to get this thing increased, to get it back to 55 percent.

Senator CLELAND. Right now, if you're 62 or older, can you draw the survivor benefit, which is automatically now 35 percent and Social Security, together?

Mr. OLANOFF. Yes, sir.

Senator CLELAND. There's not an offset?

Mr. OLANOFF. Well, as I tried to explain, the original language, or the legislative history of the bill, says that the reason why the amount of money is reduced is because we know you're going to get Social Security.

Senator CLELAND. I got it.

Mr. OLANOFF. It's two government benefits.

Senator CLELAND. Right. So your point is that you're seeking to continue the survivor benefit at 55 percent, that it not drop to 35 percent, so that at age 62 you can continue to draw the 55 percent.

Mr. OLANOFF. Yes, sir.

Senator CLELAND. All of a sudden, you click into Social Security. You just get that, too.

Mr. OLANOFF. Yes, sir. In our testimony, we've put some detailed information, to give you some comparisons, about how the Federal civil service system works and how the military survivor benefit plan works. If you look through that, you'll see that there are some inequities in the amount of premiums that are paid and that there is no offset for a Federal civil service employee survivor at age 62. So we're basically just asking for equity.

Senator CLELAND. All right, thank you for that point. We'd like for staff, Gary, to take a serious look at this and see what we can recommend. Anyone else like to comment on that point?

Mr. BARNES. Senator, I want to add that there's also the issue of underwriting the program. The original intent was for Congress to underwrite 40 percent, or for the Department of Defense to underwrite 40 percent of the program, and I think that figure now is about 27 or 28 percent.

Senator CLELAND. Right.

Mr. BARNES. This is because actuarial assumptions were not accurate and did not come to be. So that's also an important part of the discussion with regard to SBP.

Senator CLELAND. Thank you. Good point. Would you like to comment on the commissary benefit to service families? What's your estimate of the state of play now with our commissaries? Ms. Raezer, you just want to take that?

Ms. RAEZER. I touched on it briefly in the oral statement, and there's more detail in our written statement, Mr. Chairman. The commissary is one of the most important benefits to the military community, and we're talking Active Duty, Guard, and Reserve retirees, survivors, and families. They view it as key benefit, a key piece of the compensation and they are very concerned when they hear proposals to transfer the operation of the commissary somewhere else or to fool with the surcharge and other pieces of operation of the commissary. To them, this is muddying with a benefit, and it makes a lot of folks concerned.

The coalition has been very supportive of the Defense Commissary Agency's efforts to reduce costs of the commodities to the beneficiaries, to improve store hours, to be more responsive to beneficiaries. We've appreciated the oversight given the commissary agency through the Commissary Operating Board, which is made up of representatives of the services. We have also applauded efforts to get more patron input through a DECA Patron Council that gets patron input from all segments of the community. We've applauded these efforts and would urge a lot of caution in any attempt to restructure the system and, thus, restructure the benefit.

Senator CLELAND. That was my next question. How do you think military families will view a proposal to contract out the commissary?

Ms. RAEZER. I sense that the folks overseas and in those real isolated areas, will become the most nervous. The one question is if a supermarket chain would want to provide the same level of service DECA does to places like Minot, North Dakota, Reykjavik, Iceland, Pusan, Korea, Guantanamo Bay, Cuba, which has an X-Mart, places where we have limited facilities. I think folks are going to be concerned about a commitment to these people in faraway places.

There's concern about the oversight and the ability to provide input. "People ask how responsive are these folks going to be to us?" When we have service leadership on a commissary operating board, we have the folks who are responsible for the community providing oversight, and they're stakeholders in this. It's good that they're providing some oversight.

Senator CLELAND. As a military retiree, service-connected, disabled, I use the commissary myself and, emotionally, one of the things that I feel about it, other than just whatever the price of milk, is that it's something there for me that the government, or the system, carved out for me. If I feel something is wrong with it, there is a chain of command I can go and bitch and moan.

Ms. RAEZER. Yes.

Senator CLELAND. It gives me kind of a little warm and fuzzy feeling, despite what I buy. I don't rely on the commissary for everyday needs; but occasionally, I go, and I take advantage of it, and I feel good about it. I just wanted to get a state of play where we were on that, because there may be a proposal coming down the pike to have a test demonstration of privatization, or contracting out, in a couple of Army or Marine facilities. I say that if it ain't broke, don't fix it. Is there anything with this commissary system now that you would recommend fixing? Are the suppliers overcharging the system? Are they ripping it off? Are they abusing it? Are they driving prices up to the beneficiaries? You deal with this every day. Tell me a little bit about what you think's going on.

Ms. RAEZER. I went to the commissary last night and saw lots of best-value signs, good prices. DECA has worked very closely with its suppliers to get good prices, and our commissary patrons do shop around. They will tell you they can find better things on sale at other stores. But when you look at the total package and you look at the market-basket surveys, the commissary agency provides a very good benefit for the families. We are constantly working on improving that benefit, looking at how to become more efficient, to cut costs, provide the specials, and to have not only special good prices, but good prices on every day commodities.

Your talk about how you feel about the commissary as a place that's yours and that you have some ownership in, I think, is a common feeling among beneficiaries. Military people come home to the commissary. It's a draw to the installation. It's a draw to keep them part of the community. That's a very important thing to consider, because that draw to the community helps keep the community strong.

Senator CLELAND. In Georgia we have 13 military bases, and partly because of that our state leads the Nation, percentage-wise, in the growth of military retirees. In other words, the commissary and the PX, to a certain extent, is a magnet. You can just see it

in these posts, like Benning or Gordon or Warner Robins, or Forces Command. It's not just a place of active duty personnel coming and going in the middle of the night and so forth. There is a military community that builds up around it. Part of the value they perceive is their ability to use the PX and the commissary.

Anyway, I just thought I'd point that out. Yes, sir?

Mr. BARNES. Senator, if I could add to that. We certainly appreciate your strong commitment to the commissary system. The issue of privatization has been around for a number years. I believe this has been studied for the past 40 or 50 years. Most recently, there was a proposal, I think, by the Congressional Budget Office to privatize, eliminate the subsidy, close the commissaries, and take the appropriation and put it in pay.

The Military Coalition strongly opposes any initiative to privatize the benefit or diminish the scope of the benefit. DECA is working very closely with its business partners. General Courter has done an outstanding job instituting major business improvements. Savings are up. I think the goal is to increase the average market-basket savings to the 30-percent level. Savings are over 29 percent right now and we watch this very closely. The annual appropriation is a very sound investment that returns its value several times over in the benefit. I think the average savings per family is over \$2,000, annually, using an average market basket of products. So we're watching this very closely, and we are very concerned about initiatives to privatize this benefit. We would draw the committee's attention to the good work that the Defense Commissary Agency is doing to achieve savings and maximize the savings for all beneficiaries.

The last point I would make is that the commissary benefit is an integral aspect with regard to base closures. The issue of additional BRACs is a high priority this year and there's been a great deal of discussion about that. There's great concern, at the coalition level, that when and if additional rounds are considered, that the impact on all beneficiaries is taken into account, on not just the active duty community, but also the Guard and Reserve community, retirees, and gray-area reservist retirees. All have access to this benefit.

Senator CLELAND. That's an excellent point, and I appreciate you mentioning that. It's just one of the many reasons why I'm opposed to any further—I think we ought to be building up our infrastructure, not tearing it down. There is so much more to the military since we are relying, more than any time in our Nation, on the integration of the Active Force, the Reserve component, and the Guard. It is a family business now. I sit on the Commerce Committee, and the tendency under privatization is to cherry pick. You go with what works, and you take the best sale and so forth, but it costs a lot of money to get American stuff to Frankfurt. I've been in that PX, that wonderful, new PX near Ramstein Air Force Base. It takes a lot of effort to get that there. But that's America. You go in there, in Germany and you're in America, the pizza and the whole deal. I felt very much at home there. For me, it was a psychological and an emotional kind of thing, that the country is here, backing me and my family up, when I'm out doing all these maneuvers.

A question to Ms. Schwartz. You're a nurse, Ms. Schwartz?

Ms. SCHWARTZ. Yes.

Senator CLELAND. Thank you very much. Wonderful nurses saved my life in the Vietnam War. May I just ask what you'd like to share with us about the nursing shortage, particularly in terms of military nurses, VA nurses, and government nurses. I'm on a bill this week with Senator Rockefeller to try to help out in this regard, but would you like to make a response in that regard?

Ms. SCHWARTZ. The Military Coalition doesn't have an official position on this, but, as a military spouse who happens to be a registered nurse, if I may be so bold to suggest, has anyone ever thought of educating military spouses to be nurses? As we PCS from region to region, if they would facilitate military spouses being nurses, LPNs, even ancillary staff, nurses can support the military as we move from base to base. They hire civilians within the military bases, on the military hospitals, and also within the community. It would be a wonderful opportunity to have a resource, a pool of people. As we PCS from station to station, we don't always find jobs. As Joyce spoke in her testimony, it would certainly be an opportunity to educate those folks.

I appreciate your acknowledgment of the nursing shortage. As a nurse who has left bedside nursing, I know there's many reasons why we leave, and I think we have to look to the young men and women of this Nation and support them going into a very noble profession.

Senator CLELAND. Good. The legislation that will be before the Senate has bipartisan support here, and hopefully will be before the House soon after we pass it. We led off the hearing today about the transferability clause in light of the fact that the odds are that any service man or woman anywhere in the world today has a spouse. We spoke about giving that service man or woman the option to transfer, upon their own volition, half of their unused GI Bill benefits so their spouse and kids can get additional levels of educational training. It seems to me that this might open a door to training if a spouse wanted to become a trained nurse or anything else that would help their family, community, or military. That might be an open door and an incentive to go to school and fill a need. Does that make any sense at all?

Ms. SCHWARTZ. Yes. It sounds like a win-win situation. As we go to different installations, and we talked to the hospital commanders, there's a shortage of all kinds of professional and ancillary services, and even in the communities. It would certainly be a great source of people power in the medical professions. It would be a great opportunity.

Senator CLELAND. Thank you very much for your testimony today. Yes, you have one final word?

Ms. RAEZER. I have just something to add on that. Because I know there are a lot of different bills in both houses looking at training for different specialties such as nursing and education, we would ask that Congress makes sure that there's nothing in those that would impede the ability of a military spouse to take advantage of that training. To make sure, for example, if states have residency requirements, military spouses wouldn't be cut out. There are a lot of training programs out there, and we don't think

DOD has to do everything itself. But to enable military spouses to take advantage of existing programs, sometimes it's just a matter of breaking through some barriers.

Senator CLELAND. What we're proposing in our legislation authorizing transferability is that wherever you are, obviously there would be no residency requirement.

Ms. RAEZER. Right.

Senator CLELAND. If you're in Iceland or Korea, for example, and you have a training opportunity there as a spouse, the service man or woman could transfer the GI bill. There would be no restrictions, no residency requirement. For instance, in Georgia, you have to be a Georgia resident to qualify for the HOPE scholarship program. After you've been in Georgia as an armed services person, for about a year, you're a resident.

Ms. RAEZER. Right.

Senator CLELAND. Then your daughters and sons can qualify for the HOPE scholarship program, which is one reason a lot of people like to be stationed in Georgia. But then you move to another state, they don't necessarily have that offer of HOPE.

Ms. RAEZER. That's why we're hoping that we can really expand opportunities in all of these programs, because, as Sue said, there's a real shortage. We hear this all the time from military commanders, all the way up the line, from techs, doctors, nurses, pharmacists. So anything that can be done would be wonderful.

Senator CLELAND. As a matter of fact, it was Governor Zell Miller who instituted the Helping Outstanding Pupils Educationally (HOPE) scholarship program providing lottery funds to back up the HOPE scholarship, and we took that name for our legislation, H-O-P-E. Professionals in the military who want to stay, we give them additional HOPE that they can train in the military, both themselves, their spouse, and their youngsters, and not have to leave.

Thank you all very much for coming. We will insert your statements into the record. We'll take a 5-minute break before our next panel joins us.

[The prepared statement of the Military Coalition follows:]

PREPARED STATEMENT BY THE MILITARY COALITION

Mr. Chairman and distinguished subcommittee members: On behalf of The Military Coalition, 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 more than 5.5 million current and former members of the seven uniformed services, plus their families and survivors.

- Air Force Association
- Air Force Sergeants Association
- 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 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
- The Retired Officers 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 TO THE
SENATE SUBCOMMITTEE ON PERSONNEL

ADEQUATE FUNDING FOR THE DEFENSE HEALTH BUDGET

The Military Coalition strongly recommends this subcommittee authorize sufficient appropriations to fully fund the Defense Health Program, to include military medical readiness, TRICARE and the DOD peacetime health care mission, and full funding for TFL.

LEGISLATIVE ADJUSTMENTS TO TFL

Medicare Part B Penalty

The Military Coalition recommends that individuals who become age 65 prior to April 1, 2001, who would otherwise be subject to a Medicare Part B penalty, should have the option to decline enrollment in Medicare Part B, with TRICARE assuming first-payer responsibilities, as applicable, for such beneficiaries.

Inpatient Hospitalization

The Military Coalition recommends that TFL assume 100 percent of the costs for service beneficiaries who incur hospital stays that exceed the Medicare maximum (90 days plus 60-day lifetime Reserve).

Beneficiaries Residing Overseas

The Military Coalition recommends that this subcommittee eliminate the requirement to enroll in Medicare Part B for beneficiaries who reside in foreign countries.

Under 65 Medicare-Eligible Beneficiaries

The Coalition urges the subcommittee to investigate this issue and provide the necessary support in order that the under 65 Medicare-eligible beneficiaries benefit from the same electronic claims processing afforded to the rest of the TFL beneficiaries and ultimately resolve this so TFL can be implemented as Congress intended.

FEHBP-65 Demonstration

The Military Coalition recommends that the current FEHBP-65 demonstration be extended to Dec. 31, 2003.

Dual Eligible DOD-VA Beneficiaries

The Coalition strongly recommends that the subcommittee work with its counterparts on the Veterans Affairs Committee to ensure that disabled military retirees eligible for VA care under Priority Categories 1-6, should not be forced to make an election between VA and DOD health care.

IMPROVEMENTS IN TRICARE

Provider Participation

The Military Coalition recommends that the subcommittee continue monitoring provider participation problems to determine whether additional actions will be required to resolve these issues.

TRICARE Prime Equity Innovations

The Military Coalition strongly recommends that subcommittee authorize TRICARE Prime Remote to be extended to retirees, their family members and survivors at the same locations where it is established for active duty family members.

Travel Reimbursement for Prime Beneficiaries

The Military Coalition recommends that the subcommittee include a parent or guardian of minors as eligible for travel reimbursement when they accompany their dependents to distant specialty centers.

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 Prime services for beneficiaries.

Custodial Care

The Military Coalition recommends Congress provide continued oversight to further define what medically necessary care will be provided to all Custodial Care beneficiaries; and that Congress direct a study to determine how TFL beneficiaries will be integrated into ICMP-PEC in an equitable manner; and that Beneficiary Advisory Groups' inputs be sought in the integration of TFL beneficiaries into the ICMP-PEC.

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.

Requirements for Non Availability Statements under TRICARE Standard

The Military Coalition strongly recommends that all requirements for Non Availability Statements be removed from the TRICARE Standard option effective immediately and that members of the subcommittee work with their counterparts in the House to enact legislation such as S. 1096.

PRIORITY PERSONNEL ISSUES

Active Force Issues

Personnel Strengths and Operations Tempo. The Military Coalition (TMC) strongly recommends restoration of service end strengths consistent with long-term sustainment of expected deployments and fulfillment of national military strategy. The Coalition supports the application of recruiting resources/voluntary recall policies as necessary to meet this requirement. The Coalition urges the subcommittee to consider all possible manpower options to ease the operational stresses on active and Reserve personnel that have proven so detrimental to retention and readiness.

Pay Raise Comparability and Pay Table Reform. The Military Coalition recommends additional increases in annual pay adjustments well above the Employment Cost Index (ECI) with the objective of restoring pay comparability for uniformed service personnel as soon as possible. The Coalition further recommends that the subcommittee consider the recommendations of the Ninth Quadrennial Review of Military Compensation to reform basic military pay tables to provide more appropriate pay adjustments between grades, including linkages between enlisted, officer and warrant officer grades. The Coalition further recommends that the commitment made by the administration for an additional \$1 billion in military pay be used to improve basic military pay and expedite the closing of the pay comparability gap at the earliest possible date.

Basic Allowance for Housing (BAH). The Military Coalition urges acceleration of projected funding increases to match local housing costs, by grade, at every CONUS location as soon as possible. In view of the existing pay comparability gap and the rising private sector housing costs, the Military Coalition believes it does not serve retention and readiness interests to delay elimination of out of pocket expenses until 2005.

Thrift Savings Plan (TSP). The Military Coalition urges enactment of authority to allow REDUX-eligible servicemembers the option of receiving a career retention bonus in one, two, three or four installments. This is essential for these members to realize the full tax-deferred value of the bonus.

Permanent Change of Station Issues. The Military Coalition urges a comprehensive updating of permanent change-of-station allowances to restore the in-

tended relationship between the allowances and the expenses they are intended to reimburse.

Military Commissaries. The Military Coalition most strongly urges the subcommittee to preserve the commissary's important value-added benefit for service families and to resist short-sighted efforts to privatize the commissary system.

Reserve and Guard Issues

Support of Active Duty Operations. The Military Coalition urges continued attention to ensuring an appropriate match between Reserve Forces strengths and missions. The Coalition further urges a study of the extent to which Reserve and Guard forces can be employed in support of operational missions without jeopardizing employer support and Reserve unit retention.

Health Insurance for Reserve Members and their Families. The Military Coalition recommends a comprehensive analysis of National Guard and Reserve member and family health insurance needs and development of policy options to ensure an adequate health care "safety net" for them.

Selected Reserve Montgomery GI Bill (MGIB) Improvements. The Military Coalition supports extending the usage period for Reserve Montgomery GI Bill benefits for those who successfully complete the requisite 6-year service obligation, an additional 5 years beyond the current 10-year eligibility window.

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 Reserve retirement purposes.

Retirement Issues

Concurrent Receipt of Military Retired Pay and Veterans Disability Compensation. The Military Coalition urges enactment of legislation authorizing the concurrent receipt of military retired pay and veterans disability compensation. The two entitlements serve different purposes and one should not offset the other.

Former Spouse Issues. The Military Coalition urges the subcommittee 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 the subcommittee.

Survivor Program Issues

Age 62 SBP Offset. The Military Coalition strongly recommends an immediate increase in the minimum post-62 SBP annuity of 35 percent of the member's SBP-covered retired pay. The Coalition further recommends subsequent incremental increases to restore SBP to 55 percent of covered retired pay.

30-Year Paid-Up SBP. The Military Coalition strongly recommends accelerating the implementation date for the 30-year paid-up SBP initiative to 2002, on an incremental basis if necessary.

SBP Coverage for All Active Duty Deaths. The Military Coalition strongly supports enactment of legislation to extend SBP coverage to all survivors of members who die on active duty on or after October 1, 2001, with SBP annuities calculated as if the member had been retired with 100 percent disability on the date of death.

HEALTH CARE ISSUES

The Military Coalition (TMC) wishes to express its deepest appreciation to this subcommittee for its extraordinary efforts to honor the lifetime health care commitment to uniformed services beneficiaries, particular those who are Medicare-eligible and have been increasingly locked out of military facilities over the last decade. The health care initiatives in the Fiscal Year 2001 National Defense Authorization Act (NDAA), identified below, represent the most significant enhancements in benefits in more than half a century.

- **TRICARE For Life (TFL).** This highly innovative initiative restores lifetime TRICARE coverage for all Medicare-eligible uniformed services retirees, their family members and survivors, effective October 1, 2001. TFL, if implemented as intended by Congress, effectively would fulfill the promise of "lifetime" health care made to servicemembers who dedicated their lives to careers in uniform.
- **TRICARE Senior Pharmacy Program (TSRx).** TSRx expands the Department of Defense pharmacy benefit to all Medicare-eligible uniformed services retirees, family members and survivors, effective April 1, 2001. The Coalition is pleased to report that the implementation of the TSRx program has been an overwhelming success.

- **DOD Military Medicare-eligible Retiree Health Care Fund.** Effective October 1, 2002, the Health Care Fund will become responsible for funding TRICARE For Life. As a result, health care benefits for Medicare-eligible service beneficiaries will no longer have to compete with other priorities in the Department of Defense's budget.
- **\$3,000 TRICARE Catastrophic Cap.** Reducing the TRICARE family catastrophic cap from \$7,500 to \$3,000 per year for all uniformed services retirees, effective October 1, 2000, relieves an extraordinary financial burden previously imposed on beneficiaries participating in TRICARE Standard.

The principal beneficiaries of these provisions in the Fiscal Year 2001 NDAA will be the dedicated servicemembers who fought in World War I, World War II, Korea and Vietnam and brought the Cold War to a successful conclusion. They did not equivocate when called upon to endure the extraordinary hardships and sacrifices of careers in uniform; and join us in applauding your efforts to ensure that the government does not equivocate now in its determination to restore the health care they were promised and earned throughout their careers. The Coalition also appreciates the subcommittee's efforts to improve TRICARE benefits for active duty family members (ADFMs) through the following Fiscal Year 2001 NDAA initiatives:

- Elimination of TRICARE Prime copayments for active duty family members, thus ending copayments of \$6 or \$12 per visit, depending on rank, for service family members receiving care in civilian networks under TRICARE Prime.
- Expansion of TRICARE Prime Remote, with Prime-level benefits for active duty families assigned where Prime is not available. The first session of the 106th Congress provided servicemembers, on remote assignments, eligibility for a managed care benefit, but their families continued to rely on the more costly fee-for-service insurance program, TRICARE Standard (formerly CHAMPUS). The new provision covers their families as well.

The Coalition gratefully acknowledges the subcommittee's unwavering efforts to upgrade the overall TRICARE program by facilitating improvements in claims processing, portability, and access. The Coalition is most appreciative of these initiatives. However, much remains to be done, both to ensure that programs already approved are implemented fairly and successfully and to take the additional steps that will be necessary to achieve our mutual goals in the extremely important areas of health care quality, cost and access.

PROVIDE ADEQUATE FUNDING FOR THE DEFENSE HEALTH BUDGET

One of the Coalition's top priorities for fiscal year 2002 is to work with Congress and DOD to ensure adequate funding of the Defense Health Budget: to meet readiness needs, to include full funding of TRICARE, and to provide access to the military health care system for ALL uniformed services beneficiaries, regardless of age, status or location. The Coalition believes that an adequately funded health care benefit is as critical to the retention of qualified uniformed services personnel and to readiness as are pay and other benefits. As the Commandant of the U.S. Marine Corps underscored at the annual TRICARE Conference on Jan. 22, 2001, "Medical care is a key component of military readiness. . . . TRICARE influences the intangibles of military readiness, such as morale, the will to fight and dedication to duty. . . . Our men and women perform their daily tasks better if they are not distracted by worries concerning their families."

The Military Health System (MHS) budget has been chronically under funded, resulting in execution shortfalls, shortchanging the direct care system, a lack of adequate equipment capitalization, failure to invest in infrastructure, and slow reimbursement to Managed Care Support Contractors. Each year, the MHS has had to rely upon Congress to supply emergency supplemental funding.

The stakes are even higher this year. As the subcommittee is aware, TFL will be funded through a DOD Medicare-eligible Retiree Health Care Fund beginning October 1, 2002. However, because the statutory effective date for TFL is one year earlier—Oct. 1, 2001—DOD will require an increase in appropriated funds over and above the current fiscal year 2002 defense budget topline if TFL is to reach its full potential, without forcing DOD to absorb its costs "out-of-hide." Fiscal year 2002 is the landmark year for TFL and adequately funding the health care budget is the cornerstone for assuring the program is launched successfully. Doing so will eliminate any uncertainty and send a powerful signal to all service beneficiaries that Congress is resolved to make TFL a reality.

In years past, the funding problem was tied to some degree to the lack of a clearly defined benefit. Uncertain of the benefit, it was difficult to identify the level of funding necessary to fully support the Defense Health Program. With the introduction of TFL, the benefit is defined and funding requirements should now be understood.

The Military Coalition strongly recommends this subcommittee authorize sufficient appropriations to fully fund the Defense Health Program, to include military medical readiness, TRICARE and the DOD peacetime health care mission, and full funding for TFL.

UNFINISHED BUSINESS

The Coalition is pleased to report that, thanks to this subcommittee's focus on beneficiaries, TMC representatives have been participating in two OSD-sponsored TRICARE For Life (TFL) action groups. The first group is the TFL Steering Level Panel comprised of military association CEOs, the acting Assistant Secretary of Defense for Health Affairs, members of his staff and members of the TRICARE Management Activity. The Steering Panel will address major policy decisions, consistent with the latitude provided by existing statutes. The second group, the TFL Working Group, has basically the same representation and meets bi-weekly, as a minimum, to discuss the "nuts and bolts" implementation plans and to identify issues that need to be referred to the steering panel. From our vantage point, the Defense Department is resolved to implement TFL consistent with Congressional intent and is working vigorously toward that end.

In the process of developing TFL implementation plans and how TFL will interact with Medicare under various scenarios, the Coalition has determined that there are certain statutory limitations that need revision to promote an equitable benefit for all beneficiaries, regardless of where they reside.

TFL generally provides a better benefit than any existing Medicare supplemental policy—with no premium and only limited liability for copayments and deductibles. However, The Coalition has identified some potential inconsistencies in TFL that we would like to present for the subcommittee's consideration. The Coalition believes the proposed changes will promote equity and can be resolved fairly inexpensively with some minor adjustments to the statute.

Legislative Adjustments to TFL

Medicare Part B Penalty. Currently, about 6 percent of the Medicare-eligible beneficiaries residing in the United States would be subject to a Medicare Part B penalty if they desire to participate in TFL. The penalty, which increases by 10 percent per year, could be particularly onerous for more senior retirees (principally the veterans of World War I and World War II), lower grade retirees and survivors. Under these rules, a 75-year old would have to pay double Part B premiums for life. An 85-year old would incur triple Part B premiums for life. Although we would prefer to see this penalty waived, TMC recognizes that jurisdiction over any aspect of the Medicare program is outside the scope of the Armed Services Committees and obtaining a waiver of the Part B late enrollment penalty could be a difficult hurdle to overcome before TFL is implemented next October. TMC proposes an alternative, under the jurisdiction of the subcommittee, which parallels the treatment of Medicare Part B for participants in TSRx. Specifically, beneficiaries who are 65 prior to April 1, 2001, are not required to enroll in Medicare Part B to participate in the TSRx program. Those who become 65 after that date must enroll in Part B. TMC believes the same ground rules should be extended to TFL. Beneficiaries who become 65 before April 1, 2001, should be provided the option of declining enrollment in Part B. Under these circumstances, TRICARE would be the primary payer for services normally covered by Medicare Part B and the beneficiaries would be subject to applicable deductibles and copayments for those services. (The individuals in question are entitled to Medicare Part A).

The Military Coalition recommends that individuals who become age 65 prior to April 1, 2001, who would otherwise be subject to a Medicare Part B penalty, should have the option to decline enrollment in Medicare Part B, with TRICARE assuming first-payer responsibilities, as applicable, for such beneficiaries.

Inpatient Hospitalization. In cases when the beneficiary's inpatient hospital stay exceeds the 150-day maximum Medicare-allowable hospital stay, TFL becomes first payer once Medicare benefits are exhausted. In this rare circumstance, the beneficiary would be liable for TRICARE copayments and deductibles (not to exceed \$3,000 per family per year, regardless of how long the individual is hospitalized). Based on the experience of The Retired Officers Association (TROA), regarding hospital stays beyond the Medicare maximum, DOD would save only about \$150,000

per year by requiring the beneficiaries to pay the \$3,000 TRICARE catastrophic cap, before TRICARE assumes 100 percent of the cost. [This estimate was derived by extrapolating the experience of TROA (where 5 of 150,000 insured beneficiaries exceeded the 150-day Medicare limit in 1 year) to the entire 1.4 million Medicare-eligible service beneficiary population.] These relatively rare experiences are highlighted by TFL skeptics as examples of how TFL falls short of Standard Medicare Supplemental Plan F coverage. The Coalition believes strongly that extending full TFL coverage, when hospital stays exceed the Medicare maximums, offers administrative and public relations benefits that far exceed the tiny dollar savings that would be foregone.

The Military Coalition recommends that TFL assume 100 percent of the costs for service beneficiaries who incur hospital stays that exceed the Medicare maximum (90 days plus 60-day lifetime Reserve.)

Beneficiaries Residing Overseas. Under TFL, approximately 11,000 Medicare-eligible beneficiaries, who reside in foreign countries, are required to participate in Medicare Part B, even though Medicare does not function overseas. This is a particularly onerous burden for elderly retirees who have resided outside of the United States for years and, for obvious reasons, did not enroll in the non-existent Medicare program at 65. For example, an 80-year old retiree overseas would have to pay 250 percent of the normal Part B premium for the rest of his life to gain TFL coverage even though Medicare would not pay a cent pay for his care. The Coalition believes this situation is highly inequitable.

The Coalition is aware of correspondence sent by the Health Care Financing Administration (HCFA) now known as the Centers for Medicare & Medicaid Services (CMS) advising beneficiaries: *“Therefore, unless you believe that you may be returning to the United States in the near future either to live or to receive medical care, it is probably not to your advantage to enroll in medical insurance at this time.”* The Coalition believes members who were counseled not to enroll in Part B because they live overseas where Medicare does not apply should not have to enroll in Part B or be subject to penalties.

The Military Coalition recommends that this subcommittee eliminate the requirement to enroll in Medicare Part B for beneficiaries who reside in foreign countries.

Other TFL Considerations

TRICARE Plus Feature of TFL. Under TRICARE Plus, TRICARE-eligible beneficiaries not enrolled in TRICARE Prime will be given the opportunity to enroll in a primary care program at selected military treatment facilities (MTFs) where capacity exists, beginning as early as October 1, 2001. The Coalition is pleased that DOD has made the policy decision that Plus enrollees will be guaranteed access for primary care on the same basis as other enrolled TRICARE Prime beneficiaries. We understand enrollment is limited to the local commander’s assessment of MTF capacity with enrollees being chosen by lottery. The Coalition is aware that some MTF facilities may not have the capacity to enroll any Medicare-eligibles.

Plus enrollee specialty care is provided in the direct care system where the capability and space is available. When beneficiaries are referred to civilian specialists, Medicare will be first-payer and TFL second-payer. Plus enrollees are not bound by the managed care rules of TRICARE Prime and thus can receive some of their care from a civilian provider using TFL as second-payer to Medicare. However, enrollees routinely choosing to use civilian primary care providers may be disenrolled to allow other beneficiaries to participate in the program.

The TRICARE Senior Prime (TSP) program is scheduled to end December 31, 2001. With that date close, the Coalition has been concerned about the status of the 35,000 beneficiaries currently in TSP Under Plus, current TSP enrollees will be “grand fathered” into the Plus program. In addition, TRICARE Prime beneficiaries under age 65 will be permitted to “age into” Plus when they become Medicare-eligible. By allowing these participants to remain in the program, DOD is powerfully reinforcing the principle that service members’ interests come first. Other Medicare-eligibles who have been enrolled or empanelled in a health program at a MTF will have a higher enrollment priority than those with no such prior relationship.

The Coalition supports DOD’s decision to provide TFL beneficiaries access to the direct care system through the TRICARE Plus. The Coalition is well aware of the finite capacity of the MHS and its resource limitations and supports a DOD policy that balances the services for TFL Plus enrollees with the readiness mission, as well as the primary care access needs for active duty and retiree beneficiaries who are also entitled to MHS care.

Claims Processing. The Coalition is pleased that DOD intends to implement automated TFL claims processing to expedite payment and eliminate beneficiary claim-filing requirements. Since Medicare, not TRICARE, will be adjudicating these claims, TRICARE supplemental payments to Medicare providers will be automatic. Failure of TFL claims processing to meet the expectations of beneficiaries, who are used to the current Medigap insurance system, will result in a lack of confidence on the part of beneficiaries, provide a disincentive for physicians to treat TFL beneficiaries, and cause undue financial hardships on beneficiaries. The Coalition is very concerned that past experiences of beneficiaries and providers with a prior TRICARE claims' processing experiences will make both beneficiaries and providers skeptical of TFL. TMC is pleased that DOD intends to automate the TFL claims processing system and to make the process invisible to the beneficiary by deeming most Medicare providers as TRICARE providers. TMC will closely monitor this development.

The Coalition is very concerned about the treatment of claims for the under 65 Medicare-eligible population. TRICARE Management Activity (TMA) has told us, that these TFL beneficiaries will not have access to the "seamless" electronic claims processing that will be the standard for TFL beneficiaries over 65. The under 65s will not have the benefit of the seamless claims processing because of the inability to identify them in an electronic format. Because of this inability to identify the under 65s electronically, these beneficiaries will have to file "paper" claims for their care and will not benefit from the electronic claims processing proposed for other TFL beneficiaries.

When TFL was enacted last year, it was clearly the intent of Congress that ALL Medicare-eligible beneficiaries receive the same benefit and the same "treatment." The Coalition is concerned about this unequal treatment as it causes an undue burden on beneficiaries, many of whom are the most in need of care and often endure financial hardship because of their disability. These are also the beneficiaries who have treated in the most egregious manner in which the under 65 Medicare Eligibles' claims have been handled—"benefits less benefits"—rather than "benefits plus benefits."

The Coalition fears the under 65s will be required in many instances "to pay upfront" and await payment through the paper system. The Coalition believes that there should be some type of electronic "work around" developed by DOD and the Centers for Medicare & Medicaid Services (CMS) to allow these beneficiaries the same electronic claims processing system as the over 65 beneficiaries.

The Coalition plans to remain vigilant in its efforts to identify gaps in coverage between Medicare and TRICARE benefits to make TRICARE for Life the true "wrap around coverage" as intended by Congress. It's extremely important that beneficiaries are confident they will no longer require Medicare supplemental insurance policies and are willing to rely wholly on TFL. Unintentional gaps in coverage, such as those identified above, will result in financial hardships for beneficiaries, undermine confidence in the program and once again fuel the demand for the Federal Employees Health Benefits Program (FEHBP).

The Coalition urges the subcommittee to investigate this issue and provide the necessary support in order that the under 65 Medicare-eligible beneficiaries benefit from the same electronic claims processing afforded to the rest of the TFL beneficiaries and ultimately resolve this so TFL can be implemented as Congress intended.

FEHBP-65 Demonstration. By way of background for new subcommittee members, the Coalition wishes to update the subcommittee about the provision in the Fiscal Year 1999 Defense Authorization Act that directed the Defense Department to allow up to 66,000 Medicare-eligible uniformed service beneficiaries to enroll in the Federal Employees Health Benefit Program (FEHBP-65) at six to ten sites around the country. The FEHBP-65 demonstration was programmed to run from Jan. 1, 2000, through December 31, 2002.

During the first enrollment period, only about 2,500 beneficiaries enrolled, and at the Coalition's request, this subcommittee supported an effort to expand the demonstration to two additional sites with beneficiary populations of 25,000 or more. During the second open enrollment period last November, enrollments tripled from the year before and more than 7,500 Medicare-eligible service beneficiaries are now enrolled in FEHBP-65. The Coalition believes this is a direct result of DOD's much improved marketing and educational program.

As we anticipated 2 years ago, participation is considerably less than the 70 percent rate predicted by the Congressional Budget Office (CBO)—in fact, the 6.3 percent participation rate is several orders of magnitude less. This is a plus in several significant respects.

- More than 120,000 beneficiaries were given the opportunity to switch to FEHBP and thus avail themselves of the same health care plan available to Members of Congress and virtually all Federal civilians. Thus, denial of the opportunity to venture to “greener FEHBP” pastures should become a non-issue for that group.
- The cost of the demonstration is only about 11 percent of what was anticipated—a considerable savings.
- Both the Defense Department (DOD) and Office of Personnel Management (OPM) have learned from this experience that thrusting the uninitiated into the different world of FEHBP requires different marketing techniques than are employed for retiring Federal civilians already familiar with FEHBP.
- It would be relatively inexpensive, particularly if TRICARE For Life (TFL) cost offsets are considered, to keep this demonstration functioning at the current sites, until such time as a thorough evaluation of TFL is conducted to determine the degree to which TFL is complying with Congressional intent for all categories of beneficiaries under the scenarios mentioned earlier. Doing so has the added advantage of having a joint DOD–OPM venture available for expansion if Congress determines the option to enroll in FEHBP is preferable to filling in some of the gaps in TFL that TMC believes should be addressed.

Regardless of how successful TFL is—and the Coalition believes it will be highly successful—we believe the current FEHBP–65 demonstration should be extended until Dec. 31, 2003. This would enable current enrollees to plan for a smooth transition to TFL without having to make an irrevocable enrollment decision this fall, while TFL is still getting off the ground.

The Military Coalition recommends that the current FEHBP–65 demonstration be extended to Dec. 31, 2003.

Dual Eligible DOD–VA Beneficiaries. The Coalition was disappointed to learn that the President’s budget envisions seeking legislation to force DOD beneficiaries, who are also eligible for Veterans Administration (VA) medical care, to enroll with only one of these agencies as their sole source of health care. It is the Coalition’s view that this policy change will be viewed as a serious breach of faith.

The VA health system delivers specialized care and services for members with significant disabilities (e.g., prosthetics and treatment of spinal injuries) that are difficult if not impossible to duplicate in military facilities. But their needs for such specialized care for service-connected disabilities should not be turned to their disadvantage—either to compel them to get all their care from the VA, or to deny them specialized VA care if they choose routine care for themselves and their families through TRICARE.

We acknowledge that a critical, but not insurmountable, challenge for Congress, DOD, and VA will be to implement a suitable policy framework under which these beneficiaries will be able to access the health care they have earned. Retired veterans with VA-rated disabilities (68 percent of enrolled retired veterans are in Priority Groups 1–3), or with other factors codified in law (Priority Groups 3–6), are entitled to VA health care and, as a matter of principle, should not be required to choose between VA health care and TFL. These service-connected disabled veterans have earned the right to military health care in return for their careers of service in uniform. They also have earned access to specialized VA care for the (often severe) disabilities that their service has imposed on them.

The Coalition strongly recommends that the subcommittee work with its counterparts on the Veterans Affairs Committee to ensure that military retirees, should not be forced to make an election between VA and DOD health care.

Improvements in TRICARE

The Coalition is pleased that the fiscal year 2001 NDAA addressed some of the more egregious problems with TRICARE, and thanks the subcommittee for the leading role it played in furthering the following provisions to enhance TRICARE delivery/effectiveness by mandating the implementation of administrative efficiencies to include:

- Modernization of TRICARE business practices by implementing an internet-based system to simplify and make accessible critical administrative processes;
- Increasing the capability of MTFs by improving the efficiency of health care operations;
- Improvements in claims processing to include:

- (1) Use of the TRICARE encounter data information system;
- (2) Elimination of delays in payment of claims that may result from the development of the health care service record or TRICARE encounter data information;
- (3) Requiring high volume health care providers to submit claims electronically; and
- (4) Processing 50 percent of all claims by electronic means.

In addition, the Coalition is thankful that the fiscal year 2001 NDAA sought to address the lack of physician participation in TRICARE by requiring:

- DOD to designate specific rates for reimbursement for services in certain localities where access to health care services would be severely impaired; and
- Prepare reports analyzing the utility of increased reimbursements to ensure the availability of network providers, and to determine the extent to which physicians are choosing not to participate in contracts to provide health care in rural areas.

While Congress has previously given the authority to the Secretary of Defense to increase reimbursements and mandated improvements in TRICARE business practices, the Coalition continues to hear countless accounts from TRICARE Standard beneficiaries who are frustrated with the lack of provider participation in the program. While current and previous mandates are greatly appreciated, we have yet to see a significant impact as beneficiaries attempt to seek access from providers who:

- Tell them they have chosen not to accept TRICARE reimbursement and thus will not accept TRICARE patients; or
- Require payment up front because they refuse to accept the CHAMPUS Maximum Allowable Charge (CMAC) as an appropriate reimbursement rate and/or are unwilling to accept cumbersome administrative requirements and slow payments for claims.

Once providers have left the system, promises of increased efficiencies have done little to encourage them to return to the system to care for our beneficiaries.

The Military Coalition recommends that the subcommittee continue monitoring provider participation problems to determine whether additional actions will be required to resolve these issues.

TRICARE Prime Equity Innovations. The Coalition is grateful that the fiscal year 2001 NDAA eliminated copayments for Active Duty Family Members (ADFMs) enrolled in TRICARE Prime. This initiative removed financial burdens for those who were only able to access care through civilian providers. The Coalition was delighted by the restoration of the TRICARE Prime benefit for families of service members assigned to remote areas where there is no TRICARE Prime option. These families were unfairly burdened by having to pay much higher copayments for care than their counterparts assigned to areas where they had the opportunity to enroll in TRICARE Prime.

The fiscal year 2001 NDAA made this a watershed year for military beneficiaries. However, the great strides made to improve benefits for ADFMs and Medicare-eligible beneficiaries have made apparent 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 Standard benefit. Because many live in rural or metropolitan areas that are medically underserved, they continue to inform us that they are having difficulty in locating TRICARE participating providers. This presents a dilemma for members who have no choice but to rely on providers who 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 benefit enhancements provided to the over 65 retirees (TFL) and the ADFM, it is apparent that the needs of the under 65 retirees are not being met by the current TRICARE system. The Coalition believes that one viable option would be to extend TRICARE Prime Remote to TRICARE-eligible retirees, their family members and survivors at the same locations where the program is established for ADFMs.

The Military Coalition strongly recommends that subcommittee authorize TRICARE Prime Remote to be extended to retirees, their family members and survivors at the same locations where it is established for Active Duty Family Members.

Travel Reimbursement for Prime Beneficiaries. The Coalition also appreciates the subcommittee's action to reduce the financial burden for TRICARE Prime beneficiaries in areas where specialty care is not available. Until the subcommittee interceded, Prime enrollees were forced to travel great distances from their MTFs to distant specialty centers at personal expense. The provision in the fiscal year

2001 NDAA that authorizes TRICARE to cover the expenses of Prime enrollees who have to travel more than 100 miles to get specialty care will greatly reduce this burden. However, a further refinement is necessary to achieve the desired result. If the patient is a minor child, who must or should be accompanied by a parent or guardian, there is no authority to reimburse that accompanying individual.

The Military Coalition recommends that the subcommittee include a parent or guardian of minors as eligible for travel reimbursement when they accompany their dependents to distant specialty centers.

Fully Implement Portability and Reciprocity. The Coalition enthusiastically supports the guidance in the fiscal year 2001 NDAA that requires 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.

This is sorely needed and long overdue based on feedback from our members. DOD has issued a policy memorandum stating that TRICARE Prime enrollees in one region will be able to receive services from Prime in another region (reciprocity) and will be able to transfer their enrollment when they move (portability). However, because of contract complications, the delayed implementation of the National Enrollment Database (NED) and other unspecified reasons, this policy has yet to be fully implemented in all existing TRICARE regions. Enrollees are still experiencing a disruption in enrollment when they move between regions and are still not able to receive services from another TRICARE Region. The lack of reciprocity is presenting particular difficulties for TRICARE beneficiaries living in "border" areas where two TRICARE regions intersect. In some of the more rural areas, the closest provider or pharmacy may actually be located in another TRICARE region, and yet due to the lack of reciprocity, these beneficiaries cannot use these providers or pharmacies. It is unfathomable that, despite the focus on portability and reciprocity, problems still persist. TRICARE must become a seamless system if it is to serve a beneficiary population that is the most mobile in the country.

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 Prime services for beneficiaries.

Custodial Care. Once again, the Coalition is particularly grateful that Congress included in both the fiscal year 2000 and fiscal year 2001 Defense Appropriations Acts a definition of Custodial Care that meets industry standards to provide medically necessary care. While the requirement still has not been fully implemented across all TRICARE Regions, it is slowly being put into place. Without Congress' intervention, DOD would have maintained its "unique" definition of medically necessary care for beneficiaries considered as custodial patients. The result would have meant cost shifting to Medicaid, loss of medically necessary care for the most vulnerable of the DOD beneficiary population, or both.

We urge continued oversight by Congress to monitor the implementation of the new case management program mandated by PL 106-65, the Individual Case Management Program for Persons with Extraordinary Conditions (ICMP-PEC). The Coalition is eager to learn the results of the study mandated in PL 106-65, Sec 703, due March 31, 2000, to determine how other health plans provide care to custodial patients.

The Coalition is aware that TFL will make an additional 1.4 million beneficiaries eligible for TRICARE. The Coalition is aware of the potential impact these new beneficiaries will have upon the DHS and recognizes that some among this population, which is at the greatest risk for poor health, will be eligible for the ICMP-PEC. However, the Coalition is concerned that the current program has been developed in an incremental and piecemeal fashion and is poorly understood by providers and beneficiaries. In light of the implementation issues concerning the under 65 population in ICMP-PEC, the Coalition urges Congress to instruct DOD to develop a program, in concert with representatives from advocacy groups, that is equitable to all beneficiaries.

The Military Coalition recommends Congress provide continued oversight to further define what medically necessary care will be provided to all Custodial Care beneficiaries; and that Congress direct a study to determine how TFL beneficiaries will be integrated into ICMP-PEC in an equitable manner; and that Beneficiary Advisory Groups' inputs be sought in the integration of TFL beneficiaries into the ICMP-PEC.

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 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.

Here is TRICARE’s Catch 22. 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, then TRICARE (formerly CHAMPUS) would pay any balance up to what it would have paid as first payer (75 percent of the allowable charge for retirees; 80 percent for Active Duty dependents).

Under its post-1994 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.

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.

Requirements for Non Availability Statements under TRICARE Standard.

The Coalition is grateful for the provision in the fiscal year 2001 NDAA that waives the requirement for a beneficiary to obtain a Non Availability Statement (NAS) or preauthorization from an MTF in order to receive treatment from a civilian provider. In addition, the fiscal year 2001 NDAA waives the requirement to obtain an NAS for care in specialized treatment facilities outside the 200-mile radius of an MTF. Although the effective date of this measure was October 1, 2000, it contained language that does not implement the initiative under existing TRICARE managed care contracts, but only for new contracts. The problem is compounded because the fiscal year 2001 NDAA extended all current TRICARE contracts. This precludes the implementation of this benefit for an additional 4 years. There were also several provisions for waivers that further diminish the practical effects of the intended relief from NAS. For example, the requirement would be waived 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 the waiver of the TRICARE Standard NAS requirement has become a “road paved with good intentions,” but little more.

The rationale for a complete waiver of NAS requirements is compelling. By choosing to remain in Standard, beneficiaries are voluntarily accepting higher copayments 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.

DOD must honor the decision made by the 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 options, one of the most important principles of quality health care, continuity of care by a provider of their choice.

The Coalition supports S. 1096 introduced by Senators Collins and Landrieu which eliminates the requirement that TRICARE Standard beneficiaries obtain a

NAS for obstetrics and gynecological care related to a pregnancy. Elimination of the NAS requirement for maternity patients would relieve a burden on military families that disrupts the continuity of care for beneficiaries already paying higher out of pocket expenses in exchange for the ability to select a provider of their choice.

The Military Coalition strongly recommends that all requirements for Non Availability Statements be removed from the TRICARE Standard option effective immediately and that members of the subcommittee work with their counterparts in the House to enact legislation such as S. 1096.

Conclusion

The Military Coalition would like to reiterate its profound gratitude for the extraordinary work this subcommittee has done to provide health care equity for all uniformed services beneficiaries, particularly those who are Medicare-eligible. The subcommittee's efforts to authorize the implementation of TFL and TSRx are giant steps toward honoring the lifetime health care commitment. As the Coalition discussed earlier in its testimony, TFL with a few minor refinements will provide a comprehensive and equitable health care benefit for all Medicare-eligible beneficiaries.

Much work remains to be done with the TRICARE program. Immediate efforts must be undertaken, both by Congress and DOD, to ensure adequate funding for TRICARE to attract and retain quality health care providers; implement Congressionally mandated fixes to the claims processing system in a timely manner; reduce or eliminate preauthorization and NAS requirements; and implement TRICARE Prime Remote for all retirees, family members and survivors who are not Medicare-eligible. Doing so will help ensure that TRICARE delivers a uniform health care benefit across the different regions.

ACTIVE FORCE ISSUES

Since the end of the Cold War, force strengths and real defense spending have been cut more than a third. But national leaders also have pursued an increasingly active role for America's forces in guarding the peace in a still-dangerous world, so that today's servicemembers are being deployed up to four times as often as those of the mid-1980s.

For several years, Pentagon leaders and Congress have sought to protect the defense budget against excessive reductions, but until the 106th Congress, these efforts seemed to have been aimed primarily at protecting weapons funding. The QDR was forthright about seeking to use personnel accounts as funding sources for hardware issues, and its influence has been pervasive. However, as noted during last year's testimony by several senior military leaders and senior statesmen, the United States simply cannot maintain America's military preeminence without a substantial increase in defense spending.

The spending cuts achieved through the QDR budget-driven strategy have taken an unfortunate toll in the Services ability to retain highly skilled military personnel. Despite the notable and commendable improvements made during the last 2 years in military compensation and health care programs, retention remains a significant problem, especially in technical job specialties.

From the servicemembers' standpoint the increased personnel tempo necessary to meet continued and sustained training and operational requirements has meant having to work progressively longer and harder every year. "Time away from home" has become a real focal point in the retention equation. Servicemembers have endured years of longer duty days, increased family separations, difficulties in accessing affordable, quality health care, curtailed (until recently) pay and allowance increases, deteriorating military housing, less opportunity to use education benefits, and more out-of-pocket expenses with each military relocation.

Congress recently has taken several essential steps to reverse this trend by repealing retirement disincentives and reversing the declining trends in pay, allowances and health programs. But even with these significant improvements, many problems remain. If anything, mission requirements have risen, so operating- and personnel-tempos remain high. The enhanced pay raises, along with the repeal of REDUX retirement penalties for post-1986 service entrants, were most welcome changes. But, the current pay raise increase schedule would still take 2 more decades to make up for past shortfalls.

There is no question that retention is problematic. There also is no question that retention drives recruiting—the "ultimate recruiter" is a successful NCO or Petty Officer. These experienced (and predominantly married) military members are under pressure to make long-term career decisions against a backdrop of a strong market pull for their skills and services within a booming economy. In today's envi-

ronment, more and more servicemembers and their families are debating among themselves whether the rewards of a service career are sufficient to offset the attendant sacrifices inherent in uniformed service. In the civilian world, they see their peers succeeding in a growing economy with a more stable career and family life, often including an enhanced compensation package and far less demanding working conditions. It is truly unfortunate for the country that too many excellent soldiers, sailors, airmen and marines are opting for civilian career choices.

In the final analysis, readiness—the ability to deliver as the world’s superpower—is directly dependent on the success in sustaining an All Volunteer Force of talented, capable men and women. Sadly, as the propensity for America’s youth to enlist in the Armed Forces declines, more young men and women are choosing options other than military service. Much has been done by the Services to improve their image, and one only needs to watch prime time television to see powerful marketing on the part of the Services. But this strong marketing needs to be backed up by an ability to keep these talented men and women. This is especially true as the Services become more and more reliant on technically trained personnel. The need to keep skilled NCOs and Petty Officers has never been more important. The subcommittee saw the current retention crisis coming before most, and made significant efforts to forestall it. We know you do not intend to rest on well deserved laurels and that you have a continuing agenda to address these very important problems. But we also know that there will be stiff competition for any defense budget increases that may be authorized. The truth remains that the finest weapon systems in the world are of little use if the Services don’t have enough high quality, well-trained people to operate, maintain and support them.

The subcommittee’s key challenge will be to ease servicemembers’ debilitating workload stress and rebuild their trust overstrained by years of disproportional sacrifice. Meeting this challenge will require a substantial commitment of resources on several fronts.

Personnel Strengths and Operations Tempo. The Coalition has been dismayed at past annual Service requests for additional force reductions without any corresponding decrease in operational tempo. To the subcommittee’s credit, these reductions were halted last year.

But, innumerable newspaper reports have told stories of ships deploying with significant manning shortfalls or of hollow and overextended units that must cannibalize from others to meet manning requirements. Other news reports cite poor unit performance during evaluations because units lacked the time or resources, or both, to conduct needed readiness training. Still others document the strains on families when returning servicemembers still see little of their loved ones because they must work longer duty days to address home-station workload backlogs and catch-up on training requirements. 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.

The real problem is twofold: first, there are simply too few servicemembers to do all the work that needs to be done; second, because career personnel are opting out of the military, relatively junior members must assume jobs previously done by much more experienced personnel. The result is that today’s force is not only much smaller than the robust force we had during Operation Desert Shield/Storm, but much less experienced, as well.

Years of force reductions have taken a toll on the Services’ ability to meet ongoing commitments. Congress held the line on force cuts last year and even authorized a small increase for the Marine Corps. This must now be expanded to provide needed relief to an already overstressed force.

The Coalition believes strongly that force reductions have gone too far and that simply halting force reductions is inadequate. The force is already overstrained to meet current deployment requirements, let alone address any new major contingency that may arise. The grinding operations tempo has become a major quality of life issue that won’t go away, and it will not be fixed by “down time” or expressions of understanding and encouragement. Deferral of meaningful action to address this problem cannot continue without risking serious long-term consequences. Real relief is needed now, and can only be achieved by increasing the force, reducing the mission, or both.

This is the most difficult piece of the readiness pie, and one of the most important. Aircraft crash from metal fatigue when overused. One major reason that readiness indicators are dropping is growing “OPTEMPO fatigue.” Pay raises and retirement fixes reduce other significant career dissatisfiers, but they can’t fix fatigue.

Some argue that it will do little good to increase end strengths, since the Services are already experiencing difficulty meeting current recruiting goals. The Coalition believes strongly that this severe problem can and must be addressed as an urgent national priority, with commensurate increases in recruiting budgets. Failing to do so now will only deepen stress-related retention shortfalls and make future recruiting challenges even worse. Action is needed now to prevent a downward spiral of recruiting, retention, and readiness.

The Military Coalition strongly recommends restoration of Service end strengths consistent with long-term sustainment of current deployments and fulfillment of national military strategy. The Coalition supports application of recruiting resources/voluntary recall policies as necessary to meet this requirement. The Coalition urges the subcommittee to consider all possible manpower options to ease operational stresses on active and Reserve personnel.

Pay Raise Comparability and Pay Table Reform. The Military Coalition is extremely appreciative of the subcommittee's leadership during the last 2 years in reversing the routine practice of capping servicemembers' annual pay raises below the average American's. In servicemembers' eyes, all of those previous pay raise caps provided regular negative feedback about the relative value the Nation placed on retaining their services.

Your determination to begin making up for those past shortfalls by setting "comparability-plus" pay raises in law through 2006 offered much-needed acknowledgment that the commitment between servicemembers and their Nation cannot be a one-way street. Likewise, the July 2000 pay table revision and the targeted pay raises you approved for July 2001 provided more appropriate financial recognition for mid-career and high-performing servicemembers. But the Coalition urges the subcommittee not to consider its work on pay matters complete.

To begin, the Coalition urges the subcommittee to support the recommendations of DOD, based on the work of the 9th Quadrennial Review of Military Compensation (QRMC), to target added increases in military pay to mid and senior grade enlisted personnel, warrant officers, and mid-grade officers. Using the administration's most generous addition of over \$1 billion to the military pay account, this money will provide for a higher pay increase for all personnel, but, most importantly, recognize the need for reform for deserving pay grades in the career enlisted, warrant, and commissioned officer pay tables. Additional work is needed to address appropriate pay stratification and make needed adjustments in officer versus enlisted, and warrant officer pay table "cross-over" points (i.e., grade/longevity combinations at which the basic pay rates are roughly equal). In addition to career enlisted personnel, specific attention is needed for warrant officers. These technical experts typically rise from the ranks, based on their skills. Many of them feel they were "lost in the shuffle" as changes were made to the mid-grade enlisted and officer pay tables. As the technical needs of the Services increase, specific attention should be focused on the warrant officers to ensure their pay table reflects appropriate career retention incentives.

In the past 2 years, TMC has played a major role in Congress' endorsement of pay reform for officers in pay grades O-4 to O-6 and enlisted personnel in grades E-5 to E-7. At the same time, the Coalition realized there was further need for reform in certain warrant officer and junior officer pay grades as well as noncommissioned officer grades through E-9. This realization was based on a wide range of factors, to include the need to recognize inversion between pay grades, the need to reward personnel for the additional burden and stress associated with the high tempo of operations, the increased individual responsibility incurred through a smaller force; and, most significantly, the need to retain a high-quality, well-educated, capable and ready force.

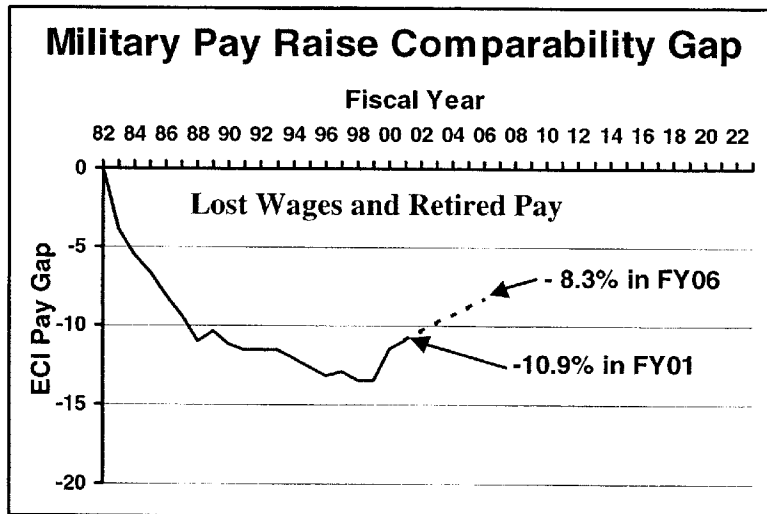
Military and veterans associations know only too well the tremendous leadership effort required to reverse long-standing trends and win allocation of additional resources for programs that have been long-constrained. As significant and laudable as those efforts have been, it must be acknowledged that the annual increases currently programmed will make up only a small fraction of the cumulative pay raise sacrifices imposed on servicemembers for almost two decades. As important as overturning past pay cap practices has been, we must acknowledge that an extra .5 of 1-percent raise does not put a big boost in the typical enlisted member's take-home pay. Perhaps the best way to put the issue in perspective is to recall that the last time a large pay comparability gap coincided with a retention crisis (in the late 1970s), the gap was eliminated via double-digit raises in both 1981 and 1982.

This is not to imply that the Coalition disagrees with the positive actions the subcommittee has already taken in this area. The Coalition strongly supported your

proposals for “comparability-plus” raises through 2006 and still does. But econometric models show that each year’s added 1-percent pay raise (compared to previous law) will have only a modest retention impact. Successive raises will have steadily increasing effect over time, but the immediate incremental impact is on members’ morale rather than their wallets—and even this may fade if other problems are not also addressed.

Finally, some have speculated that the cumulative 13.5 percent gap between military and private sector pay growth between 1982 and 1999 would be obviated by the July 1, 2000 and 2001 pay table reforms or other “targeted” increases. Nothing could be further from the truth. In the past, when raises have been allocated differentially by grade or allowance, they have been described in “aggregate equivalent pay raise” terms (i.e., the overall pay raise value of the differential increase is calculated as if the cost of the initiative were applied equally across the board to all members). In aggregate terms, the fiscal year 2000 pay table realignment represented the cost equivalent of a 1.4 percent across-the-board pay raise. The targeted raises scheduled for this July equate to an additional 0.8 percent increase in overall pay.

As of January 2001, the cumulative gap had been reduced to 10.8 percent. By 2006, under current law, it will further decline to 8.3 percent. This is great progress, but we also must acknowledge that this schedule, even if the “ECI plus .5 percent” pay raise adjustments were sustained beyond 2006, would not restore comparability until 2023. The administration’s proposal to add over \$1 billion to military pay in 2002 will take us another important step toward pay comparability, and The Military Coalition strongly supports that initiative. But, further steps will be needed to close the gap and restore full pay comparability.



The Military Coalition strongly supports the administration’s proposal to add an additional \$1.4 billion for military pay raises for fiscal year 2002, and recommends the subcommittee consider additional increases in annual pay adjustments as necessary to eliminate the accumulated pay raise shortfalls from previous years, as measured against the Employment Cost Index (ECI). The Coalition further recommends the subcommittee consider the recommendation of the Ninth Quadrennial Review of Military Compensation to reform basic military pay tables to provide more appropriate pay adjustments between grades, including linkages between enlisted, officer and warrant officer grades.

Basic Allowance for Housing (BAH). The Military Coalition is most grateful to the subcommittee for setting the tone in 1999 to reduce out-of-pocket housing expenses for servicemembers. Responding to Congress’ leadership on this issue, DOD proposed plans to reduce out of pocket expenses to 15 percent in 2001 and reduce the median out-of-pocket expense to zero by fiscal year 2005—a proposal put in law

as part of the fiscal year 2001 Defense Authorization Act. This action to better realign BAH rates with actual housing costs is having a real impact and providing immediate relief to many servicemembers and families who were strapped in meeting rising housing/utility costs. We applaud the subcommittee's action and DOD's approach to improve BAH, but we ask that more be done. Housing and utility costs continue to rise, and we are decades from closing the existing pay comparability gap. For these reasons, we urge the subcommittee to take further action to accelerate BAH increases and eliminate all out of pocket expenses for servicemembers well before 2005.

The Military Coalition urges BAH funding as necessary to eliminate servicemembers' out of pocket costs as soon as possible.

Thrift Savings Plan (TSP). The Military Coalition also is very appreciative of the subcommittee's efforts to authorize active and Reserve participation in the tax-deferred Thrift Savings Plan (TSP). The members of today's armed forces, like so many other Americans, are more aware than ever of the need to save and invest for the future. It's part of today's culture. The TSP will provide members with a way to invest; but, unfortunately, many of them already face financial strain, living just within their means. The only way many servicemembers can get ahead and avail themselves with the opportunity to invest is through bonuses. This year, we will see the first wave of those eligible to receive the \$30,000 career retention bonus authorized in the Fiscal Year 2000 Defense Authorization Act. For those electing to receive the \$30,000 bonus, the ability to invest that full bonus would give them an excellent opportunity to "jump start" their TSP. For many, it would be their only means of investing anything. Unfortunately, the maximum amount allowed to be tax deferred in TSP is \$10,500 per year.

Without legislative relief to allow full deposit of the career retention bonus, members will not be able to realize the intended retirement savings, and taxes will reduce the net retention value of the bonus by up to one third. To help those electing REDUX to fully invest their retirement dollars, the Coalition recommends that members be allowed to receive their career retention bonus either in a lump sum or in two, three or four installments. To achieve the maximum investment benefit from the \$30,000 career retention bonus, members must be able to deposit the entire bonus in the TSP. Participation requires a 1-percent minimum payroll deduction from the member's basic pay, which also counts against the annual deposit limit of \$10,500. Based on this minimum level of participation, the bonus would have to be divided into three installments for a mid-grade NCO to tax defer the full \$30,000 bonus or four installments for senior NCOs and officers.

The Military Coalition urges the subcommittee to enact legislation to allow Redux-eligible servicemembers the option of receiving a career retention bonus in one, two, three or four installments. This is essential for these members to realize the full tax-deferred value of the bonus, and for the Services to realize the bonus' full retention value.

Permanent Change of Station Issues. The Military Coalition is very concerned that servicemembers continue to incur significant out-of-pocket costs in complying with government-directed relocation orders. Department of Defense surveys show the government typically reimburses only two-thirds of the costs members actually incur in such moves.

By any comparison, the servicemember is being short-changed in this area. Federal civilian employees receive much more substantial reimbursements in conjunction with government-directed moves, up to and including reimbursement for house-hunting trips and homeowner closing costs.

It is an unfortunate fact that permanent change of station mileage allowances and per diem rates have not been adjusted since 1986. The authorized duration for paying Temporary Lodging Expense allowance (TLE) was increased to 10 days several years ago, but the maximum amount payable per day has not been adjusted since 1986. These important reimbursements are sadly overdue for adjustment, and servicemembers are paying an unfair price for this delay.

The Coalition recognizes that the subcommittee has acted in the past to implement selected improvements, including periodic increases in the Dislocation Allowance to assist with incidental expenses in changing households, and certain improvements associated with shipping or storing automobiles. We particularly applaud ongoing household goods demonstration projects, which have the potential for offering members significantly improved quality of service with fewer administrative problems.

But there remain substantial shortfalls that represent a significant source of out-of-pocket expenses for servicemembers. We cannot avoid requiring members to make frequent relocations, with all the attendant disruptions of childrens' schooling,

spousal career sacrifices, etc. But the grateful Nation that requires them to incur these disruptions so often should not be requiring them to bear so much of the attendant expenses out of their own pockets.

The Military Coalition urges a comprehensive updating of permanent change-of-station reimbursement allowances in the immediate future to ease the financial burdens currently being imposed on servicemembers. Increases should match the percentage increase in the Consumer Price Index (CPI) since the applicable allowance was last adjusted.

Military Commissaries. As indicated in TMC testimony presented to the House Panel on Morale, Welfare and Recreation earlier this year, the Coalition reaffirms its strong commitment to maintaining the commissary benefit as a integral part of the total military compensation package.

Thanks to Congressional oversight, essential funding has been consistently appropriated for commissary operations, and significant progress has been made toward protecting the surcharge fund to ensure vital maintenance and the construction of new stores. DeCA is also committed to operating commissaries in a more business-like manner, controlling operating costs, increasing savings to shoppers, and improving communications with its patrons. As a result, sales have increased during the past 2 years.

Commissaries substantially impact the quality of life of the stores' patrons and families while contributing to the retention of highly skilled personnel. Historically, surveys indicate that commissaries are one of the most highly valued military benefits, after health care and retirement. Offering 29 percent savings over private sector groceries, the commissary benefit is key to making military paychecks go farther in meeting the needs of service families—particularly for junior enlisted families for whom every dollar counts. The annual commissary appropriation is a sound investment that pays valuable dividends, while strengthening the sense of community within the services.

Over the course of several decades there have been multiple proposals to privatize commissaries or otherwise eliminate the commissary subsidy. Congress, in its wisdom, has rejected these initiatives, realizing that doing so would result in a significant net pay cut for military families.

Recognizing that the commissary subsidy provides a compensation multiplier effect that generates \$2 or more in compensation value to members for every dollar of subsidy, Congress instead has reformed the commissary system to reduce overhead. This process has been successful in holding the subsidy at a reasonable level without jeopardizing this important benefit for members and their families.

The Coalition has noted with dismay that some within the new administration once again are raising “penny-wise and pound-foolish” proposals to privatize the commissary system. The reality is that doing so would create a negative subsidy, since any private sector takeover would necessarily entail making a profit on servicemembers' patronage.

The Military Coalition most strongly urges the subcommittee to preserve the commissary's important value-added benefit for service families and to resist short-sighted efforts to privatize the commissary system.

RESERVE AND GUARD ISSUES

The Military Coalition applauds the longstanding efforts of this subcommittee to address the needs of our Nation's Reserve and National Guard forces, to facilitate the Total Force concept as an operational reality, and to ensure that Reserve and Guard members receive appropriate recognition as full members of the armed forces readiness team.

Support of Active Duty Operations. As Reserve members and units shoulder ever-greater day-to-day operational workloads along with Active-Duty Forces, they increasingly have come to face many of the same challenges as their active counterparts. Unfortunately, these are compounded by other challenges unique to the reserve community. In particular, the ever-rising Reserve participation in Active Force missions is at odds with two other competing trends.

First, the increasing mission tasking is happening despite plans for continued cutbacks in Reserve Forces—mirroring the Active Force problems associated with imposing ever-greater requirements on ever-smaller numbers of personnel. Continuation of this trend does not bode well for Reserve Forces readiness, and the Coalition was happy to see that the Secretary of Defense has suspended planned reductions in Army units pending further review of this problem.

Second, increasing use of Reserve personnel in support of day-to-day Active Duty operations has placed greater strains on the employers of these members. Employer

support was always strong when 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 enthusiastic as reservists have taken longer and more frequent leaves of absence from their civilian jobs. Recently, employers' sensitivities were subjected to new stress by the first peacetime activation of National Guard units in support of a non-emergency mission.

The Coalition understands and fully supports the Total Force Policy and the prominent role of the Reserve Forces' under this policy. Still, the Coalition is somewhat concerned that ever-rising operational employment of Reserve Forces is having the practical effect of blurring the distinctions between the missions of the active and Reserve Forces. By the nature of their full-time civilian employment, there is a necessary limit to the amount of time Reserve personnel and their employers can be expected to devote to day-to-day operational missions.

The Military Coalition urges continued attention to ensuring an appropriate match between Reserve Forces strengths and missions. The Coalition further urges a study of the extent to which Reserve and Guard forces can be employed in support of operational missions without jeopardizing employer support and Reserve unit retention.

Health Insurance for Reserve Component Members and Their Families.

Health insurance coverage for Guard and Reserve members varies widely. Some have coverage through private employers, others through the Federal Government, and still others have no coverage at all. The latter group includes an unknown number of junior enlisted members, many of whom are seasonal workers or students.

For Reserve families fortunate enough to have health insurance coverage through their private employers, a growing phenomenon is cancellation of coverage when extended activation occurs. Although TRICARE "kicks in" at 30-days activation, many Guard and Reserve families would naturally prefer continued access to their own health insurance providers. Being dropped from private sector coverage as a consequence of extended activation adversely affects family morale and "readiness" and discourages some from continued participation in the National Guard or Reserve.

A precedent has already been set for Reserve insurance coverage under the TRICARE family dental insurance program. Reserve sponsors pay family dental premiums until activation. On activation, premiums cease and the family is enrolled in the active TRICARE dental insurance program.

A number of options should be investigated to determine the best way to provide a realistic and affordable Reserve family health insurance "safety net." The Defense Department is exploring paying the premiums for employer-sponsored plans during activation. Other options include optional enrollment of Reserve and Guard members and families in TRICARE in a manner similar to the TRICARE dental insurance program; or establishing a government-sponsored group health insurance program with activation protection for Reserve families.

Additional research is needed to determine Guard and Reserve servicemember interest in expanded health insurance protection. However, insurance protection of some kind is warranted based on the increased national reliance on the capabilities and commitment of the Reserve Forces to the national security.

The Military Coalition recommends a comprehensive analysis of National Guard and Reserve member and family health insurance needs and development of policy options to ensure an adequate health care "safety net" for them.

Selected Reserve Montgomery GI Bill (MGIB) Improvements. Individuals who initially join the National Guard or Reserve from civilian life become eligible for the Selected Reserve Montgomery GI Bill (MGIB). Eligibility requirements include possession of a high school diploma, agreement to serve 6 years in the selected Reserve, and completion of initial active duty for training. In today's high-OPTEMPO Guard and Reserve environment, servicemembers find it increasingly difficult to juggle employment and school commitments with family and Reserve responsibilities. A part-time student-Guardsman or reservist could easily exceed the 10 years currently authorized for Reserve MGIB benefits to complete an undergraduate degree. To enable successful completion of educational goals and access to all earned educational benefits, the period of benefit eligibility should be extended 5 years beyond completion of the 10-year eligibility period. Successful completion of the 6-year service obligation would be a prerequisite to the extended usage period.

The Military Coalition supports extending the Reserve Montgomery GI Bill benefits usage period an additional 5 years beyond the current 10-year eligibility window for those who successfully complete the requisite 6-year service obligation.

Retirement Credit for All Earned Drill Points. The role of the Guard and Reserve has changed significantly under the Total Force Policy, especially during the post-Cold War era. Congress responded to the need for increased readiness by allowing reservists to credit for retirement more of their earned inactive duty training (IDT). During most of the Cold War period, the maximum number of IDT points that could be credited was 50 per year. The cap has since been raised on three occasions to 60, 75 and most recently, 90 points. (Section 652 of the Fiscal Year 2001 National Defense Authorization Act, P.L. 106-398). The Coalition is most appreciative of Congress' approval of the increase. However, the fundamental question is why Guard and Reserve members are not permitted to credit for retirement all the training that they've earned in a given year. The typical member of the Guard and Reserve consistently earns IDT points above the new 90-point maximum creditable toward retirement. Placing a ceiling on the amount of training that may be credited for retirement serves as a disincentive to professional development and takes unfair advantage of those "reservists' commitment to the readiness mission.

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 Reserve retirement purposes.

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. The Fiscal Year 2000 Defense Authorization Act successfully corrected serious problems associated with the REDUX retirement system and repealed the dual compensation penalties imposed on certain retirees working as Federal civilians. In addition, the subcommittee authorized a modest special compensation for certain severely disabled retirees that helped ease the financial sacrifices experienced by these retired servicemembers. Last year, the Fiscal Year 2001 Defense Authorization conferees extended the special compensation eligibility to qualifying military disability retirees.

Concurrent Receipt of Military Retired Pay and VA Disability Compensation. In approving the new special compensation for severely disabled retirees—and subsequently expanding it to include chapter 61 (military disability) retirees with 20 or more years of service—Congress has taken two key steps in acknowledging the significant inequity the current law imposes on disabled military retirees. In effect, the law compels disabled retirees to fund their own disability compensation by requiring forfeiture of \$1 of their earned retired pay for each \$1 received in disability compensation from the Department of Veterans Affairs.

The Military Coalition has long held that military retired pay and veterans disability compensation are paid for different purposes, and one should not offset the other. Specifically, retired pay is earned compensation for completing a career of arduous uniformed service, while veterans disability compensation is paid for pain and suffering and loss of future earnings' potential caused by a service-connected disability. The Coalition strongly believes the time has come to recognize this essential distinction by authorizing the concurrent receipt of military retired pay and disability compensation paid by the Department of Veterans Affairs (VA).

Legislation introduced by Rep. Michael Bilirakis (HR. 303) and Sen. Harry Reid (S. 170) would correct the unfair and outdated retired pay/disability compensation offset.

There is a pressing need for the subcommittee to consider enacting this legislation now. 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. 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.

Congress recently affirmed a similar principle in repealing the outdated statutory provision that, before October 1, 1999, required partial forfeiture of military retired pay by retired servicemembers who accepted post-service employment as Federal civilians. The same rationale applies to disabled servicemembers. That is, both categories of retirees deserve to receive the full retired pay they earned by virtue of their career of military service. Just as they should not be required to forfeit that retired pay based on their subsequent civilian employment, they should not have to pay a retired pay penalty because their service in uniform caused them long term disability. Compensation for the latter condition must be provided in addition to their earned retired pay, not in place of it.

The Military Coalition strongly supports enactment of legislation authorizing disabled uniformed service retirees to receive veterans disability compensation concurrently with receipt of their full earned military retire pay.

Former Spouse Issues. The Military Coalition is concerned that many inequities persist in the application of the Uniformed Services Former Spouse Protection Act (USFSPA). The Coalition appreciates the sensitivity and complexity of this issue and the need for the subcommittee to hear all relevant inputs. Several times in recent years, Congress has enacted piecemeal changes to the law prior to hearing testimony on the full range of inequities. The Coalition believes strongly that such piecemeal changes should be suspended until the subcommittee has heard all relevant inputs and can strike a balance between the needs and rights of the various affected parties. Although the intent of the USFSPA was to assist former spouses in obtaining a fair share of their military spouses' retired pay, the law is ambiguous and weakly written. This has resulted in state courts awarding judgments that ignore the provisions of the USFSPA intended to protect the veteran.

The Military Coalition urges the subcommittee to conduct hearings on needed USFSPA changes, both to gather all inputs needed for appropriate subsequent legislation and to guard against inadvertently exacerbating current inequities via well-intended, piecemeal legislative action initiated outside the subcommittee.

SURVIVOR PROGRAM ISSUES

The Coalition is pleased to note the subcommittee's action last year in extending automatic Reserve Component Survivor Benefit Plan coverage to Reserve personnel immediately upon completion of 20 creditable years of service, unless the member and his or her spouse expressly decline it or elect reduced coverage. The Coalition believes this initiative serves the best interests of members, family members and the government by guarding against inadvertent loss of survivor coverage for Reserve retirees who die before attaining eligibility for retired pay at age 60.

But more serious SBP inequities remain to be addressed. The Coalition hopes that this year the subcommittee will be able to support some increase in the minimum SBP annuity for survivors age 62 and older, a more equitable paid-up SBP implementation schedule for pre-1978 SBP enrollees, and fairer treatment for survivors of members who die on active duty.

Age-62 SBP Offset. 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. The amount of the reduction varies by the circumstances in each case. 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 Social Security benefit that is potentially 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 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.

If these grievances were not enough, **the DOD Actuary has confirmed that the 40-percent government subsidy for the SBP program—which has been cited for more than 2 decades as an inducement for retirees to elect SBP coverage has declined to less than 27 percent.** The statute assumed that retiree premiums would cover 60 percent of expected long-term SBP costs based on the actuary's assumptions about future inflation rates, interest rates, and mortality rates. However, actual experience has proven these assumptions were too conservative, so that retiree premiums now cover almost 73 percent of expected SBP benefit costs. In effect, retirees are being charged too much for the long-promised benefit.

The paid-up SBP initiative enacted in 1998 will ease this disparity modestly for members retiring after 1978, but even for those members, the subsidy will still fall far short of the promised 40 percent.

Most inequitable from the military retiree's standpoint is the fact that the survivor benefit plan coverage provided for Federal civilian employees provides both a higher post-62 benefit and a higher government subsidy, as indicated in the chart below.

FEDERAL CIVILIAN VS. MILITARY SBP ANNUITY AND SUBSIDY

[Percent]

	CSRS ¹	FERS ²	Military
Post-62 percent Of Ret Pay	55	500	35
Gov't Subsidy	50	42	27

¹ Civil Service Retirement System

² Federal Employees Retirement System

Some might argue that Federal civilians warrant higher benefits and subsidies on the basis of their extended careers, but that is false reasoning. Military members, except for disabled members, must serve at least 20 years to qualify for retirement and often serve much longer. While many Federal civilian employees do, in fact, serve even longer periods, this is not necessary to qualify for retirement and survivor coverage, as many nondisabled Federal civilians qualify for retirement after serving considerably less than 20 years—and can do so with as little as 5 years' service, depending on age.

More importantly, because they retire at younger ages than Federal civilians, retired servicemembers 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.

Last year, the Senate approved Senator Thurmond's proposal to increase the minimum military SBP annuity in two stages—from 35 percent to 40 percent of SBP-covered retired pay immediately and to 45 percent as of October 1, 2004. While mandatory spending concerns prevented the initiative's inclusion in the final Fiscal Year 2001 Defense Authorization Act, the conferees did include in the act 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 vs. those for younger survivors.

The Military Coalition strongly supports this principle, and Rep. Scarborough and Sen. Thurmond have reintroduced legislation (H.R. 548, and S. 145 respectively) in the 107th Congress that, if enacted, would bring this "Sense of Congress" provision to fruition. S. 145 and H.R. 548 would eliminate the disparity in a three-stage process—raising the minimum SBP annuity to 40 percent of SBP-covered retired pay on October 1, 2001; to 45 percent on October 1, 2004; and to 55 percent on October 1, 2011.

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. With a rising Federal surplus this year, there is unlikely to be a better opportunity for this long-overdue action. Action is needed now, even if a deferred effective date is required, to fix a date certain when this long-standing inequity will be eliminated. Aging retirees and survivors who waited for relief through decades of deficits must not continue having their hopes dashed each year when surplus estimates grow ever-larger. Last year, the Senate passed relief legislation. This year, our hope is that the House can find a way to do the same.

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 H.R.548 and S.145.

30-Year Paid-Up SBP. Congress approved a provision in the Fiscal Year 1999 Defense Authorization Act 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, however, 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 acknowledge the particular circumstances of 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 this regard, SBP premiums were reduced substantially in 1990, so these older members 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 imposing an additional 6-year waiting period upon them.

The Military Coalition strongly recommends accelerating the implementation date for the 30-year paid-up SBP initiative to October 1, 2002, as proposed by Rep. Saxton's H.R. 699, or on an incremental basis if necessary.

SBP Coverage for All Active Duty Deaths. Under current SBP rules, only survivors of retired members or those of active duty members who have more than 20 years of service are eligible for SBP. This situation inadvertently can create significant and inequitable disparities in survivor benefits for the respective survivors of two members with equal grade and service who die as a result of illnesses or injuries incurred on active duty. Particularly in mass casualty situations such as aircraft crashes, it is sometimes extremely difficult for commanders and casualty assistance officers to explain and justify such disparities to the survivors of similar servicemembers who died in the same accident. The difference hinges on whether the member survives for a time following the accident. Permanently disabled members are entitled to retirement with a 100 percent disability rating, which automatically entitles them to retired pay (75 percent of basic pay) and SBP eligibility, regardless of years of service.

Specific examples illustrate the disparity. Among the mass casualties of an aircraft crash are four members in grade E-8, two of whom have 19 years of service and two who have served 24 years. One with 19 and one with 24 years are killed instantly in the crash. The other two are severely injured, but survive in a coma and are retired with a 100 percent disability rating, then expire 2 weeks later. As indicated below, the survivors of the members who are killed instantly receive benefits that can be hundreds of dollars per month less than those of members who survive to be retired for disability:

	E-8 (19YOS)	E-8 (19YOS)	E-8 (24YOS)	E-8 (24YOS)	E-8 (24YOS)
		<u>killed</u>	<u>disabil ret</u>	<u>killed</u>	<u>disabil ret</u>
DIC		\$911	\$911	\$911	\$911
SBP*		--	\$343	\$217	\$499
TOTAL		\$911	\$1254	\$1128	\$1410

* SBP is reduced by Dependency and Indemnity Compensation (DIC), so the survivor receives only the remainder in SBP. Members killed instantly on active duty with over 20 YOS (years of service) are awarded SBP as if they had retired for longevity (2.5 percent of basic pay times YOS), not disability (75 percent of basic pay for 100 percent disability)

Current law penalizes the survivors of the members who suffer the most grievous consequence of service-connected injury—those killed instantly in the line of duty. We believe the government should acknowledge that death is the ultimate disability, and that the survivors of active duty deaths should not be penalized because of the severity of their sponsor's injuries. Thus, all members who die on active duty should be considered, for the purpose of survivors' SBP coverage, as having been retired for 100-percent disability on the date of the member's death.

Because the number of annual active duty deaths is small and because the only SBP amounts payable would be those in excess of the survivors' Dependency and Indemnity Compensation payments, the annual cost for each year's group of survivors is estimated at less than \$1 million.

The Military Coalition strongly supports enactment of legislation, as proposed by Sen. Kay Bailey Hutchison's S. 1037 and Rep. Reyes' H.R. 2203, to extend SBP coverage to all survivors of members who die on active duty on or after October 1, 2001, by authorizing 100-percent disability retirements on the date of death.

CLOSING STATEMENT

The Coalition very much appreciates being afforded this opportunity to submit our views to this distinguished subcommittee. We look forward to addressing further details of these and other issues with you and the Subcommittee staff.

[Whereupon, at 11:02 a.m., a brief break was taken.]

Senator CLELAND. If we can convene our third panel? We have some distinguished panelists with us today. Thank you all very much for coming. I'd like especially to welcome Dr. David Chu, the Under Secretary of Defense for Personnel and Readiness. Dr. Chu was sworn in as the Under Secretary of Defense for Personnel and Readiness on June 1 of this year, a presidential appointee confirmed by the Senate. The secretary is a senior policy advisor on recruitment, career development, pay, and benefits, for 1.4 million Active Duty Military personnel, 1.3 million Guard and Reserve personnel, and 680,000 DOD civilians. He is responsible for overseeing the state of military readiness. What a challenge, but he's highly qualified for this position. The Under Secretary of Defense for Personnel and Readiness also oversees the \$15 billion Defense Health Program; the Defense commissaries and exchanges, with \$5 billion in annual sales; the Defense education activity, which supports over 100,000 students; and the Defense Equal Opportunity Management Institute, the Nation's largest equal-opportunity training program. Dr. Chu began his service to the Nation in 1968 when he was commissioned in the Army and became an instructor at the U.S. Army Logistics Management Center in Fort Lee. He later served a tour of duty in Vietnam working in the office of the Comptroller, Headquarters, First Log Command. He obtained the rank of captain and completed his service in the Army in 1970.

Dr. Chu earlier served in government as Assistant Secretary of Defense from May 1981 to January 1993. He advised the Secretary of Defense on the future size and structure of the armed forces, their equipment, and their preparation for crisis or conflict. From 1978 to 1981, Dr. Chu served as the Assistant Director for National Security and International Affairs in the CBO, providing advice to Congress on the full range of national security and international economic issues. Prior to rejoining the Department of Defense, Dr. Chu served in several senior executive positions with RAND, including director of Arroyo Center, the Army's federally-funded research and development center for studies and analysis, and director of RAND's Washington office. Dr. Chu received a bachelor's degree of arts degree, magna cum laude. I graduated from Stetson, "laude, how cum." [Laughter.]

We're delighted to see a magna cum laude in economics and mathematics from Yale University in 1964, a doctorate in economics, the dismal science, right?

Dr. CHU. Yes, sir.

Senator CLELAND. His doctorate was also from Yale, in 1972. He's a fellow of the National Academy of Public Administration and a recipient of the National Public Service Senior Award. He holds

the Department of Defense Medal for Distinguished Public service with Silver Palm. Thank you very much, Dr. Chu.

In addition to David Chu today, we have Lieutenant General Maude, the Deputy Chief of Staff for Personnel for the Army; Vice Admiral Ryan, the Chief of Naval Personnel; and Lieutenant General Parks, who is the new Deputy Chief of Staff for Manpower and Reserve Affairs for the Marines. Congratulations on your promotion and appointment to this position. We also have Lieutenant General Peterson, the Deputy Chief of Staff of Personnel for the Air Force.

General Peterson, I understand that you'll be retiring next month. You'll be dodging these bullets. [Laughter.]

But culminating 3 years of biting the bullet as Air Force Deputy Chief of Staff for Personnel, I want to thank you for your service to our country and our airmen. You've served very well. You're to be congratulated and commended for a job extremely well done. Thanks for all the help you've given to this subcommittee as the Air Force's personnel chief. Thank you very much.

Dr. Chu, do you have an opening statement? Would you like to lead off?

Dr. CHU. Yes, sir.

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

Dr. CHU. Thank you, Mr. Chairman, for that very generous introduction. I have submitted my full statement for the record, but I'd like, very briefly, to summarize.

May I begin by thanking this committee, and Congress at large, for all it's done over the years, and especially in recent years, for the people in the Department of Defense. People, as the Secretary and the President have emphasized, are the ultimate strength of the department, and I think this budget does, indeed, put people first. Indeed, a constant question the Secretary of Defense raises throughout the ongoing Quadrennial Defense Review is, "Where is the people element of our strategy?" because he is most concerned that we get the answer to that question right.

This budget, the fiscal year 2002 budget, contains, sir, one of the largest pay and benefit packages in a long time, perhaps in a generation, and we look forward to the dialogue with this committee about its contents.

On the results from the department over the last year or so, I think a word of congratulations to military services is in order. All four services in fiscal year 2000, for the first time in 3 years, met their active duty recruiting goals, and they are—knock on wood—on target, thus far this year, to do the same thing again.

Retention is generally good, perhaps with some exception in the Air Force. The Reserve picture is not, perhaps, quite as strong as the active, but also reasonably good if considered in historical context.

As Senator Akaka emphasized, the civilian workforce is the second of the three pillars in our total force. They provide the continuity and the technical skills that the force, as a whole, needs. The department is giving a great emphasis in the Quadrennial Defense Review to a strategic plan for that workforce, which, among its other elements, will emphasize the importance of continuing edu-

cation. That principle has had such high payoff for the military force in the United States over the last several decades.

The Reserves are the third component of that total force. I think the willingness of this administration to, indeed, make them an equal partner in what we do is evidenced in the very significant increase in military construction for the Reserves, almost 300 percent in this budget request, to a total of just over \$600 million.

Several of the earlier witnesses spoke to the issue of healthcare coverage for the Reserves. We acknowledge this as an issue, and we are exploring solutions to that problem as part of a general effort to make the transition from Reserve to active service and back again as seamless as possible.

Healthcare, as you and your colleagues have noted, is a subject that has been given great attention by Congress in the last 2 years. We look forward to the challenge of implementing the full TRICARE For Life program on the first of October. This budget attempts to reflect what we think is a reasonable estimate of the total cost of that program and all the other elements of the Defense health effort.

I should emphasize that we would very much plead for your assistance, sir, in avoiding any decision by Congress to fence particular sub-elements of the medical care budget, to allow us to manage it as a single whole with some of the outcomes that other witnesses have pointed to as legitimate objectives.

Our greatest strength in the department, as has been remarked this morning, is its people. This budget intends to keep it that way, and we look forward to working with you and members of the committee in achieving that objective.

[The prepared statements of Dr. Chu, Lieutenant General Maude, Vice Admiral Ryan, Lieutenant General Parks, and Lieutenant General Peterson follow:]

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.

The fiscal year 2002 budget request puts people first. It contains a number of strong measures to improve recruiting, retention, and morale, including the largest boost in military pay and benefits in a generation. This will help pay military people what is needed to attract, motivate, and retain the top quality people essential to the Nation's security. It will enhance recruiting and retention by fundamentally changing the pay structure and increasing pay for grades with difficult retention challenges. The budget request further improves the military's ability to recruit and retain members of high quality, with critical skills, through a robust program of enlistment bonuses, selective reenlistment bonuses, and other incentive programs.

The budget request also proposes major improvements to housing, healthcare, and overall quality of life. It increases housing allowances to reduce the amount of out-of-pocket expenses and enable military personnel and their families the option of living in private sector housing. For the first time in recent years, the President's budget request funds a realistic estimate of military health care costs.

The budget submitted by President Bush places the highest priority on meeting the needs of our people. While it is not sufficient to address all problem areas, I believe the fiscal year 2002 budget satisfies the most urgent, and gives us breathing room to assess the future and identify the next steps leading to next year's budget submission based on the results of the Quadrennial Defense Review.

Today, I would like to outline the initiatives the Department has proposed, as well as discuss the challenges we face in meeting these priorities.

MILITARY PERSONNEL

Despite improvement in fiscal year 2001 recruiting achievement, the recruiting and retention war for talent continues. Although the youth population, which sustains our ability to recruit, has grown steadily since 1995, the Department finds itself facing several key challenges as it looks toward the future. The economy remains strong. College attendance is the overwhelming first choice of high school seniors. The composition of the youth population is changing.

All these factors generate on-going challenges in our efforts to sustain the force. Not surprisingly, our investments in recruiting and retention programs are rising. We have 11 percent more recruiters in the field than we did a decade ago. Funding for enlistment bonuses has grown by over 500 percent since 1991; and the number of reenlistment bonuses has grown from 40,565 in 1991 to 50,868 in 2000, while the reenlistment bonus budget has grown from \$212.7 million in 1991 to \$350.5 million in 2000.

Built over the last quarter of a century, today's volunteer military is recognized as the most capable ever fielded. But a declining veteran population means that fewer Americans have first-hand military experience. Therefore, it is essential that public and private sector leaders at every level step up to the challenge of generating awareness of the military, communicating the importance of the citizen soldier in our history and for our future, and emphasizing the ennobling characteristics associated with military service to the Nation.

End-Strength

Our recruiting and retention programs are the cornerstones for ensuring personnel readiness remains high. When retention is high, this eases the pressure on recruiting, and vice-versa. This fiscal year, the Army, Navy, and Marine Corps have enjoyed high retention, thereby reducing their recruiting missions; they also will achieve end strength targets in fiscal year 2001. Because the Air Force will not meet its second and third term retention goals, and it is too late to adjust its recruiting mission upward, the Air Force will not achieve the required end strength at the end of the fiscal year. Air Force is projected to miss end strength by 4,100, meaning they would be more than 1,000 below the authorized one-half percent flex. Meeting end strength in fiscal year 2002 requires the accurate development and full funding of our recruiting and retention programs. The budget before you provides these prerequisites, and we are committed to executing the programs to achieve success.

Recruiting

Our success in maintaining a military second-to-none depends on attracting and retaining people with the necessary talent, character, and commitment to become leaders and warriors in the Nation's Armed Forces. An asset in that quest is the fact that in today's society, the military is consistently ranked first as the most respected American institution. However, while the quality, dedication, and professionalism of the men and women in uniform command such respect from all Americans, this respect currently does not translate to a willingness to enlist or to encourage others to serve to the degree we need.

Nevertheless, extraordinary efforts by our recruiting force have produced hard-won success. For the first time in 3 years, all Services achieved their fiscal year 2000 active duty recruiting goals with excellent recruit quality. Through the first 9 months of fiscal year 2001, all Services have met or exceeded their active enlisted recruiting goals. While the Naval Reserve and Air Force Reserve missed their recruiting goals in fiscal year 2000, all Reserve components achieved desired quality levels. This year, we anticipate that all components, with the exception of the Air National Guard, will achieve their recruiting missions, even though the Army and Navy will start fiscal year 2002 with fewer people enrolled in the Delayed Entry Program than they would like.

This has not come easily. We budgeted over \$2.3 billion this year for enlisted recruiting including advertising, incentives, and recruiter salaries. Our expenditure-per-recruit will be at an all time high of \$11,471, 53 percent higher than 10 years ago, accounting for inflation. Recruiter manning is higher than before the drawdown with more than 15,000 Active component production recruiters. Advertising budgets have increased 55 percent since fiscal year 1997.

In addition to expecting to achieve our overall numerical goals, we continue to keep a close watch on the quality of new servicemembers. For fiscal year 2001, through June, quality remains strong at 91 percent high school diploma graduates and 66 percent with above-average aptitude. Years of research and experience tell us that those with a high school diploma are more likely to complete their initial term of service. Additionally, research shows a strong correlation between above average scores on the enlistment test and on-the-job performance.

We continue to work to identify ways to expand our target market. There are several on-going pilot programs designed to tap the high scoring 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. Attrition data for the early accession cohorts have not fully matured, but do provide some basis for comparing attrition rates among educational credentials. In general, 12-month attrition rates for ChalleNGe-GED holders appear to be similar to those of high school diploma graduates while the attrition rates of home schooled youth are much higher. As the sample size continues to increase, we will assess the military performance and attrition behavior of the home schooled and ChalleNGe recruits to determine their appropriate enlistment priority. We also are examining the enlistment propensity of home schooled youth and ChalleNGe participants. We expect to learn about their interest, or lack of interest, in military service and use this information to tailor enlistment incentives for youth who are likely to be successful military recruits.

The Army also recently launched a 4-year test program called GED Plus. This program will give some individuals who left high school before obtaining their diploma an opportunity to earn a GED and enlist in the military. GED holders in this special test program will have to meet stringent criteria: they must have left school voluntarily, but now cannot return because of age; they can not require moral character waivers for enlistment; they must score above average in aptitude on the enlistment test; and they must receive a passing score on the Army's motivational screen (Assessment of Individual Motivation (AIM)). (As part of this effort, AIM will be validated as a predictor of first-term attrition. If proven successful in the Army pilot, AIM can be used as part of the enlistment process across all Services.) Since GED Plus graduates will be required to have above average enlistment test scores, job performance should not be adversely affected.

Army also has launched its pilot test of the recently-authorized "College First Program" which promises to identify better ways to penetrate the college-bound market. To improve the quality of the pilot, expanded legislative authorities are being proposed by the Department, and I hope the Committee will support them. Specifically, we are requesting an extended Delayed Entry Program (DEP) period that would add 6 months to the currently authorized 2-year DEP; we also are requesting an improved stipend, along with authority to permit pilot program participants to enroll in the Montgomery GI Bill or the Army College Fund. All of those initiatives promise to improve the quality of the pilot test and the validity of its conclusions.

Officer accessions come from three primary sources: the Service academies, Reserve Officer Training Corps (ROTC), and Officer Candidate/Training School. All Services met their overall active duty officer accession goals for fiscal year 2000, although the Navy and Air Force both had some deficits in specialized officer communities, including naval flight officer, nuclear power, and scientists and engineers. The Services are on track to make fiscal year 2001 commissioning goals, but again anticipate shortages in some specialties. To address the skill mix issue, we are proposing an accession bonus for those officer specialties that routinely experience recruiting shortfalls, and hope the committee will support this proposal.

Our evaluation of recent recruiting challenges suggests that, among other issues, some potential recruits have made up their minds against military service by the time recruiters approach them. We have expanded our market research to include those individuals who influence the decisions young people make; parents, teachers, counselors, and coaches. Armed with these results, we hope to design communication strategies that will increase youth consideration of military service as an attractive alternative. Our initial effort is an advertising campaign, launched this year, aimed at parents of recruitment-aged youth. This campaign is designed to raise the interest of parents in learning more about military opportunities. We plan to augment this advertising campaign with an integrated communications campaign emphasizing the nobility of service to all Americans.

Additionally, we have initiated a comprehensive advertising tracking study. We have hired a renowned firm to track all Department and Service national advertising, broad-scale promotional activities, and current events that might affect attitudes towards the military. The results will be quantifiable measures of the effect of marketing activities on the attitudes of target audiences toward the military, enabling the prioritization of expenditures on the basis of more immediate measures of effectiveness.

We do not expect the recruiting market to soften. We must equip recruiters to succeed in the college-bound market. All of our traditional recruiting tactics, techniques and procedures are optimized for working the high school senior population. The realities of today's demographics require that we undertake an overhaul of our meth-

ods and our incentives to enable success in the more difficult college market. Some initial actions have been taken to tailor enlistment incentives, create new programs, and better understand the market. This will be an area of specific focus in fiscal year 2002.

Retention

Today's economy also competes directly with Services' retention efforts. The private sector seeks to employ our personnel for the same reasons we must retain them—their skill, experience, technical training, and demonstrated leadership.

The Department's investment in retaining high quality, trained, and ready enlisted personnel during fiscal year 2000 yielded mixed results. On the Active component side, the Army, Navy, and Marines achieved desired levels of aggregate retention; the Air Force struggled during fiscal year 2000, missing aggregate retention by 1,700. fiscal year 2001 projections indicate this trend will continue; the Army, Navy and Marine Corps will again achieve aggregate enlisted retention goals. Although there are promising indicators that the Air Force will exceed their initial term retention goal by about 600, if current fiscal year 2001 trends continue, the Air Force, as a result of short-falls in second and third term retention, will likely miss its overall retention goal by 3,000 or more. For all Services, although aggregate enlisted retention shows improvement, this comes at the cost of significant increases in retention incentive spending reflected in the current budget submission, where the funding for special and incentive pays is increased by \$152 million over the fiscal year 2001 budget. Shortfalls persist in a wide range of technical specialties, including: communications/computer, aviation maintenance, information technology, electronic technicians, intelligence analysts, linguists and air traffic controllers.

We expect officer retention challenges to continue. Although Services were not able to implement it in the past fiscal year due to funding constraints, we believe that the Critical Skills Retention Bonus program authorized in the Fiscal Year 2001 National Defense Authorizations Act is an important tool that will help the Services tackle continuing shortfalls in specific skills, and we have requested this authority be extended in fiscal year 2002. Concern with pilot manning continues. While the enhanced aviation continuation pay program resulted in a substantial increase in years of committed service throughout the Department, it does not appear to have solved the problem. Services, already experiencing pilot shortages as a result of reduced accessions during the down-sizing, are further being affected by the demand caused by pilot retirements in the airline industry. Although we are able to fill cockpits now, pilot manning will require close attention throughout the Future Years Defense Program.

Compensation

Competitive pay is clearly one of the key components to ensuring that we attract and retain the high quality, highly skilled men and women needed in our armed forces today. Compensation includes all pays and allowances: basic pay, housing and subsistence allowances, and special and incentive pays. We are grateful to Congress for its work in significantly improving each of these areas over the past 2 years.

Pay raises send a clear signal that our Nation recognizes the courage and ideals required for military service. While we have taken some important steps in the right direction, we cannot afford to become complacent. Analysis in support of the 9th Quadrennial Review of Military Compensation (9th QRMC) has taken a hard look at the pay comparability of our forces against the levels of pay they might command in the private sector based on their skills, experience, and education. The results indicate that while NCO pay would be adequate for a high school educated force, increasing percentages of the force have completed at least a year of college by the time they are E-5s. Today's pay table does not compare favorably with the income levels of similarly educated civilian workers.

Accordingly, the Department is recommending pay raises greater than those legislated in recent years. While targeted bonuses may be the most economic manner to achieve improved retention in specific skill areas, we believe the pay table imbalance, due to educational attainment changes alone, is of sufficient magnitude that immediate permanent corrections are required. Accomplishing these changes should begin to ease the growing demand for bonuses, returning them to their proper use. Additional money has been budgeted to provide a minimum pay raise of 6 percent for all enlisted personnel, 5 percent for all officers, and larger increases targeted for mid-grade and senior NCO's and mid-grade commissioned officers. The proposed pay raise takes into consideration certain fundamental criteria: that raises for each successive promotion are larger than the previous, that raises for promotion are worth more than raises for longevity, and that meaningful longevity increases are still provided to reward continued service where advancement opportunity is limited. The

proposed pay raise addresses several concerns. First, it provides the greatest emphasis to the pay grades with the greatest retention concerns, E-5 to E-7 and O-3 and O-4. While the most junior enlisted pay grades (E-1 to E-3) are temporary grades our members pass through fairly quickly, an additional 1 percent above the minimum 5 percent is provided to address financial well-being. Warrant officer pay was targeted due to concerns over pay compression between the mid- to senior-enlisted and warrant pay, and to provide an accession incentive for Army warrant officer pilots. Senior enlisted pay was increased, not only to avoid pay compression, but to recognize increased responsibility and, consistent with the advice of senior enlisted leadership, larger raises were provided to E-5 and E-7 in recognition of the achievement of NCO and senior NCO status. E-4 pay was adjusted upward consistent with Navy recognition of E-4s as non-commissioned officers. Finally, larger increases are provided to E-3s with less than 2 years of service, and to E-4s with less than 4 years of service to motivate members to seek early promotion. The \$1 billion increase is equivalent to a 6.9 percent across the board raise. We believe that this plan targets the most urgent issues within a balanced program.

The Department intends to sustain its efforts to significantly improve military housing allowances and eliminate average out-of-pocket costs by 2005. The budget provides for further increases in the allowance next year, reducing the average out-of-pocket costs from 18.8 percent in 2000 to 11.3 percent in 2002. The housing allowance is an important element of compensation and the Department has worked hard to significantly improve data collection efforts to ensure the allowance accurately reflects the rental markets where Service members reside.

We are also implementing important new authorities provided by Congress pertaining to the critical skills retention bonus and Thrift Savings Plan (TSP). As mentioned previously, the new critical skills retention bonus authority will give Services a broad, flexible and highly responsive tool to quickly and effectively target retention problems in specific skills. Additionally, the TSP will give every Service member an opportunity to build a significant amount of tax-deferred savings. We expect the provision allowing deposit of any and all special and incentive pays, especially lump-sum bonuses, to be a particularly popular option. We have been working closely with the Federal Retirement Thrift Investment Board and are confident we will be ready to fully implement the program beginning with an October 2001 open season.

As you are aware, the Secretary conducted a review of morale and quality of life issues confronting our service members. In addition, we are in the midst of the Quadrennial Defense Review where we are taking a hard look at the future requirements for human resources. Immediate needs to stabilize the current force are addressed in this year's budget. In the coming months, additional measures will be developed to transform force management policies to provide the Services with broad, flexible and responsive tools to manage future challenges. Our focus will be on a better ability to manage the total force—to preserve the advantage provided by top-caliber people.

CIVILIAN WORKFORCE

The DOD civilian workforce has been and will continue to be a major contributor to military readiness, providing continuity, expertise, and commitment. Civilians are an important and integral part of the DOD Total Force for several reasons. The use of civilians frees Service members to perform military duties, provides skills unavailable in the military, and helps assure continuity of operations. Civilians perform critical roles, from keeping war fighting organizations ready for worldwide deployment today to building the sophisticated tools necessary to maintain readiness tomorrow. DOD civilians provide significant support in roles such as depot maintenance, supply, acquisition, transportation, training, deployment, medical care, research and development, engineering, and facilities operations. With increasing frequency, civilians will deploy with the other Total Force components. They have provided direct support to operations such as Desert Shield/Storm, Haiti, the Balkans, Kosovo, and Operations Northern and Southern Watch. Currently, over 43,000 DOD civilians are forward stationed throughout the world. In short, DOD civilians have global impact on our day-to-day mission accomplishment.

However, the last 11½ years has been a time of significant turmoil for the civilian workforce. Since the civilian drawdown began at the end of fiscal year 1989, DOD has eliminated 430,000 positions, reducing the workforce by over 37 percent. Programmed reductions will increase that figure to 42 percent by the end of fiscal year 2007. The resultant imbalances in age and experience pose problems with the orderly transfer of institutional knowledge, as Baby Boomers will begin to retire in increasing numbers this year.

To address workforce shaping needs, DOD has developed a four-pronged strategy: (1) workforce analysis and modeling; (2) accession management; (3) development and retention; and (4) transition assistance.

In the first area, the Department has commissioned research to identify skills needed in the future, as well as occupations where substantial change can be expected. This research, plus the workforce models for projections, will help the Department anticipate and meet changing needs effectively.

DOD is now able to pay for degrees and increase the repayment of student loans to enhance recruitment. The Department is exploring ways to expedite the hiring process and provide additional pay flexibilities to help make DOD a more enticing place to work. We are also exploring initiatives such as expanded childcare access for civilians as well as elder care assistance to enhance the Department as an employer of choice.

In the third part of the strategy, DOD created the Defense Leadership and Management Program (DLAMP) to prepare competitively selected individuals at the GS-13 level and higher for key leadership positions in ways that would enable them to function more effectively than their predecessors. Now in its fifth year, DLAMP has some 1,172 competitively selected participants, including 240 admitted in January 2001.

Additionally, DOD is taking concrete steps to improve the quality and cost-effectiveness of the education and professional development it provides to its civilian workforce. DOD is working towards obtaining accreditation for all DOD institutions teaching civilians. To measure our progress, we will develop and use standards and metrics and a data collection system. These will permit our institutions a mechanism for benchmarking and will give decision-makers accurate and timely information on the quality and cost-effectiveness of DOD educational and professional development institutions.

Managing the workforce transition humanely as well as efficiently has led DOD to create an exemplary workforce transition package. Less than 9 percent of the reduction in employment has come through layoffs. For example, the Voluntary Separation Incentive Payment (VSIP, or the "buyout") has enabled the Department to avoid approximately 158,000 layoffs since 1993; and use of the early retirement authority has helped avoid approximately 67,000 layoffs. Other transition programs provide payment for continuing health insurance and other benefits to ease the strain. In the fiscal year 2001 National Defense Authorization Act, DOD received the authority to offer buyouts without eliminating positions. Though limited in scope, this authority permits reshaping the workforce where the number of positions might be right but the mix of skills poses a problem. DOD is collecting data on the authority's use this year and has requested that Congress extend its use over the next 2 years.

Collectively, these steps will help the Department cope with the reality that it currently employs 76 percent fewer people in their 20s than it did in the 1980s, and 56 percent fewer in their 30s, but actually 6 percent more in their 50s. The median age has risen from 41 to 46 since the end of fiscal year 1989. Workforce shaping actions are therefore a paramount consideration over the coming decade.

QUALITY OF LIFE

Providing a high quality of life for our military members and their families is essential to our efforts to attract and retain a quality force. Considering changes in the composition of military families (such as the increasing number of dual income families), and realizing that continued service is a family decision (because how families feel affects their satisfaction with military life), force management and retention strategies must focus on the entire military family.

Young people have many choices in today's job market. To compete, the Department must create an environment where individuals and their families are encouraged to prosper and grow and participate in the fruits of the American society which they have sworn to defend. To assist them, we must maintain a strong and sustained commitment to quality of life. Last year's improvement in pay, revision of the retirement system and commitment to reducing out of pocket expenses for housing were important steps. We must provide quality of life programs and services that set the military apart as a career of choice.

Family Support and Spouse Employment

In the area of Family Support, we know that family is the foundation of success and family well-being is critical to the peace of mind of our Service members. With a force that is comprised primarily of families—only 40 percent of the force is single with no family responsibilities—we recognize the integral link between family readiness and total force readiness. An essential element of the quality of life framework

is improving the financial stability of our military families, which includes improving their personal and family financial training.

We know, for instance, that spouse employment is an issue.

DOD intends to examine ways to improve employment opportunities and transportability of careers. We will continue to work with the private sector to develop relationships that provide training and employment opportunities for military spouses, focusing on the areas of information technology, education and health care. These areas continue to show a strong employment picture. To accomplish this the Department is partnering with the U.S. Chamber of Commerce and other chambers around the country to engage corporate America to provide military spouses with training and employment opportunities leading to careers.

Child Care

Quality, affordable, and available childcare is a vital quality of life issue for the Total Force and their families. We have child development programs at over 300 locations with over 800 child development centers and 9,000 family childcare homes. DOD centers have a much higher level of national accreditation (99 percent compared to an approximate 8 percent for civilian sector centers). The Department estimates that there is a total need for 270,000 childcare spaces. Though its current childcare programs, the Department provides 170,000 spaces and is working to meet the 215,000 space need. The remaining estimated childcare need of 55,000 spaces would be met with alternative work schedules and arrangements with neighbors and family members.

Educational Opportunities

This year the Department established a new Educational Opportunities Directorate to consolidate a number of congressionally mandated, education-related programs. These include impact aid, off-duty, voluntary education, Troops-to-Teachers, and ensuring compliance with laws related to the education of special needs children.

This new directorate is the focal point for administering financial assistance to local education agencies to supplement the Federal impact aid program for school districts heavily impacted by the enrollment of DOD-connected children. Congress has generally appropriated about \$35 million for this purpose. In addition, for both fiscal year 2000 and 2001, DOD was appropriated \$10.5 million for making grants to eligible school districts for the maintenance, repair or renovation of school facilities which school districts operate on military installations. The Directorate coordinates the off-duty, voluntary education program for which Congress gives about \$250 million to the Services. Nearly, \$156 million of these funds are used for tuition assistance. The Troops-to-Teachers Program is now the responsibility of the Department of Education (ED). However, the DOD is administering the program as required by Congress.

The Department also recognizes that a significant need exists to deal with issues and problems related to the transition of military dependent students when they are forced to change schools because their military sponsor is reassigned. The directorate is collaborating with public schools that serve military dependent students to encourage practices that will ease such transitions.

Participation in the off-duty, voluntary education program remains strong, with about 600,000 enrollments in undergraduate and graduate courses and 33,000 degrees awarded annually. The Department has successfully completed 2 years under a uniform DOD-wide tuition assistance policy that ensures that all Service members regardless of Service have access to the same amount of tuition assistance. During fiscal year 2000, 100 percent tuition assistance was extended to members serving in contingency areas. In the fall of 2000, Congress provided authority for Services to pay all of the costs of members enrolled in higher education programs during off-duty hours. It also provided for members to use Montgomery GI Bill (MGIB) benefits to pay for that portion of tuition and expenses not covered by DOD tuition assistance. The Department is currently coordinating the implementation of these new provisions.

Troops-to-Teachers

In October 2000, DOD transferred responsibility for the Troops-to-Teachers Program to the Department of Education (DEd) as required by law. Subsequently, DEd received a \$3 million appropriation for the program and requested that DOD manage the program for military personnel. DOD has agreed to do so and the Defense Activity for Non-Traditional Education Support (DANTES) will continue to operate the program. The Troops-to-Teachers program has successfully injected the talent, skills and experience of military service members into public school education. Over 3,400 participants have been hired in 49 states, and 24 states have Troops-to-Teach-

ers Placement Assistance offices. The President's announcement to increase funding for this program to \$30 million will increase the opportunities to place transitioning military members who are disciplined, trained and motivated into America's critical shortage teaching careers.

Department of Defense Dependent Schools

Our Dependent Schools comprise two distinct educational systems providing quality kindergarten through 12th grade programs: the DOD Domestic Dependents Elementary and Secondary Schools (DDESS) for dependents in locations within the United States and its territories, possessions, and commonwealths, and the DOD Dependents Schools (DODDS) for dependents residing overseas. Today, Department of Defense Education Activity's (DODEA) 6,840 teachers serve 112,206 students in 24 districts and 227 schools located in fourteen countries, seven states, Guam, and Puerto Rico. DDESS serves 34,294 students in 70 schools, while DODDS serves 77,912 students in its 157 schools. DODEA students include both military and civilian Federal employee dependents.

The quality of the DOD schools is measured in many ways, but most importantly by student performance. DOD students take the same standardized tests as students in many other United States school systems and score above the national average every year, at every grade level tested, and in every subject area tested. DOD Students also participate in the National Assessment of Educational Progress (NAEP) test, the only nationally administered test of academic performance. DOD students consistently score extremely high, and our minority student performance is exceptional, with both our African American and Hispanic students placing at the top among their peers nationally.

A higher percentage of DODDS high school graduates attend college than nationally (73 percent versus 66 percent). Of those attending college about 9 percent of DODEA graduates and high school graduates nationally attend top tier universities or colleges in the United States as identified in the U.S. News & World Report "Best Colleges 2000."

The Department is proud of its school system and continues to address and support quality issues in the areas of curriculum, staffing, facilities, safety and security, and technology. To meet the challenge of the increasing competition for teachers, DOD has an aggressive U.S. recruitment program, with an emphasis on diversity and quality and a focus on placing eligible military family members as teachers in its schools.

Domestic Violence

I am pleased to report that with your help, the Department is making significant progress in dealing with the issue of domestic violence in our military communities. There is no more basic quality of life issue than providing a safe and secure home environment for our Service members and their families. Consequently, DOD has made a substantial commitment of manpower and dollars to its Family Advocacy Program. As the Nation's largest "employer-based" domestic violence program, we believe we have the opportunity not only to improve our response, but to contribute substantively to the Nation's overall effort in this matter. DOD is establishing a central database to track incidents of domestic violence and commander disciplinary actions.

The Defense Task Force on Domestic Violence was established last year in accordance with the requirements of Section 591 of the Fiscal Year 2000 NDAA (P.L. 106-65). Task force members have been hard at work for more than a year and have completed their first annual report and strategic plan. When the review is complete, the Secretary will forward the task force report to you with an evaluation and comments. We are confident that, working together with the task force, we can and will continue to make significant progress in our prevention of and response to domestic violence in the military.

MORALE, WELFARE, AND RECREATION

Morale, Welfare and Recreation (MWR) programs offer "hometown" support for those separated from extended families and familiar settings in over 300 military communities. MWR programs include gymnasiums, recreation centers, libraries, sports, outdoor recreation, hobby shops, bowling, golf, parks, and other programs normally found in civilian communities. Those programs that are most often used are fitness, outdoor recreation and libraries.

Commissaries and Military Exchanges

Military members and their families consider their commissary privilege to be one of their top two non-cash benefits, second only to health care. The Defense Com-

missary Agency (DeCA) operates the worldwide system of 283 commissaries. By selling grocery items at cost plus 5 percent surcharge, DeCA provides a minimum 29 percent saving on comparable market baskets. Beginning in fiscal year 2002, legislative authority will permit funding of most DeCA operations from appropriations, thereby leaving the Surcharge Trust Fund available for capital investment. The fiscal year 2002 major construction program, in a significant increase from prior years, contains 10 commissary projects at a total surcharge cost of \$98 million.

Secretary Rumsfeld has asked us to consider those services that may be performed more efficiently. He has suggested that commissaries be considered in that effort. Let me state clearly that this is a proposal to improve how the benefit is delivered with the objective being to obtain the same benefit at reduced cost to the defense department. We will work closely with the congressional oversight committees in exploring this issue.

Currently, the private sector is operating the distribution system, performing shelf stocking, and operating some bakery, deli, and seafood concessions. These services are transparent to the customer in terms of service and savings; assure consistent delivery of the commissary benefit at less cost to the taxpayer and with no increase in the surcharge rate; and continue employment opportunities for our family members. Let me reiterate: as we explore additional opportunities to capitalize on private sector competencies, there is no intent to decrease the value of the benefit or population served.

Military exchanges also form a significant portion of the community support program. They are the "home town store" for our service members overseas, in remote locations and deployment sites all over the world. It is important to troops and families stationed around the world to have American goods and service. Being a long way from home should not mean giving up what is familiar and what adds comfort to sometimes difficult lifestyles. Today's exchanges operate at 694 locations worldwide, with annual sales of nearly \$9 billion.

Exchanges offer quality goods at significant savings, and then pass the majority of their profits back to the MWR program to support essential, morale building programs and make capital improvements. Our practice of using exchange earnings to support MWR programs is well established; the exchanges provide over \$300 million annually.

The Department has recently taken a very close look at the exchange business practices and organizations to maximize efficiencies and improve customer service and savings. I will look closely at the study results and the service implementation plans to ensure that the alternatives pursued reduce costs while improving customer service, ensuring competitive pricing, and continue support for MWR.

MILITARY FUNERAL HONORS

The rendering of a final tribute and recognition to our Nation's veterans is an important tradition in the Department of Defense. Since the signing of the National Defense Authorization Act for Fiscal Year 2000, the Department has worked diligently to ensure that our Nation's veterans receive dignified military funeral honors. Given the significant increase in veterans' deaths and the downsizing of the active and Reserve Forces, this has been a challenging mission, but one to which we are totally committed. We now have a DOD policy directive in place that clearly delineates the Military Services' responsibility in the provision of military funeral honors upon request, the requirement to provide a ceremonial flag, folding and presentation of the flag, and the playing of "Taps." The funeral honors detail consists of two uniformed personnel with at least one from the parent Service of the deceased veteran who presents the flag to the family.

We have devised a system that coordinates Military Funeral Honors requests and it is working well. Additionally, the Military Funeral Honors kit that was sent to funeral directors around the country has significantly enhanced the ability of the military Services to respond to requests. During this first year of full implementation of the law, we have seen significant increases in the numbers of military funeral honors requests provided by the military. We are currently working on our program to partner with members of veterans service and other appropriate organizations to augment the two-person detail. This is called the Authorized Provider Partnership Program (AP³). The AP³ will enhance our ability to provide additional elements to the funeral ceremony. Our overall goal is to render appropriate tribute to our Nation's veterans and to provide support to the families of these patriots who defended our country in times of war and peace.

TOTAL FORCE INTEGRATION

This statement would be sadly incomplete without my highlighting the contributions made by the National Guard and Reserve to the Total Force. The Reserve components continued to support U.S. military operations worldwide, providing over 12 million duty days of effort in the areas of contingency support in Bosnia, Kosovo and Southwest Asia; counter-drug operations; domestic emergency support; exercises; and operational support to combatant commands and military services. This high level of effort has remained relatively stable over the past 5 years, even as the Reserve component force has continued to draw down in size.

Despite maintaining this consistent level of activity, the process for employing Reserve component members, given the wide array of different duty categories and statuses in which they can serve, is unnecessarily complex and confusing. We are undertaking a comprehensive review to determine if greater efficiencies and increased flexibilities are possible in the process of employing Reserve units and individuals. Associated compensation and benefits are also being addressed to identify and eliminate any disparities between the active and Reserve components.

The fiscal year 2002 budget request includes important increases for the Reserve components. Increases go to personnel accounts for a 5.0 percent across-the-board pay raise, pay table reform to further increase pay for certain personnel grade levels, and additional full time support personnel needed to improve readiness management. Additions to operating accounts are designed to improve personnel training and readiness by increases in flying hours, base operations support, depot maintenance.

Additionally, Military construction (MILCON) investment for the Reserve components represents an increase of 280 percent over last year's request, and the largest request in the last two decades. The facility investment of \$615 million represents a first step in the Department's commitment to address a failing infrastructure. A 6.5 percent procurement increase will fund new Reserve component equipment, helping to ease the affects of old equipment on readiness.

Although the Reserve components normally do not rely on housing, barracks, and fitness centers for their quality of life, the issue of quality of life is equally important for the guardsmen or reservist whose quality of life is measured by where they work and train. The President's budget begins to address the neglected facility infrastructure of the past.

HEALTH CARE

Another critical quality of life issue facing our service men and women and their families is health care. It is a recruiting and retention tool and it is the means by which we retain a fit and healthy force. The Military Health System (MHS) consists of 78 hospitals and more than 500 clinics worldwide serving an eligible population of 8.3 million. In addition, we have seven TRICARE Contracts that supplement our military medical facilities with a network of civilian healthcare providers. We emphasize the prevention of illness. We identify hazardous exposures, and record immunizations and health encounters in a computerized fashion for patient safety and any needed patient care events. We deliver the health care benefit as defined by Congress and ensure high quality health care to all eligible beneficiaries.

The passage of the generous new health benefit by Congress last year provides additional challenges in our efforts to ensure quality health care for our deserving beneficiaries. Our great success to date in implementing this broad array of new entitlements reflects the support and work of our DOD leadership, the Surgeons General, the beneficiary associations and your staffs. The outreach to our beneficiaries has been comprehensive, and I greatly appreciate the assistance you and your staffs have provided to ensure successful implementation.

Military Health System Funding

Health care costs in this country continue to rise and the military health system is not immune from these escalating costs. This is the first time in recent years that the President's budget request identifies a realistic estimate of our military health care costs. The budget increase funds for the direct care system to sustain military treatment facilities (MTFs). It increases funds for pharmacy operations by 15 percent, reflecting our own recent experience, as well as what is anticipated in the private sector in the coming year. It provides for a 12 percent increase over the fiscal year 2001 budget for the managed care support contracts, which is again consistent with the overall cost increases in the private sector. Sufficient funds are also provided to implement the fiscal year 2001 NDAA requirements, including TRICARE For Life.

The President's Budget request also reflects requested legislation directing the Department to implement prospective payments for some health services not currently paid on a prospective basis. The general provision would expedite reform of TRICARE payment methods and allow the Department to expedite adopting prospective payment rates for some civilian institutional services (e.g., skilled nursing facilities (SNF) and hospital outpatient services) and for non-institutional providers (e.g., ambulance services). We do not expect this change in reimbursement method to create barriers for access to SNFs or to cost-shift payment liability to the beneficiary by balance billing. We do expect it to save \$315 million in fiscal year 2002.

In our fiscal year 2002 budget request, you will see an administration proposal to eliminate the duplication in funding and services that exists between DOD and the Department of Veterans Affairs (VA). Reportedly, there are about 700,000 dual eligible retirees, who currently can use both DOD and VA systems. At present, both agencies must prepare to care for them, without knowing how many will actually use the DOD or VA systems. As a result, the allocation of Federal Government resources is not accomplished as efficiently as possible, and beneficiaries may not receive the most coordinated healthcare. This proposal would require military retirees to select either DOD or VA as their source of care. The administration believes this proposal will enable DOD and VA to budget and plan more appropriately for their beneficiaries. It will also provide beneficiaries greater continuity of care.

Military Health System Challenges

We face many challenges within the DHP. These can be summarized into four major areas:

1. Creating a stable business environment for the direct care system by ensuring that it is funded properly and recapturing workload through optimization initiatives;
2. Developing a new generation of simplified managed care support contracts, which have greater financial predictability, create more competition, and reduce administrative costs.
3. Strengthening our ties to other Federal health care systems, including the VA and Centers for Medicare and Medicaid Services to optimize the utilization of all Federal healthcare resources.
4. Implementing the new TRICARE benefits for those age 65 and over and establishing the accrual fund mechanisms for fiscal year 2003.

TRICARE Senior Pharmacy

I would like to take just a moment to describe the successful implementation of the pharmacy program for our senior beneficiaries. We implemented this benefit just about 5 months after enactment of the law. Although the start-up of TRICARE Senior Pharmacy (TSRx) went smoothly, many issues had to be resolved because the new program had to be explained to a large number of beneficiaries in a very short time. We achieved this tremendous effort through the cooperation of our military and civilian staff, our contractors, the beneficiary associations, our beneficiaries, and with great support from Congress. During the first few months of the program, approximately 1.5 million prescriptions have been processed, totaling about \$80 million in health care costs (excluding start-up and ongoing administrative costs). We anticipate that healthcare costs will increase as more beneficiaries drop other health insurance with pharmacy coverage and come to rely on us for their pharmacy needs, particularly after TRICARE For Life begins on October 1.

Expanding TRICARE to Medicare Eligibles

Congress established October 1, 2001, as the date on which our age 65 and over beneficiary population will become eligible for TRICARE benefits. On that date TRICARE will become a secondary payer to Medicare for care received outside military medical facilities. The law requires that all Medicare-eligible beneficiaries be enrolled in Medicare Part B to receive the new TRICARE benefits. DOD has worked with the Centers for Medicare and Medicaid Services (CMS, formerly HCFA) in establishing the mechanisms to conduct data exchanges that will assist in determining those of our beneficiaries who have purchased Medicare Part B, thus verifying eligibility to participate in the program.

Under the new law, Medicare-eligible retirees can continue to use military medical facilities for their care. For several reasons, Medicare-eligible beneficiaries will not fit into the current structure of the triple option benefit when they attain TRICARE eligibility. In order to provide beneficiaries an alternative option for using TRICARE providers without the need to lock in to a HMO-like program, we issued a policy authorizing the establishment of TRICARE Plus, an MTF primary care enrollment program.

Under TRICARE Plus, all beneficiaries who use MTFs but who are not enrolled in TRICARE Prime will be offered the opportunity to enroll for MTF primary care, to the extent capacity exists. There is no lock-in and no enrollment fee. This will facilitate primary care appointments when needed. MTF capacity will limit the number of persons accommodated at each MTF to assure that their primary care needs and TRICARE access standards are met. For care from civilian providers, TRICARE Standard or TRICARE Extra rules will apply. If the enrollee is Medicare-eligible, for services payable by Medicare, Medicare rules will apply, with TRICARE as second payer.

Accrual Funding

The Medicare-eligible Retiree Health Care Fund will begin operation in fiscal year 2003. At present, discussions are under way with the Office of Management and Budget (OMB), and within the Department to define the parameters for establishing and implementing the fund. OMB has established the fund at the Department of Treasury and placed it in the OMB budget database. The Board of Actuaries meets on July 17 to determine the major assumptions and methodologies for calculating the liability. Within the Department we are developing the procedures to implement the fund. Shortly we will forward a report to Congress on the concept of operation for how the fund will work, as well as the periodicity and amounts for the accrual fund.

Reserve Component Health Care

The Department has made great strides in health care for family members but nearly 70 percent of Reserve families live outside the catchment area of a military treatment facility, which may limit them to TRICARE Standard and Extra, thus requiring cost shares and an annual deductible. We are exploring alternatives for ensuring continuity of health care for the families of Reserve component members, when those members are called to Active Duty for more than 30 days. These Reserve families are eligible for military health care under TRICARE, but this requires a change in health care systems and possibly health care providers for short periods of time, only to return to a civilian health care plan when the reservist is released from Active Duty. While the reservist has the option to continue his or her employer-sponsored health care plan, the employer may require the reservist-employee to pay the full premium cost of the plan plus an administrative fee.

It may be possible for the Department to provide a certain amount of assistance so that Reserve families remain under their employer-sponsored health care plan during periods of service greater than 30 days but less than 18 months. Under this situation, these families would not be eligible for TRICARE and thus there could be some savings associated with this limited reduction in TRICARE workload costs. Such a program would provide an affordable alternative, which would relieve the stress on the family of changing health care systems when the reservist is called to Active Duty.

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 look forward to working with you closely during the coming year.

PREPARED STATEMENT OF LT. GEN. TIMOTHY J. MAUDE, USA

Mr. Chairman and Members of the committee: Thank you for this opportunity to report to you today on United States Army personnel programs and the fiscal year 2002 budget. As a framework for this topic, I intend to focus on how our personnel programs and policies contribute to achieving the Army Vision. To meet the national security requirements of the 21st century and ensure full spectrum dominance, the Army articulated its Vision to chart a balanced course and shed its Cold War designs. The Vision is about three interdependent components—People, Readiness, and Transformation. The Army is people—soldiers, civilians, veterans, and families—and soldiers remain the centerpiece of our formations. Warfighting readiness is the Army's top priority. The Transformation will produce a future force, the Objective Force, founded on innovative doctrine, training, leader development, materiel, organizations, and soldiers. Our manpower programs are vital to each element of the Army Vision.

Before I go any further, I want to ensure you realize how much our soldiers and leaders appreciate the work of Congress and of this committee in addressing our

most significant concerns. Soldiers, retirees, and their families sense a renewed commitment to their well being through your support of fiscal year 2001 pay raises and National Defense Authorization Act health care provisions, coupled with the President's recently announced initiatives to further increase funding for pay raises, retention incentives, health benefits, and housing improvements. By increasing funding to our manpower and recruiting efforts, you enabled a sustained growth in Army personnel readiness. Though the Army must balance priorities to avoid negatively affecting our Transformation efforts and near-term readiness, the message to our uniformed soldiers, past and present, and their families, is extremely positive. We also appreciate your continued support of our Army's Transformation. The Army has embarked on a historic endeavor to change in comprehensive and profound ways. Our objective remains to be the most strategically responsive and dominant land force of the 21st century—decisive across the entire spectrum of military operations.

PEOPLE

The Army is people. People are the core of the Army's strength. Three years ago, we completed the Army's draw down to an Active component force structure requiring 480,000 Active component soldiers. The speed of the draw down, the imperative of taking care of our soldiers, and the maintenance of near term combat readiness created significant manning challenges. We are addressing those challenges, with your support. Since fiscal year 1999, the Army has made significant improvements in personnel readiness. This year we will achieve congressional guidance for end strength for the third year in a row. At the same time, our average strength has steadily increased, from 473,000 man-years in fiscal year 1999, to 475,000 man-years in fiscal year 2000, and a forecasted level of 479,500 man-years in fiscal year 2001. As a consequence, we are manning our 10 Active component divisions and two Armored Cavalry Regiments at 100 percent of authorized strength, and 94 percent grade and skill match. The fiscal year 2001 achievement is particularly notable. This manpower level will only be possible should Congress fund additional man-years in the fiscal year 2001 supplemental appropriation above our budget request. Our fiscal year 2002 budget request includes funding for an average strength of 476,900 man-years and 480,000 end strength. However, we are fully capable of achieving an average strength of 480,000 in fiscal year 2002, and will put in place a strategy to execute a manpower program at that level. Increased funding for man-years directly translates into more boots on the ground each day in our formations and higher levels of personnel readiness.

Successful recruiting has been a key enabler to our increased manning levels. The Army achieved its recruiting goal in all three components in fiscal year 2000 for the first time since 1991. (The next previous time was 1982.) For fiscal year 2001, we expect to achieve our goals in all three components again, achieving the first back-to-back successful years in all components in two decades. These successes do not come easy or cheap. A large part of our success is due to the help this committee has provided us in recruiting support and enlistment incentives, and we thank you for that.

Concurrent with the Army's transformation, we are transforming our recruiting practices. We have changed our processes to better align with the expectations and needs of today's youth. Our vision for Army recruiting is a recruiting program that is able to connect with the youth of America through a carefully selected professional sales force, supported by credible research, relevant products, state-of-the-art systems, and world-class advertising. Our advertising campaign now features real soldiers discussing 212 ways they serve in the U.S. Army and 180 ways in the U.S. Army Reserve. In these ads, American youth learn about intriguing men and women who are their own age, serving our Nation proudly. The campaign discusses camaraderie and core values. The ads stress overcoming challenges to achieve a better life. "An Army of One" unites two messages: the teamwork that makes our Army powerful and the importance of our greatest strength—the American soldier. The response is highly encouraging. After the new campaign's debut on January 10, visits to www.goarmy.com were up to 28,000 per day, calls to 1-800-USA-ARMY jumped one third, and participation in on-line recruiter chat rooms increased 94 percent.

We are continuing to shift our emphasis from our traditional high school senior market to the college and high school graduate markets. As a result, we have made major strategic improvements in recruiting production. By enlisting soldiers who have already completed high school, we have been able to fill near-term training seats. Delayed Entry Program (DEP) losses are down. The number of enlistees with some college education has increased, providing us with soldiers better able to meet the demands of our high-tech job requirements. In fiscal year 2000, we enlisted over 8,000 soldiers with some level of post-secondary education an increase of 30 percent.

We have repositioned our recruiting force to match population shifts and more effectively connect with our market. In fiscal year 2000, we opened and relocated more than 180 recruiting stations. More than 20,000 newly trained recruits participated in the Hometown Recruiter Assistance Program, going back to their hometowns to provide personal testimony about their experiences. We continue to leverage the growth of technology in automating the recruiting force. We have modernized our job placement system Army-wide, giving us better visibility of job availability, allowing us to offer a greater variety of enlistment packages and options to enlistees, and reducing the processing time for our applicants. As a result, we have substantially reduced the number of applicants who are qualified to enlist but decide not to accept available options. Likewise, the enhancements associated with the fielding of the Army Recruiting Information Support Systems to our recruiting force are showing positive results. Closely linked with our improvements in automation is our exploitation of the capabilities and opportunities offered through the Internet. The expansion and redesign of *www.goarmy.com* allows us to offer more information for web users to surf, click, see, and hear. In fiscal year 2000 we had more than 3,000,000 visitors to our web site, providing us with over 90,000 follow-up opportunities (recruiter leads). Our 'cyber-recruiters' corresponded with more than 30,000 chat users visiting our chat room, generating over 7,000 follow-up email messages. Our enlistment contract per lead rate from the Internet is higher than all other lead sources. The new Army advertising campaign is intended to drive potential applicants to our web site. Since the launch of the campaign in January 2001, hits on our web site are up 197 percent, and recruiter chat room visits are up 94 percent.

Today's young men and women have more employment and educational opportunities than ever before. Competition for these young people has never been more intense. The Army needs to have competitive incentives to make service to our country an attractive option. To that end, we've developed programs we think will attract high quality young men and women. The potential impact of these programs is broad-based and far-reaching. Our recruits, colleges, private industry, the Army, and the Nation all benefit from a better-educated, highly skilled Army of opportunity that returns a disciplined, mature citizen back to society.

Announced in July 2000, the Partnership for Youth Success (PaYS) program consolidates Army and industry recruiting efforts into a partnership that is cooperative rather than competitive. When a new soldier enlists under this program, he or she can choose from 94 job skills offered by the Army and needed by industry, receive accredited certification in that job skill, and upon successful completion of their term of service, receive preferential hiring status with a participating corporation in need of that skill. Currently, ten major corporations are participating in this program and 1288 soldiers have taken advantage of this opportunity.

The Army's High School completion program or GED Plus offers high quality young people who have not completed their high school education, but score high on the Armed Services Vocational Aptitude Battery and the Assessment of Individual Motivation test and are otherwise qualified, the opportunity to gain their GED and then enlist in the Army. We expect this program to pay big benefits not only to the new soldiers, but also to the Army and the Nation as well. The Army accessed 3,449 through this program in fiscal year 2000. By 1 July 2001, the Army had accessed an additional 4,818 and had another 481 in the DEP for 2001.

Geared toward vocational or junior college interests, the College First program offers high school graduates an opportunity to attend 2 years of college before joining the Army. The Army provides enlistees in this program with a monthly stipend during their time in college in exchange for a commitment to service upon graduation. Even though research shows this is precisely the type of option that youth are looking for, response to the program during its first year was very low (less than 250 contracts). In fiscal year 2001, the Army contracted 281 for the program as of July 2, 2001. The stipend that we are allowed to pay is \$150 per month. We are examining proposals on how to address this program and may be asking for your help to make this a viable program as we continue to increase our presence in the college market.

Business practices, incentives and advertising are a part of recruiting but our most valuable resource is our recruiters. Day in and day out, they 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 in making their individual goals. We owe it to these recruiters and their families to provide them the resources, training and quality of life environment that will enable them to succeed. The Army appreciates Congress's continued support for recruiting programs and also for your support for improving the quality of life of our recruiting force.

Like recruiting, retention is critical to our success in manning the Army. The Army's retention program remains the most successful in the Department of Defense. This year, the Army will meet or exceed its retention objectives for the third year in a row. The fiscal year 2001 mission is 64,000. Fiscal year 2001 accomplishments as of 2 July were: Initial term—106 percent; Mid-Career—109 percent, Career—100 percent for an aggregate of 105 percent, fiscal year 2001 ETS—117 percent and Reserve Transition—127 percent. Funding of retention bonuses is paramount to the success of Army retention. Concerns over adequate housing, compensation, and deployments are also key factors in a soldier's choice to continue service. The Fiscal Year 2001 Defense Authorization Bill was a start in addressing many of these concerns, but continued attention is needed.

While we have had significant success in improving enlisted manning, we are still working to stabilize the officer corps following the decade of draw down. In fiscal year 2001, we expect an aggregate inventory shortage of approximately 1,700 officers. A particular concern is our shortage of 2,776 Army Competitive Captains. We continue to lose Captains with 6 to 10 years of service at levels above historic norms. This creates an imbalance between our inventory and structure, which is difficult to manage and a readiness concern. In fiscal year 2001, the Army leadership implemented numerous initiatives to encourage officers to continue service. It's too soon to determine the effectiveness of these initiatives. We will continue to inform you of our progress.

The Army Vision states, "the Army will assure our Nation's security by equipping, training, caring for our people and their families, and enabling their full potential as individuals." While this has long been our focus, the dynamic and uncertain nature of the strategic environment along with evolving societal expectations and demographics dictate that we address the human dimension in its entirety as part of the overall transformation of our force. To that end, we are transforming the cold war concept of "quality of life" into a far more comprehensive system known as "well-being."

Well-being is the personal state of our people that contributes to their preparedness to perform and support the Army's mission. The idea of well-being significantly expands on the concept of quality of life by taking a holistic approach, strategically integrating all related programs into a more encompassing and unifying concept based on a specific set of well-being functions. Well-being philosophically links individual aspirations with the needs of the Army. Well-being establishes standards and metrics by which to measure the impact of well-being programs on desired military outcomes such as performance, readiness, retention, and recruiting. Well-being recognizes the impact of a much broader range of factors that effect job satisfaction such as turbulence, training, and leadership. Our Well-Being program is focused on achieving three strategic goals. We must provide a *competitive standard of living*. Because the Profession of Arms is a unique culture, we must provide sense of community and a record of accomplishment that engenders intense *pride and sense of belonging*. Finally, we must provide an environment that allows our people the *personal enrichment* that comes from pursuing their individual aspirations. We believe such a focus creates the environment where soldiers and family members are more self-reliant and exude higher levels of confidence and competence in addressing the challenges of military life. Our people will be better prepared to perform and support the Army's full spectrum mission.

The Army's readiness is inextricably linked to the well-being of its people—soldiers (Active, Guard, Reserve), civilians, veterans, retirees, and their families. Recognition of this demands a balanced approach to the fulfillment of our strategic goals. The Army has moved beyond the narrow cold war focus on standard of living (pay, health care, and housing) to add a mix of workplace environment, education, and soldier and family programs to this holistic approach to well-being. There is no question as to the importance of "pay" and "health care" in terms of the well-being of our people. Together, they are a trust we must keep, not just with those currently in uniform but with veterans and retirees who served before us. Together with "housing," pay and health care form the backbone of the Army's Well-Being Goal of providing a competitive standard of living for our people.

For most of the past half century, the military has been closely associated with education. With the advent of the information age and an increasingly promising economy, this relationship is only getting more complex. The results of the Secondary Education Transition Study are drawing attention and are certain to be a principal focus in the not too distant future. Whether a direct benefit to soldiers or an indirect benefit to family members, education remains a critical factor in reaching our goals of professional pride and personal enrichment.

Soldier and family programs such as fitness, sports, libraries and recreation, Army Community Service, and Child and Youth Services are absolutely critical. In

some ways, they are perhaps the easiest to overlook, but they also contain some of the most powerful signs of our commitment to our people. These diverse programs are tailored to meet a variety of individual needs and aspirations. By fulfilling them, the Army sends a strong message directly to individual soldiers and family members. In many cases, these are the programs that bring volunteers from veterans and retiree groups back into contact with the force. They solidify the common bond that reinforces the sense of community and contributes to readiness and retention. Dollar for dollar, some of our most effective and efficient programs reside in this general category.

In summary, well-being is a strategic human resource program critical to the Army's vision of equipping, training, caring for our people and their families, while enabling their full potential as individuals. It accomplishes this mission by leveraging a competitive standard of living, personal enrichment, and pride coupled with a strong sense of belonging. With far greater strategic impact than quality of life, well-being exists as both a strategic program and point of view. It creates an environment where soldiers and families are more self-reliant, more competent and confident in addressing the challenges of military life, and better prepared to support the Army's full spectrum mission.

Sustained Congressional support for important well-being programs help us recruit and retain a quality force. Indeed, the pay raise, pay table reform, and retirement reform, as well as diligent efforts by leaders at all levels of the Army helped us exceed our recruiting and retention goals in fiscal year 2000. It is only through such efforts that we maintain our commitment to our people. A comprehensive well-being program ensures a quality force both now and in the future.

READINESS

We have leveraged increased Army strength through the Army Manning Initiative. Over a 4-year period beginning in fiscal year 2000, our goal is to improve manning levels in units across the Army. We initially redistributed soldiers to fill all personnel authorizations in every Active component combat division and cavalry regiment. In doing so, we accepted some risk in the institutional base. This effort exposed the serious gap that has existed in the aggregate between manning requirements and authorizations. It is possible that we will need to increase personnel authorizations to meet all unit manning requirements, dependent upon ongoing reviews of overall Army missions. Manning the entire force will reduce operational and personnel tempo and improve both readiness and well-being.

Over the past year, we kept our 10 Active component warfighting Divisions, and two Armored Cavalry Regiments manned to 100 percent assigned personnel of their authorizations. We made steady increases in key units that deploy in the first 30 to 35 days in our Major Theater War scenarios. By the end of fiscal year 2001, these units will be manned at 100 percent of authorizations. At the same time, we have continued to fill key billets in our non-priority units to 100 percent, as well as keep their overall manning at a level sufficient for them to accomplish their missions by the end of this fiscal year, 67 percent of the Army will be at 100 percent strength while at the same time we have guarded against "breaking" the average strength of the other units. Improving Army manning within our overall strength and fiscal constraints, particularly in a tight labor market, has been a tough challenge. We have not sacrificed our quality standards for recruiting and retention. Our sustained improvements in personnel readiness are the proof our success in recruiting, retention, and attrition reduction.

TRANSFORMATION

The third component of the Vision is a comprehensive transformation of the entire Army. This complex, multi-year effort will balance the challenge of transforming the operational force and institutional base while maintaining a trained and ready force to respond to crises, deter war and, if deterrence fails, fight and win decisively. Transformation is far more extensive than merely modernizing our equipment and formations. It is the transformation of the entire Army from leader development programs to installations to combat formations. All aspects—doctrine, training, leaders, organization, material, and soldiers—will be affected.

During this transformation, the Army must become more flexible in our personnel management practices as well. This flexibility will allow us to react to changes in our strategic environment, and to potential enemy adaptations to our capabilities. We need flexibility to take advantage of new technologies, and to adjust our plans to the pace of change. The Army recently completed an in-depth evaluation of our warrant officer and enlisted personnel management systems. The study resulted in 23 initiatives being approved for implementation. These initiatives, when combined

with our revision of the Officer Personnel Management System in 1997, refine the Army's leader development and personnel management by modernizing personnel business practices, aligning warrant officer inventory and structure, and providing agility and versatility to the Enlisted Personnel Management System. We call this holistic approach to military personnel management the Army Development Systems. It includes character development, performance evaluation, leader development, and personnel management subsystems. The Army Development Systems enhance our ability to support the Army's personnel needs by ensuring all personnel life cycle functions are efficient and flexible during the Army's transformation to the Objective Force, while allowing for the inevitable system adjustments generated as the Army's personnel needs evolve.

We are also supporting Army Transformation by transforming the way the personnel support services are provided. Personnel Transformation will revolutionize, integrate, and redesign our personnel programs and systems to provide simple, accurate, and accessible personnel information for commanders, soldiers, and families. It is vital to sustaining Army readiness and providing for the well being of soldiers and family members.

Today, the Army employs over 350 legacy personnel automation and information systems in support of over 1,170 processes, which are often overly complex, burdensome, non-responsive, unnecessary, and redundant. With few exceptions, our systems do not facilitate or foster the sharing of information between the Army's three components. We continue to employ many manual, stove-piped, and duplicative procedures and processes. Historically, the personnel function has required a large footprint in the operational theater. Our goal is to reduce that footprint via modernization of personnel systems and leveraging technological advancements in information systems.

The Army's Personnel Transformation Campaign Plan is comprised of three elements. First, the creation of an integrated corporate personnel database that is secure, yet accessible and provides seamless, timely, accurate, responsive, and reliable information. This corporate database will allow the Army to eliminate and collapse numerous legacy systems. Second, Personnel Transformation will implement "best business practices" that streamline and eliminate personnel processes. We fully endorse and support the Defense Integrated Military Human Resource System (DIMHRS) initiative as part of this effort to implement best business practices across the Departments and components. In fact, we have asked the Department of Defense to consider accelerating the implementation of DIMHRS. Finally, Personnel Transformation will reduce the footprint of personnel administration on the battlefield while improving strategic responsiveness. We will leverage advanced communication technologies with our integrated database and best business practices to become more efficient and more responsive to our theater commanders.

CLOSING STATEMENT

With the support of the administration and Congress, the Army has embarked on a historic enterprise to transform in response to a changing strategic environment. People remain the centerpiece of that transformation because ultimately, soldiers on the ground are responsible for carrying out our Nation's policies. On any given day, the Army has over 121,000 soldiers forward stationed in over 100 countries. The personnel policies and programs I've described are essential to their support.

Mr. Chairman and distinguished members of the Committee, I would like to thank you once again for this opportunity to report to you today on the personnel readiness of your Army. The statements made in this testimony are contingent upon the results of Secretary Rumsfeld's strategic review. I ask you to consider them in that light. I look forward to working with you on these important issues.

PREPARED STATEMENT BY VICE ADM. N.R. RYAN, JR., USN

INTRODUCTION

Chairman Cleland, Ranking Member Hutchinson, and distinguished members of the subcommittee, I appreciate this opportunity to appear before you to discuss active and Reserve military and civilian personnel issues in the Department of Defense legislative proposal for fiscal year 2002.

Navy's posture, programs and character are shaped by the fact that we are a forward-deployed force, an integral part of the National Military Strategy, providing immediately employable combat power for a broad range of missions in support of national objectives. This on-scene, combat-credible power promotes regional stability, deters aggression, dissuades potential adversaries, and—if crisis turns into con-

flict—provides joint force commanders with available, sustainable, capable forces for combat operations. Every day, naval forces represent sovereign American power in the far reaches of the world's oceans. On any given day, one-third of the force—1 out of 6 sailors, 1 out of 3 ships—is forward deployed in support of the national military strategy. Their value is reflected through command of the seas, ensuring the free flow of trade and resources; sustained combat-ready presence in regions of interest; and assured access to theaters of operation for joint forces when needed. To meet the Nation's and the CINCs' requirements for forward naval forces, while balancing other requirements such as upkeep, some ships and squadrons are homeported overseas, but most are deployed rotationally for periods of about 6 months. Navy has an inherently expeditionary service culture—we're either deployed, getting ready to go, or recently home from deployment.

The requirements for forward, rotational naval forces drive the Navy's force structure to a greater extent than any particular warfighting scenario. While those warfighting requirements have remained relatively unchanged, the assets available to meet them have decreased markedly. Our force structure has declined 41 percent over the past decade, from 538 ships in 1991 to 316 today, even while our operational tempo has remained essentially the same. Today, over 30 percent of our ships are forward deployed, compared with only 20 percent in 1992. These forces are fully ready to respond to all taskings and in many respects are more capable than their predecessors. The real impact of reduced force structure is that we no longer have "excess capacity" to commit to important but not urgent commitments, or to provide flexibility and surge capacity.

Upon assuming the helm as Chief of Naval Operations, Admiral Vern Clark committed to keeping our Navy the finest in the world. He made people his top priority because our ability to recruit and retain high caliber sailors, while providing a high Quality of Service, is paramount to military readiness and combat capability. Admiral Clark places such a high premium on our Navy men and women in recognition of the significant sacrifices they make every day, in service to their country, making our Navy what it is today.

END STRENGTH

The most important objective in our efforts to establish optimum personnel readiness is providing the fleet with the right sailor, with the right training, at the right place and time. This has become increasingly challenging as end strength and manning requirements have grown from our Fiscal Year 2001 National Defense Authorization Act authorization of 372,642 to our request for a 376,000 fiscal year 2002 end strength authorization.

Navy's commitment to 3,358 additional end strength in fiscal year 2002 will allow us to meet expanding Anti-terrorism/Force Protection (AT/FP) requirements, as well as additional readiness and operational demands for ships and squadrons (49 percent of increased strength will be placed in ships and aviation squadrons, 26 percent in AT/FP, and the remaining 25 percent in support of Fleet Readiness and in the Individuals Account for robust training pipelines). Recruiting and retention successes have allowed us to execute strength approaching the 1 percent statutory flexibility above our fiscal year 2001 authorized strength. As a result, we will begin fiscal year 2002 close to 376,000 end strength. This will contribute to continued readiness and manning improvements, including further narrowing of the at-sea enlisted manning gap, which declined from almost 12,000 in 1999, to just over 5,000 in May 2001; nearly a 60 percent reduction in the just 2 years. This dramatic reduction has led to improved retention (+7 percent) and battlegroup readiness by permitting us to move more sailors possessing the right training to ships earlier in their pre-deployment cycles. In fact, manning for our fiscal year 2001 battlegroup deployers has been as much as 3–4 percent greater than our fiscal year 2000 deployers across the entire deployment cycle. This has fostered improved Quality of Service and allowed for more advanced exercises before heading to forward areas.

We still face long-term personnel challenges stemming from an aggressive 1990s drawdown strategy that created imbalances in our force profile. As Navy drew down, we achieved mandatory strength reductions by consciously under-accessing so that we could keep faith with an All-Volunteer Force that had earned our loyalty by committing to Navy careers during the Reagan-era expansion. Those cohorts are now reaching retirement eligibility resulting in a significant exodus of our corporate knowledge base. As we replace these senior, experienced sailors with new accessions, our aggregate force is getting younger and less experienced. Our fiscal year 2002 recruiting and retention efforts have focused on slowing down the loss of our experience base and restoring balance to our force profile. To achieve the desired balance, Navy must sustain enhanced retention to shore up our mid-career experi-

ence base while continuing to access a steady flow of quality recruits and officers to provide a solid base of future Navy leaders.

We have been largely successful so far this year in retaining sailors across the pay grade spectrum, which has allowed us to reduce the fiscal year 2001 accession requirement by almost 10 percent, from a preliminary estimate of 60,000 at this time last year, to 54,020. This has helped restore that experience base of sailors who might have otherwise left to pursue opportunities in a robust economy. With the help of Congress, we reinvigorated efforts to retain every eligible sailor by offering new or enhanced officer continuation pays and enlistment/reenlistment bonuses, increases in base pay, and improved advancement opportunities by beginning to gradually increase the number of sailors in the top six pay grades. We also expanded E4 and E6 High Year Tenure gates and concentrated efforts on reducing attrition. These targeted efforts are producing desirable results allowing us to establish an fiscal year 2002 accession mission of 53,000.

Maintaining the end strength and manning gains carries a cost and Navy has committed to financing the retention benefit to keep this momentum going into fiscal year 2002. We request your support for the fiscal year 2001 supplemental appropriation and reprogramming and the fiscal year 2002 President's Budget request for increased end strength and workyears, and continued targeted investment in people programs. Our *improved retention is real, yet fragile*, and must be sustained to realize long-term success. The experience level of Navy's force profile will continue declining as drawdown cohorts retire, unless we continue prudent steps to mitigate the de-aging process as we transition to a more balanced and manageable future force.

COMPENSATION

Improvements in our recruiting and retention efforts are largely a result of strong leadership, mentoring of sailors through our Center for Career Development and significant pay raises and bold compensation initiatives enacted by Congress in the last 2 years. It would, however, be premature to declare victory. Navy remains concerned that much more must be done to enhance the effectiveness of the Total Military Compensation (TMC) package, such as further reducing the pay gap and improving the competitiveness of military compensation with that of the private sector.

Basic Pay

Recommendations of the Ninth Quadrennial Review of Military Compensation (QRMC) formed the basis for the Department of Defense proposal to adjust basic pay for calendar year 2002. The proposal, which Navy fully supports, simultaneously raises the level of pay across-the-board, by a minimum of 5 percent, while altering the structure of the pay table, targeting pay raises to mid-grade enlisted members. This will serve to better match their earnings profiles, over a career, with those of comparably educated civilian counterparts, providing incentive for these members to complete a military career. Navy believes this plan will contribute to ongoing efforts to leverage recent recruiting and retention successes and sustain the momentum gained through earlier initiatives. The Navy budget submission includes \$822.4 million for pay raises.

Special and Incentive Pays

Selective Reenlistment Bonus (SRB). SRB continues to be our most cost-effective and successful retention and force-shaping tool. At this point in the fiscal year, we have experienced about 7 percent more reenlistments than at this same point last year. These gains are primarily attributed to SRB reenlistments; therefore, we are committed to maintaining a robust SRB program. We must continue working to increase the number of non-SRB reenlistments. We are meeting this challenge head-on by enhancing fleet retention efforts, providing valuable career information training to counselors and leaders in the fleet, and by responding to specific needs expressed in fleet feedback. The Navy budget submission includes \$298.9 million for SRB.

Career Sea Pay (CSP). Changes to the fundamental structure of CSP, enacted in the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001, represent one of those bold compensation initiatives undertaken by Congress last year. Changes in the act provide the Secretary of the Navy with the flexibility needed to restore the pay's incentive value for duty at sea. Further, they provide the means of ensuring CSP is an effective distribution tool to incentivize sailors to go to sea, stay at sea, and return to sea.

RECRUITING

Enlisted Recruiting

Thanks to the continued hard work of our recruiters, the application of congressional resources, and initiation of new programs, we achieved our fiscal year 2000 accession mission. Ninety percent of accessions were High School Diploma Graduates (HSDG) and more than 64 percent scored in the upper half of the Armed Forces Qualification Test (AFQT) (Test Score Category I-III A). Additionally, we substantially improved our occupational mix, achieved a healthy Nuclear Field posture and made significant gains in recruiting into critical ratings. On the Reserve side, we have added 90 recruiters and tripled the advertising budget to \$8 million annually in order to compete in this challenging recruiting environment.

Despite last year's accomplishments, we are not yet positioned for long-term success. Fiscal year 2001 finds us continuing to face record low unemployment, formidable competition with the private sector in attempting to hire talented young Americans and low propensity to enlist. Our most serious challenge is that we have not restored the health of our Delayed Entry Program (DEP) despite our continuing efforts to do so. This has forced recruiters to work on a sub-optimal month-to-month basis, struggling to meet each month's accession goal. This negatively impacts overall productivity and detracts from efforts to improve the long-term health of recruiting.

Innovative Approaches to Recruiting

Given the requirements and conditions we expect to face over the next several years, we are working to improve our recruiting force and strategies. With strong congressional support, fiscal year 2000 saw the continuation and establishment of many improvements in the recruiter force, in professional selling skills training, in advertising, enhanced incentives, market-penetration and attrition reduction. Several additional initiatives are currently being considered to help capitalize our recent successes.

Bolstering the Recruiting Force. Our recruiting force is the most important factor in the recruiting formula. We are striving to sustain a recruiting force of 5,000 by bringing in volunteers from the fleet. We are also shifting to a more junior recruiting force. Our analysis indicates a more junior, largely volunteer, force will be most productive. We are improving recruiter selection with our Recruiter Selection Team (RST) and optimizing geographic distribution of recruiters using analytical methods and market data. This year we expanded Smart Recruiter initiatives by providing vehicles, cellular telephones and laptop computers to virtually all recruiters.

Professional Selling Skills Program. Starting in fiscal year 2000, Navy Recruiting partnered with a commercial firm with a proven track record to create customized training courses for our entire recruiting force. The new selling methodology is based on the understanding that today's recruit is better informed and has more available options. We anticipate this training will improve productivity, increase the number of DEP referrals and decrease DEP attrition rates. All field recruiters receive initial training during recruiter orientation.

Bluejacket Hometown Area Recruiting Program (HARP). We initiated efforts in January 2000 to augment the existing recruiter force with a Bluejacket HARP. The aim is to significantly increase the quality and quantity of fleet sailors who return home to assist local recruiters. The entire fleet is helping identify motivated young sailors, generally on their first tour of duty, to participate in this worthwhile program. With the program in place just over 18 months, we have scheduled over 13,000 participants and are averaging nearly four new referrals per sailor. Along with specific referrals and contracts attributable to Bluejacket HARP, we are experiencing residual benefits of increasing local Navy presence, introducing recruiters to new sources of recruits, and exposing fleet sailors to the excitement and satisfaction of recruiting duty.

Motivating the Recruiting Force. Along with augmenting and equipping the recruiting force, we are exploring a variety of industry practices to better motivate recruiters and direct their efforts toward Navy priorities. We are benchmarking civilian sales and recruiting forces for examples of effective incentives.

Enhancing the Appeal

Throughout this fiscal year, we have offered varying levels and combinations of Enlistment Bonus (EB) and Navy College Fund (NCF), as well as a Loan Repayment Program (LRP). We recently initiated an EB kicker available to applicants based on pre-accession college credit. Initially available only to Nuclear Field recruits, eligibility has been expanded to all EB-eligible recruits. This will assist us in better penetrating the college market and will encourage candidates to continue

pursuing education while awaiting entry into the Navy. We are evaluating awarding scholastic loans to individuals who enlist in the Navy and attend up to two semesters of college while in the DEP. Loans would be converted to grants upon successful completion of initial service obligation. This program would be consistent with national aspirations to make college education attainable for all while simultaneously providing Navy with the 21st century talent pool we require.

Our goal is to provide programs that facilitate the pre-service educational aspirations of all qualified candidates and, in combination with in-service training, to provide new recruits with their most efficient path to a college degree. Navy benefits from this approach by improving relations with colleges and high schools, enhancing Navy's appeal among college-oriented youth, increasing entry level education of new recruits and positioning the United States Navy as an employer of choice. Over time, if enough recruits complete basic education and skills training prior to accession, due to Navy sponsoring and subsidizing such accomplishments, we realize cost savings by shortening training pipelines. The fiscal year 2002 Navy budget submission includes \$126.4 million for EB and NCF.

Technical Preparation (TechPREP) partnerships and Navy College Assistance Student Headstart (NavyCASH) are designed to accomplish the goal described above and increase our appeal to the college-bound market. With increasing numbers of students choosing to attend college, it is essential to portray Navy as a viable source of higher education, in partnership with colleges and universities.

TechPREP. Navy began forming TechPREP partnerships with community colleges in fiscal year 1999. Participants earn college credit toward an associate's degree, from a partnering community college, while attending high school, after graduation while in DEP and during Navy's basic and select advanced technical training. We currently have standing agreements with 75 community colleges, four of which are statewide agreements, with many more pending. Several high school students are already participating in these programs.

NavyCASH. Currently limited to Nuclear Field and critical technical ratings, NavyCASH offers selected applicants the opportunity to attend college for up to 1 year, in a paid status comparable to that of junior enlisted members, prior to entering active service. This exciting program improves the entry-level training of applicants and allows Navy to level-load shipping dates of recruits during the most challenging accession months of February through May.

Expanding Opportunities to Serve

In today's competitive environment, we must explore all avenues to increase our existing market without sacrificing quality standards for new recruits. We have begun accessing limited numbers of home-schooled applicants as High School Diploma Graduates (HSDGs), increased our accession mission for Prior Service personnel and stepped up our efforts, through re-establishment of a Diversity Programs Office, to improve our penetration of diverse markets.

DEP Enrichment Program. The DEP Enrichment Program, begun in Spring 2000, is designed to enhance the basic skill-level of otherwise qualified candidates before accessing them into the Navy. We identify individuals with high school diplomas and clean police records, but whose test scores fall slightly below those required to qualify for enlistment. DEP Enrichment provides participants with basic skills training and an opportunity to increase their AFQT score to facilitate enlisting in the Navy. These candidates are typically good retention risks based on education credentials and low disciplinary risks. Basic skills training, provided by Education Specialists (Federal employees) at Navy Recruiting Districts, affords participants a second chance to prove themselves and go on to serve with distinction. Since Spring 2000, 54 recruits accessed through DEP Enrichment in the 5 remaining months of the year, 121 accessed through the first 8 months of fiscal year 2001 and 161 additional applicants are in DEP for the rest of fiscal year 2001 and fiscal year 2002.

Diversity Outreach. Navy currently recruits the largest percentage of minority accessions but, given the increasing diversity of the American people, there is room for improvement. Our Diversity Programs Branch is working several exciting initiatives to improve penetration of diverse markets. VIP tours of Navy commands are a popular means of exposing applicants and their influencers to Navy life in order to generate excitement about Navy opportunities. Trips conducted this year have been very well received. The Diversity Programs Branch has also begun college campus blitzes to spread the word of Navy scholarship and job opportunities on traditionally diverse campuses. Navy has established corporate board membership in the National Society of Black Engineers, Society of Hispanic Professional Engineers, and the Society of Mexican American Engineers & Scientists to ensure that minorities possessing technical backgrounds are aware of the many exciting opportunities available in today's Navy.

CNRC Advertising Campaign

CNRC began fiscal year 2001 with a new advertising agency and a new advertising campaign, "Accelerate Your Life". The core objective is to raise awareness and familiarity of the Navy brand among young adults, age 17 to 24, and drive these prospects to 1-800-USA-NAVY and the *www.navy.com* website, thereby, generating the maximum number of qualified leads for field recruiters. The campaign positions Navy as the hands-on adventure that will accelerate recruits to their highest levels of achievement. The centerpiece of the campaign is the "Life Accelerator," an interactive website that matches visitor interests with Navy opportunities. The site debuted in mid-March and has already exceeded fiscal year 2000 website performance by as much as five times in some areas. The "Life Accelerator" is the first step toward a completely online recruiting process.

Plans for fiscal year 2002 are to capitalize on the success of the "Accelerate Your Life" campaign with a \$22.8 million media plan that includes, \$12.4 million for television advertising, \$3.6 million for radio advertising, \$3 million for magazine advertising, and \$3 million for Internet advertising. Additionally, *www.navy.com* will be frequently refreshed to provide prospective recruits with the most current information available about the Navy Experience.

Officer Recruiting

Fiscal Year 2001 has been challenging for officer recruiting. We continue to experience significant shortfalls among Civil Engineers, Chaplains, Naval Flight Officers, Orthopedic and General Surgeons, Optometrists, Pharmacists and Health Care Administrators. Specialized skill requirements, civilian market competition for these specialties, and the potential for emergent goal increases, put goal attainment at high risk. Emergent goal requirements are especially challenging because we have no in-year incentives, such as signing bonuses, to offer college graduates or seniors, most of whom are receiving lucrative offers from the private sector and who are carrying significant college debt-load. We have continued to develop long-term recruiting strategies for critical program success, and recruiting performance in the programs of concern is far exceeding fiscal year 2000 performance. However, without an accession bonus to facilitate short-term recruiting importance, the nominal time for recovery of a recruiting program remains about 2 years.

Given the challenges described above, fiscal year 2001 has still enjoyed several bright spots. The Nuclear Power Officer Candidate (NUPOC) program filled over 100 percent of its submarine and surface officer goals the second consecutive year, having previously failed to achieve goal since fiscal year 1996. Improved incentives for new accessions and strong resource sponsor support of the recruiting effort have generated a level of momentum projected to sustain a successful NUPOC program in the foreseeable future.

Along with improving marketing materials, we are pressing for individuals in critical specialty fields to participate in our Officer Hometown Area Recruiting Assistance Program (OHARP). Senior leadership of several officer communities is taking an active role in recruiting the talented individuals needed for their respective designators. We are exploring the need for additional accession bonuses and/or loan repayment programs to assist with critical in-year officer accession requirements. We are also reviewing steps to streamline the officer application process by contracting commercial physical examinations and establishing web-based applications, blue-printing and electronic application routing.

RETENTION

Enlisted Retention

We have been faced with reversing a downward trend in enlisted retention that was exacerbated by a nearly decade-long drawdown. Through a strategy of improving the balance between recruiting and retention to correct personnel profile imbalances and manning shortages, our retention gains in fiscal year 2000 have carried over into this fiscal year. With efforts primarily focused on tasking Navy leaders and managers at all levels to reengage in the retention battle, the compensation and Quality of Service initiatives you have supported are critical. Your commitment to improving the lives of sailors Navy-wide has helped increase aggregate reenlistment rates in fiscal year 2001 by 7 percent over the same time period last year. While short of our long-range steady state goals required to meet anticipated manpower needs, it is a confident step in the right direction. Sustaining this level of improvement is vital to correcting force profile imbalances, reducing gaps at sea and increasing readiness.

Center for Career Development (CCD). The centerpiece of our focus on retention is our Center for Career Development, established just 1 year ago. CCD funnels en-

ergy and resources toward meeting retention challenges and is dedicated to providing the fleet with the necessary tools for enhancing their retention efforts. These tools include enhanced professional training for Navy Career Counselors and Command Retention Teams, Career Decision Fairs for Sailors and their families, and comprehensive, easy-to-use, interactive products using the latest information technology. Since its inception, CCD has visited 33 commands, hosted Career Decision Fairs for more than 5,000 sailors and their families, and convinced more than 300 sailors who were planning to separate upon completion of their obligation to reenlist. Had these sailors left the Navy as originally planned, we would have spent nearly \$10 million in recruiting and training costs to replace them.

Reenlistments. The Selective Reenlistment Bonus (SRB) program continues to be our most cost-effective and successful retention and force-shaping tool. This year's improved reenlistment performance is primarily the result of a 37 percent gain in SRB reenlistments for first term sailors and 16 percent gain for career sailors. We are committed to maintaining a robust SRB program and anticipate comparable gains in fiscal year 2002. We must also work harder on increasing reenlistment behavior in the non-high tech or critically manned skill groups that are not SRB-eligible. Increased Basic Allowance for Housing (BAH) in fiscal year 2002, targeted specifically at sailors in pay grade E4 assigned to sea duty will have a favorable impact on our critical first term population.

Increasing Top Six Pay-Grade Authorizations. As a fiscal savings measure during the drawdown, Navy constrained enlisted advancements, limiting the top six enlisted pay-grades (E4 to E9) to not more than 69.9 percent of the force. During this same period, as more labor-intensive legacy ships and aircraft were decommissioned, validated fleet requirements for petty officers in the top six grew to over 75 percent of the force. Widening of the top six inventory-to-requirements gap has resulted in billet mismatches throughout the force, as we task sailors to perform at levels above their pay grade and compensation. In fiscal year 2001, Navy leadership began reversing this trend by gradually targeting increases in the top six to meet fleet requirements and maintain healthy advancement opportunity. In fiscal year 2001, we are growing our top six to 70.6 percent of the force, permitting us to advance 2,000 more sailors than we otherwise would. We will increase it further, to 71.5 percent, in fiscal year 2002. Consistent with force requirements and a realistically balanced advancement policy, continued increases to the top six remain integral to Navy's long-term personnel strategy.

Enlisted Attrition

One out of three sailors who enter the Navy does not complete the initial 4-year service obligation. This is an unacceptable level of return on our recruiting investment and the CNO has set a goal to reduce first term attrition by 25 percent. This means, at the unit level, if last year there were four attrition losses, this year's goal should be three or less.

We are beginning to focus more analytical efforts at the root causes of attrition, and have found that primary contributing factors include recruit quality and poor selection and classification. So, we are continuing to focus on recruiting higher quality young men and women to the extent practical. We are also completely re-engineering our recruit selection and classification processes and systems to find better job matches for new recruits. Finally, seeing a recent increase in the number of positive first-day drug screenings at boot camp, we have begun administering non-instrumented drug tests within 24 hours of new recruits departing for Recruit Training.

Beyond entry level and training attrition, we are working aggressively to overcome a pattern of excessive attrition through fleet initiatives targeted primarily at first term sailors. BEARINGS is a remedial training curriculum targeted at young sailors who require additional emphasis on life skills that will see them through their Navy careers, and beyond. SECOND CHANCE is aimed at giving young sailors struggling in their first assignments a fresh start at a new command. Through both programs, we are offering at-risk fleet sailors every opportunity to successfully complete their initial service obligations.

Officer Retention

Improving officer retention is critical to meeting manpower requirements and achieving steady-state force structure. Under-accession and over-attrition of junior officer year groups throughout the drawdown, coupled with significant changes in the post-drawdown force structure, mandate officer retention levels significantly above the historical norm. We must continue improving retention to meet officer manning requirements, particularly among the Unrestricted Line communities; i.e., aviation, submarine, surface and special warfare. We are beginning to see positive

indicators, largely attributable to Quality of Service improvements and effective special and incentive pays that target specific officer retention problem areas. However, the thriving civilian job market continues to compete directly with retention efforts.

Aviation Career Continuation Pay (ACCP) provides incentives for aviators at all levels to make positive career choices. After 4 years of decline, naval aviation experienced a 10-percentage point increase in aggregate retention, from 31 percent in fiscal year 1999 to 41 percent in fiscal year 2000. However, increased resignations in fiscal year 2001 are beginning to reflect in lower aggregate retention rates. At the end of the second quarter of fiscal year 2001, overall aggregate retention has decreased to 38 percent. Despite the increase in resignations, the aviation bonus program has still had a significant impact on retention and is the leading factor for maintaining aggregate retention rates well above fiscal year 1999's all time low of 31 percent.

Surface Warfare Officer retention through the ninth year of service, at which time the officer serves as a department head at-sea, has reached its long-term historical level of 26 percent, up from its post-drawdown low of 17 percent for some year groups. This is largely attributable to Quality of Service improvements and fiscal year 2000 implementation of Surface Warfare Officer Continuation Pay targeted toward department heads serving at sea.

While fiscal year 2000 submarine officer retention dropped from 30 to 28 percent, and nuclear-trained surface warfare officer retention showed a marginal increase from 18 to 20 percent, there has been a 30 percent increase among officers in the target year groups (1994–1996) who have signed multi-year continuation pay contracts since the fiscal year 2001 Nuclear Officer Incentive Pay rate increase was implemented. Current legislative limits will provide Navy the necessary flexibility to address short-term nuclear officer retention requirements, but the possibility of increased retention challenges resulting from renewed interest in civilian nuclear power generation may necessitate increases to these limits in the out years.

Special Warfare Officer Continuation Pay commenced in fiscal year 2000 and contributed to improvements in Special Warfare Officer Retention, which rebounded to 69 and 68 percent, respectively, in fiscal year 1999 and fiscal year 2000, from an all time low of 63 percent in fiscal year 1998. While Special Warfare has the highest URL officer retention requirements (74 percent), SPECWAR retention outlook continues to be positive as a result of Quality of Service improvements and SPECWAR Officer Continuation Pay, which provides higher rates for 3–5 year contracts.

We still have more to do in the current challenging retention climate. Navy must continue to approach the officer retention challenge from a number of different directions, including implementation of initiatives focused on improving Quality of Service, particularly at sea. We must sustain the push to increase aggregate and individual officer community retention to steady-state levels to meet control grade requirements and improve military personnel readiness, thereby providing the experienced warfare officers Navy needs to meet a variety of pressing operational requirements.

INDIVIDUAL PERSONNEL TEMPO (ITEMPO)

The National Defense Authorization Acts for Fiscal Years 2000 and 2001 enacted provisions requiring the military services to begin tracking deployment of members on an individual basis, and to provide payments to members who deploy for 401 or more days out of the preceding 730. We are well underway in our effort to collect individual deployment data with more than half a million ITEMPO events posting to our database as of mid-June. We are also diligently engaged in analyzing the overarching implications of ITEMPO on Navy's global operations. We are in the process of reviewing operational scheduling, ship maintenance schedules, employment of communities that experience historically high OPTEMPO, e.g., Seabees, personnel assignment policies, etc. However, ITEMPO's full ramifications are only now becoming clear.

The program is relatively new (we have about 8 months of data). Because of its complex properties, the fundamental changes to Navy operations necessary to comply with the legislation have ramifications for Global Navy Force Presence Policy (GNFPP), training and readiness, and personnel assignments. For example, GNFPP dictates the global rotation of aircraft carrier battlegroups and Tomahawk missile coverage in Theaters and requires National Command Authority and Unified CINC approval. This means that the Navy cannot unilaterally change operating schedules and that any changes would have national security implications.

This legislation, in its current form, presents Navy with a formidable dilemma. About 8,000 sailors at sea today, for a variety of reasons, have volunteered for back-to-back sea tours. Many prefer to stay on sea duty because remaining in a specific

homeport provides stability for their families. Others do so because it enhances advancement opportunity. Still others remain at sea to reap the financial rewards such as entitlement to Career Sea Pay. The personal desires of these members are inconsistent with the intent of ITEMPO legislation, which discourages prolonged at-sea assignments. But, personnel readiness may be adversely impacted and PCS costs might increase dramatically if we lose our ability to permit sailors to volunteer for back-to-back sea duty assignments.

We look forward to continuing the current dialogue to find the balance between reducing time away from home while carrying out the rotational nature of naval operations that require sailors to deploy for extended periods. We are committed to ensuring an outcome that enhances Quality of Service, while permitting Navy to meet operational requirements.

PERSONNEL DISTRIBUTION

Sailor 21

Three Sailor 21 initiatives are funded beginning in fiscal year 2002 through Navy's Future Naval Capability (FNC) science and technology program: selection and classification, distribution and assignment, and personnel planning and policy analysis.

The selection and classification initiative focuses on building technologies to improve the manner and extent to which the skills, abilities, and personality traits of incoming personnel are assessed in order to better match them to job classifications. Objectives are to increase success rates in job performance, service members job satisfaction and, as a result, retention and readiness. Fiscal year 2002 efforts will concentrate on demonstrating innovative job-skill matching technologies.

In fiscal year 2002, the distribution and assignment initiative will begin development of a marketplace approach for service members to become aware of, and apply for, available assignments. Intelligent technologies will ensure the service member's knowledge and skill profile match the job requirements and, to the extent possible, the location and work environment meet the member's needs and desires and provide career enhancement.

The personnel planning and policy analysis initiative builds an integrated monitoring system so that personnel managers are alerted to changes (e.g., decreased personnel supply, new skill requirements), can observe a family of available response options and their predicted outcomes, and choose the action with the greatest likelihood of success. Fiscal year 2002 efforts concentrate on establishing foundations in predictive measures and effective methods of data integration and simulation.

We are continuing to examine another potential Sailor 21 initiative concerning improvement of recruiter selection and productivity. This would include developing more effective recruiter screening techniques and instruments and tools recruiters could provide to clients with more realistic job previews.

Detailer Communication Program

The primary objective of the Detailer Communication Program (DCP) is to improve retention by increasing sailor satisfaction with the detailing process. Detailer/sailor communication is considered key to reaching this objective. Since initiation of this program in fiscal year 2000, we have made significant strides towards improving the vital communication link between command retention teams, sailors and detailers. Our initiative has now transitioned into a full-time program as we continue to institutionalize our gains into permanent and enduring improvements.

In October 1999, we began a contractor-assisted initiative focused on improving customer service in the detailing and assignment process. Survey results indicated improvements could be made to distribution procedures, which in turn would exert a positive impact on retention. In August 2000, four process action teams began executing a three-phased implementation plan for improvements. DCP is accomplishing our strategic communication goals under the following broad themes:

Detailer Training Pipeline. Formal communication training has been put in place to provide all detailers with the skills to more effectively discuss career decisions and implications with sailors. A 2-day communications skills and strategies course was specifically developed for detailing situations. Other recruiter-style selling skills courses are being evaluated to augment this training. Our training improvements have been incorporated into an 8-week course of instruction, which develops detailers into effective and focused communicators.

Detailer Accessibility. Increased detailer accessibility to fleet sailors is the goal. Changes were made to the phone system to automatically route calls to available detailers, de-emphasizing voice mail. Second, civilian assistants were hired to re-

duce the administrative burden on the detailers and increase their time available to talk with sailors. The addition of more detailers to the staff is under consideration.

Proactive Detailing. A major thrust of our efforts has been the proactive contact with sailors before they enter the assignment negotiation window. The intention is to allow the sailor an opportunity to discuss career options with a detailer and allow the detailer an opportunity to better influence the sailor's career decision. Early detailer-initiated discussions, directed straight to the sailor, permit the sailor to consult with his family and command to optimize the follow-on negotiating process. We have begun contacting sailors as much as a year prior to their rotation date and use this discussion to shape expectations and uncover needs and desires. To augment this early communication, a message is sent which provides the sailor with a checklist for preparing for the detailing process. This message is followed by a personal phone call from each sailor's detailer. Initial reaction to our proactive calling has been quite positive as indicated by follow-up surveys. Sailors and commands have found the early contact to be helpful in preparing for the negotiation window and providing the necessary career counseling that may help retain a sailor in the Navy.

Detailer Travel. Our detailer travel program has been aggressive as we execute a three-fold increase in visits from last year. The impact a detailer can have with a sailor in face-to-face communication cannot be underestimated. For fiscal year 2001 to date, detailers have conducted over 6,800 personal interviews with sailors during 850 opportunities. Metrics reflect that accelerated travel efforts have contributed to a significant number of wavering sailors to reenlist.

The way ahead for this program is to continue proactive efforts without losing our focus on sailors currently in the negotiation window. We are increasing our capacity to communicate with more sailors by continuing to streamline processes and we are contemplating increasing the number of detailers. Making detailers more available to sailors and enhancing detailer communications skills are the major focus of this program. An improved training pipeline with emphasis on communication skills, plus earlier contact with sailors in the detailing process, will enhance retention and increase career opportunities for sailors.

QUALITY OF SERVICE

Housing / Basic Allowance for Housing (BAH)

A sailor's ability to obtain adequate housing for his or her family is a critical factor in our commitment to the Quality of Service of our people. There are a number of ongoing initiatives designed to provide our members with a housing allowance that allows them to find suitable housing in safe neighborhoods. The first step is to reduce the amount of money a sailor is expected to pay for the rent on a median house. A sailor's out-of-pocket expense (OOP) is based on a percentage of the national median housing cost, calculated so all members of the same pay-grade and dependency status, regardless of location pay the same absolute dollar amount out-of-pocket. OOP had been set at 15 percent since the inception of the BAH system in 1998, but through your actions, the requirement that BAH be set at levels that produce an OOP was eliminated. As a result, we continue on a path to reduce OOP over the next few years—from the current 15 percent in 2001, to 11.3 percent in 2002, and to zero by 2005.

Another Quality of Service initiative set in motion by Congress affects our shipboard E4s without dependents. Prior to your efforts last year, there was no authorization for this group of sailors to receive a housing allowance. Funding for E4 BAH is in the fiscal year 2002 budget. In October, we plan to implement this authority by allowing E4s with more than 4 years of service to move off of their ships into barracks (where feasible) or to receive BAH to permit them to reside in the local community. This is the next step in an overall housing plan that will ultimately permit all shipboard sailors to reside ashore while in homeport. Providing single shipboard sailors the ability to live ashore is another key element in Navy's retention efforts and "war for talent."

Montgomery GI Bill (MGIB) Enhancements

Raising the monthly MGIB Program benefit greatly increases the value of the program. An MGIB benefit worth almost \$40,000 in fiscal year 2004, as included in H.R. 1291, would certainly serve as an attractive recruiting tool, as well as help reduce first-term attrition. It would also substantially reduce out-of-pocket costs for attendance at higher-cost institutions. The changing demographics of the All-Volunteer Force make it abundantly clear that military benefits of the 21st century must meet the needs of sailors and their families. As the number of sailors with depend-

ents increases so, too, does their concern about their ability to pay family educational expenses.

Of equal importance is providing all active duty members an opportunity to participate. Our Veterans Educational Assistance Program (VEAP)-era members serving today have stayed with us over 15 years and deserve at least the same educational benefits as those serving one enlistment. The uncertainty of the future viability of VEAP caused many senior leaders to caution active duty members prior to their deciding whether or not to participate and many members ultimately declined to participate.

Permanent Change of Station (PCS) Household Good Prototypes

Another Quality of Service initiative for sailors is the Defense Department's transportation reengineering efforts, which include two Household Good improvement programs. The Full Service Move Program (FSMP), and Military Traffic Management Command's (MTMC) Household Goods Reengineering Program are intended to provide value-added benefits to the move experience above and beyond the fare associated with the standard government bill of lading (GBL) service. Benefits for sailors include full replacement value of damaged goods, personalized service and overall improvement in service.

Navy plans to resume participating in the ongoing Full Service Move Program and Military Traffic Management Command's (MTMC) Household Goods Reengineering Program. Ideally, these programs will help address a longstanding need to improve the quality of household goods moves. Your continued support for these important Quality of Service programs is key to retention efforts as success in this area will alleviate a significant dissatisfier. The fiscal year 2002 budget includes \$22.5 million for these prototypes.

Fleet And Family Support Program

Navy Fleet and Family Support Centers. Navy offers a broad array of Quality of Life programs and services through Fleet and Family Service Centers (FFSCs) and Family Advocacy Centers in 67 locations Navy-wide. These essential programs are offered through a variety of mediums to support, teach and facilitate self-sufficiency and family readiness. They include a vast array of assistance from financial counseling and anger/stress management to marital enrichment and parenting education to counseling, intervention and referral for spouse abuse and sexual assault awareness and prevention. FFSCs conducted 4 million service contacts in fiscal year 2000, including information and referrals, education and training classes and counseling sessions for individuals and families. The Department's fiscal year 2002 budget includes \$46.7 million to fund staff and support costs for these programs.

Headquarters Family Support Programs. From our headquarters in Millington, Tennessee, we also offer a variety of family support programs. These include application assistance for transitional compensation for family members subjected to abuse, Exceptional Family Member services to match duty assignments with availability of required health care services, and partnership with CCD and Service School Command to expand the Reverse Sponsor Program. This program ensures that sailors on short-fused orders are provided sponsors at their first duty station enhancing the likelihood of a positive start to staying Navy.

Sexual Assault Victim Intervention Program (SAVI). Navy's Sexual Assault Victim Intervention (SAVI) program is designed to provide a comprehensive, standardized and victim-sensitive system to prevent and respond to sexual assault in the Navy. It is the only dedicated sexual assault victim intervention program in DOD. It is recognized, nationally, as being an outstanding victim assistance program by the National Association for Victim Assistance and the DOJ Office for Victims of Crime. Sexual assault awareness and prevention education is now incorporated into Navy student curricula and command leadership training, and is a required component of annual General Military Training for all service members.

Spouse Employment Program. The Spouse Employment Program is an essential Quality of Life program. The mobile nature of the military takes Navy families to locations around the world. Frequent family moves make it difficult for spouses to establish meaningful careers and additional financial security for themselves and their families. Too often, spouses sacrifice careers for the sake of their military spouses who serve our Nation. Military spouses are increasingly career orientated (65 percent currently in the workforce) and use of Spouse Employment Assistance is increasing. In 1998, the program provided employment services to 40,000 spouses, and that number steadily increased to 54,635 spouses by 2000. This increase has led to new initiatives that will improve career options for military spouses in their mobile lifestyles.

Personal Financial Management (PFM). Navy's PFM Program will focus on expanding in fiscal year 2002 with emphasis on training, education and counseling. We have established a life-cycle approach with implementation of a 16-hour "A" school financial training. Plans also include follow-on training during Petty Officer Indoctrination, Leadership Continuum and Senior Enlisted Academy. We also intend to conduct a pilot of the curriculum for midshipman at the U.S. Naval Academy, for future use of the program among Navy's officer corps.

Expansion of the PFM Mobile Training Team's function includes a 50 percent increase in worldwide training of Command Financial Specialists. All course materials used in PFM are under review/rewrite and an interactive web-based PFM training resource will be available on the Navy Learning Network. There are many new programs coming online that will impact sailors and their families. Mass education will be essential to ensuring sailor familiarity with provisions of the new Thrift Savings Plan (TSP), Redux reform, Career Service Bonus (CSB) and Family Subsistence Supplemental Allowance (FSSA).

Morale, Welfare and Recreation (MWR) Programs

MWR programs are vital to CNO's Quality of Service priority. Quality of Service is a combination of "Quality of Work", which means the general work environment in which sailors operate, and "Quality of Life", which pertains to all support elements that contribute to enhancing Navy life for sailors and their families. MWR is a key component of the Quality of Life part of this equation. Another of CNO's top priorities is the need to improve alignment, which means delivering what we promise. This not only translates into Navy-wide access to quality programs but requires us to improve the ways in which we communicate what is available to the men and women we serve.

Navy MWR is actively engaged in supporting CNO's manpower priority in a variety of ways:

- We are building a "culture of fitness" within the Navy. We are working to staff and equip fitness facilities, afloat and ashore, to enable sailors to train to meet the higher physical fitness standards Navy has established in its revised physical readiness program and to enhance the health and readiness of the force.
- We have created and expanded our single sailor program to create an alcohol-free venue in a "living room" setting that provides a unique range of activities and services most desired by young adults, ages 18 to 25.
- We accommodate the needs of our married sailors who have children and may need help balancing their military responsibilities with their personal commitments for the care of their children. We provide child development and youth services making it possible for single parents, dual military couples and dual working couples to continue serving as members of the active duty military family.
- We also provide community support services and employment opportunities for spouses Navy-wide. Military family members comprise almost 30 percent of Navy's MWR workforce.

Sailors view support and delivery of MWR programs as a concrete and highly visible symbol of Navy's commitment to maintaining their Quality of Life. We intend to continue aligning our actions to meet the changing needs of sailors and fulfilling our Quality of Life commitments.

CONCLUSION

Navy is committed to winning its war for talent. We can do this by capitalizing on Navy leadership's commitment, as well as on innovative recruiting, reenlistment and attrition-reduction programs, and by ensuring a competitive Total Military Compensation (TMC) package. We must continue leveraging recent successes in order to sustain our momentum.

Navy is an "Employer of Choice." Our success thus far is in large part due to the strong support and leadership of the administration and Congress. With your continued help, we remain optimistic that we will continue attracting America's high-est-caliber youth as we challenge them to "accelerate their lives."

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

Mr. Chairman and distinguished members of the subcommittee: I am pleased to appear before you today to discuss the many legislative initiatives as they relate to United States Marine Corps personnel—active, Reserve and civilian. Our current budget funds 17,888 officers and 154,712 enlisted, and a selective Reserve strength

of 4,101 officers and 35,457 Reserve enlisted marines. Roughly 60 percent of our personnel budget funds manpower programs. The remaining dollars fund such items as Basic Allowance for Housing, Permanent Change of Station relocations, Subsistence and Social Security. The approximately 7 tenths of 1 percent then remaining in the Manpower account pays for discretionary items such as our Selective Reenlistment Bonus (SRB) or College Fund Recruitment programs.

The Marine Corps welcomes the opportunity to discuss various personnel-related legislative initiatives, including their impact on the welfare and mission accomplishment of the Corps. Our greatest asset is our outstanding young men and women in uniform. Your continued support of our marines and their families has directly contributed to our success.

PAY AND COMPENSATION

In recent exit surveys, compensation is routinely cited as one of the stronger reasons our marines decide not to reenlist. The \$1 billion earmarked in the President's budget for a basic pay increase will maintain competitive military compensation, help to narrow the pay disparity between military personnel and their civilian counterparts. Increases in pay take care of families, bolster morale and give our service members the freedom to focus on their mission. Continued adjustments need to be made in the future to help us move toward parity with market wages.

The President's budget reduces our Marines' Out of Pocket (OoP) expense between current housing market costs and the housing allowance we pay our service members, from a high of 15 to 11.3 percent. We remain on course to reduce OoP expense to zero by 2005. Additionally, the flexibility that Congress provided in the housing allowance rate-setting process was instrumental in addressing the emergent needs of our marines in southern California. That is, utility cost increases were forecasted in the fall of 2000, and the 2001 housing rates were adjusted to meet these rising costs.

Enlisted Retention

A successful recruiting effort is merely the first step in the process of placing a properly trained marine in the right place at the right time. The dynamics of our manpower system then 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 private employers actively solicit our young marine leaders for lucrative private sector employment. Intangibles—such as the desire to serve our Nation and the satisfaction received from leadership responsibilities provided in our Corps—are a large part of the reason we retain marines beyond their initial commitment. Concrete evidence of this is seen in our deployed units, which continually record the Corps' highest reenlistment rates. Retention success is also due in part to the investment we make in supporting our operational forces—to give our marines what they need to do their job in the field, as well as the funds for educating and training these terrific men and women. Although we are experiencing minor turbulence in some specialties, the aggregate enlisted retention situation is very encouraging. Shortages exist in some high-tech Military Occupational Specialties, because these young marines remain in high demand in the civilian sector.

We are a young force, making accessions a fundamental concern for manpower readiness. Of the 154,000 Active-Duty Enlisted Force, 108,000 are on their first enlistment with over 23,000 of them still being teenagers. In fiscal year 2001, we will have reenlisted approximately 27 percent of our first term eligible population. These 6,069 marines represent 100 percent of the marines we need to transition into the career force, and marks the eighth consecutive year we will have achieved this objective. On balance, however, we have observed a slight increase in the number of first term marines we need to reenlist each year. To counter this rising first term reenlistment requirement, we will focus greater attention on retaining marines in their 8th through 12th years of service. One of the new initiatives we anticipate introducing in fiscal year 2002 is a Subsequent Term Alignment Plan (STAP), which emphasizes retaining experience. Due to the strong draw of civilian sector opportunity, we must elevate the importance of our career force by paying additional attention as well as resources to keep the experience level of our force on par with previous years. With Congress' assistance, we attack our specialty shortages 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.

On the whole, we are extremely pleased with our enlisted recruiting and retention situation. The Marine Corps will meet our aggregate personnel objectives and con-

tinue to successfully maintain an appropriately balanced force. The proper management between youth and experience in our enlisted ranks is critical to our success and we are extremely proud of our accomplishments.

Officer Retention

Officer retention continues to experience success with substantive improvements in retention having begun in fiscal year 2000. Our fiscal year 2001 results continue to reflect an overall officer attrition rate that is closer to historical rates. We attribute the reduction of voluntary separations may be attributed to the congressionally-approved compensation triad and the strategic, albeit limited, use of special pays. As with the enlisted force, we still have some skill imbalances within our officer corps, especially in the aviation specialties.

Although we are cautiously optimistic, pilot retention remains a concern. The fiscal year 2001 Aviation Continuation Pay (ACP) plan has higher aggregate "take rates" than in previous years. Retaining aviators involves a concerted effort in multiple areas that have been identified as impacting an officer's decision to remain in the Marine Corps. Many fiscal year 2000 and fiscal year 2001 retention initiatives have made substantial corrective strides to strengthen the Marine Corps' position toward retaining aviation officers (i.e., Marine Aviation Campaign Plan and pay reform). Supplementary pay programs such as ACP provide an additional incentive, by lessening the dramatic difference between civilian airline and military compensation. As a result, we anticipate a significant return on our investment from ACP. In fiscal year 2001 and fiscal year 2002 we increased ACP by approximately \$4 million each year to focus on retaining our mid-grade aviators (junior majors and lieutenant colonels) and will continue to evaluate our aviation retention status.

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 2001 and expect to start fiscal year 2002 with a solid foundation. Even though managing our retention success has offered new challenges such as maintaining the appropriate grade mix, sustaining quality accessions, and balancing occupational specialties, we will continue to press forward in order to overcome these obstacles. In this difficult recruiting/retention environment, the so-called "War for Talent," the Marine Corps remains optimistic about our current situation and anticipates that these positive trends will continue.

Marine Corps Reserve

The Marine Corps Reserve continues to make an extraordinary contribution at home and abroad. As part of our Total Force, Reserve Marines augment and reinforce the Active component by performing a variety of missions such as providing civil affairs expertise in the Balkans, aviation support in Southwest Asia, and logistics support in Central America. This year, Reserve Marines and units participated in several exercises spanning the globe from Germany, Romania, Egypt, Macedonia, Korea, and Thailand to Australia.

Given that we expect a continued increase in the employment of the Reserve in support of Total Force missions, we must maintain current readiness while ensuring that our resources are available for modernization. Congressional support for increased use of the Reserve has been a key element in providing OPTEMPO relief and training. Your support permits us to meet commitments that may go beyond the normal 2-week annual training period. While the historical Reserve mission to augment and to reinforce our Active component remains our focus, the demands of this and emerging missions will increase operational challenges and amplify the need to effectively resource the Marine Corps Reserve. With proper planning that takes into account the specific demographics of the Marine Corps Reserve, and with adequate resources, we can do more and still take care of our marines. We are not yet approaching the limits on the use of the Marine Corps Reserve, but we are watching this closely.

The most sacred honor we can provide veterans is that of a military funeral. The staff members and Reserve Marines at our 185 manned sites performed approximately 5,500 funerals last year, a 45 percent increase over 1999, and we project a 39-40 percent increase per year giving us potentially 7,500 funerals to support this year. The steps that Congress took last year to allow Reserve participation at the inactive duty drill rate for funeral honors duty helped us meet this growing obligation. Our current Reserve end strength supports funeral honors at our small sites (where there are less than 10 Active Duty Marines on staff), not as a primary duty, but as one of the many tasks incident to training and administering the Reserve and providing a military connection to the local community. The authorization and funding to bring Reserve Marines on 'Active Duty for Special Works' to perform funeral honors has particularly assisted us. As a result of the increase in funeral hon-

ors, we have realized increased operations and maintenance costs associated with vehicle maintenance and fuel for transportation of funeral honors duties and for the cleaning and maintenance of dress uniforms. Continued support for military funeral honors funding, in our Military Personnel and Operations and Maintenance accounts, is critical to ensuring mission success in this most worthwhile endeavor.

Our recruiters continue to be challenged to attract and to retain quality men and women in the Marine Corps Reserve as young people are presented with numerous alternatives to military service due to the positive economic growth in the private business sector. During the past fiscal year we achieved 103.4 percent of our recruiting goal for prior service and 102.5 percent for non-prior service marines. It was not easy! Our retention rates for Reserve enlisted marines who stay beyond their initial obligation are also improving. We do, however, still have some work to do in keeping non-prior service Reserve Marines in a satisfactory participation status for the full length of their obligated drilling commitment. The incentives provided by Congress, such as the MGIB and the Kicker educational benefits, enlistment bonuses, medical and dental benefits, and commissary and PX privileges, have all contributed to the stability of our Force. These incentives and the continued Congressional support have helped us to attract and to retain capable, motivated, and dedicated marines for the future.

Civilian-Marines

Our almost 15,000 civilian employees, or “civilian-marines,” are key members of the Marine Corps team. We rely on our civilians to provide continuity and technical expertise in the supporting establishment to complement our Active-Duty Marines. The Marine Corps, like other Federal agencies, is coping with the challenges brought on by an aging workforce and the potential skill imbalances that will occur as our civilians begin to retire in large numbers over the next 5 years. Accordingly, we are now focusing our efforts on planning for our future workforce, to include a greater emphasis on career development. Toward this end, the Civilian Career Leadership Development program is an initiative being implemented to ensure we train and shepherd our civilian work force. Our goal is to mesh the leadership abilities of our total force into a seamless overall body, both marines and civilian-marines.

Marine Families

Our future success relies firmly on the Marine Corps’ most valuable asset and its first pillar of readiness—our marines and their families. In fact, the Commandant of the Marine Corps, General Jones, has made it clear that combat readiness and personal and family readiness are inseparable. As such, we are aggressively working to strengthen the readiness of our marines and families by enhancing their quality of life (QoL). Our Marine Corps Community Services’ (MCCS) many programs and services are being tailored and designed to reach all marines and their families regardless of geographic location. During the past 2 years we have made a considerable commitment and investment in building, training, and supporting family readiness teams—comprised of marines and volunteers—across the Total Force. In short, these teams are vital to our family readiness efforts prior to, during, and after a deployment or mobilization. They are making a difference, and will only strengthen as our program matures. Our MCCS programs also include Chaplain delivered retreats; physical fitness and healthy lifestyle programs; children, youth, and teen support; and continuing education programs just to name a few. Much work remains to extend MCCS programs and services across our Corps of Marines, but even today MCCS is contributing to us being ready, willing, and able to contribute to the Marine Corps’ Total Force effort.

SUMMARY

Young men and women join the Corps for the challenge, for the opportunity to make a difference in the world by serving their country. Our marines and their families are committed to the Corps’ forward presence and expeditionary nature, as evidenced by our continued recruiting and retention success. These successes have been achieved by following the same core values today that gave us victory on yesterday’s battlefields. With your support, we can continue to achieve our goals and provide our marines with what they need to accomplish their 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 225 years!

PREPARED STATEMENT BY LT. GEN. DONALD L. PETERSON, USAF

INTRODUCTION

Mr. Chairman and members of the Committee, it is a great honor to come before you to represent the men and women of the United States Air Force and report the status of our Air Force personnel programs and policies, including recruiting, retention and quality of life efforts. Our people are our most crucial readiness component, and as we begin a new millennium, we must continue to recruit and retain the best and brightest to sustain the force. We rely on a highly skilled, diverse, educated and technologically superior force of world-class officers, enlisted men and women, and civilians to function as an effective warfighting team. Despite the challenges they face, our people remain willing to give the extra effort needed to achieve the mission—and our families support those decisions. Our people are proud of their contributions to our Nation's security and cognizant of how that security contributes to our Nation's unprecedented prosperity and the freedoms we all enjoy. Air Force leadership values their service and is committed to taking care of our people and their families.

A key to our ability to execute the National Military Strategy is establishing end strength at a level where our resources are appropriate to our taskings. Then, we must attract sufficient numbers of high quality, motivated people, train them, and retain them in the right numbers and skills. Meeting end strength has been challenging during a decade of sustained economic growth, record low unemployment, increasing opportunity and financial assistance for higher education, and declining propensity to join the military. Our exit surveys show that availability of civilian jobs is the number one reason our people leave the active Air Force. In addition, we have severely stressed parts of our force, primarily those individuals who man our low-density/high-demand (LD/HD) systems. The Quadrennial Defense Review (QDR) will help us refine our mission and determine the right end strength. However, we already know that the current situation cannot persist—we must either add end strength or reduce taskings. With Congress' continued support, we will be able to address this issue and correctly size and man our total force to perform our mission and achieve our national objectives.

People are essential to readiness. During the past year, we averaged over 13,000 Active Duty and Reserve men and women deployed daily around the world, and another 76,000 are forward based on permanent assignment. They do what is necessary to execute the mission—work long hours and endure prolonged separation from their families. At the same time, individuals at home station pick up the duties of those who are forward deployed. Earlier this year, I traveled to Europe, the Pacific, and Southwest Asia to talk with our people, to see the conditions under which they are working, and to listen to their concerns. Despite the fact that our people are tired, stressed, and strained, morale is high. Almost universally, our people expressed concern for our Air Force and pride in what they do. They are interested in understanding and executing leadership priorities. They also want their concerns listened to, understood, and acted upon. They do not ask for much. They simply want the appropriate tools and enough trained people to do the job, and they want to know their families are being taken care of. We need to attract America's best and brightest, and we must retain them. While patriotism is the number one reason our people—both officers and enlisted—stay in the Air Force, patriotism alone cannot be the sole motivation for a military career. We must provide our people with quality of life commensurate with the level of work they perform and the sacrifices they make for their country.

RETENTION

We are unique among the Services in that we are a retention-based force. Our expeditionary mission and our complex weapon systems require a seasoned, experienced force and we depend on retaining highly trained and skilled people to maintain our readiness for rapid global deployment. However, we expect the “pull” on our skilled enlisted members and officers to leave the Air Force to persist. Businesses in the private sector place a high premium on our members' skills and training, which makes retaining our people a continuing challenge. In addition, manning shortfalls, increased working hours and TEMPO continue to “push” our people out of the Air Force. The result of these “push” and “pull” factors is that our human capital remains at risk. At a minimum, the member chooses to separate from active duty, we must take extra efforts to inform them of the opportunities in the Guard, Reserve and civilian forces, and encourage them to remain a valuable contributor to the Air Force team.

Enlisted Retention

Highly trained, experienced enlisted men and women are the backbone of our personnel force; they are vital to the success of our mission. Adverse retention trends, particularly for our first-term (4–6 years) and second-term (8–10 years) enlisted members, have been our number one concern. We measure reenlistment rates by the percentage of those members eligible to reenlist who reenlist. For first-term enlisted members, our reenlistment goal is 55 percent, 75 percent for second-term members, and 95 percent for career (over 10 years) members. In fiscal year 2000, we missed all three goals. The first-term reenlistment rate was 52 percent, second-term reenlistment rate was 69 percent, and the career rate was 91 percent. However, fiscal year 2001 reenlistment rates show some improvement. As of 31 May 2001, the cumulative reenlistment rate for first-term was 57 percent; for second-term it was 70 percent and for career airmen, it was 91 percent. While second-term reenlistments are slightly up from fiscal year 2000, the continued shortfall in this area continues to be our most significant enlisted retention challenge. Second-termers are the foundation of our enlisted corps; they are the technicians, trainers, and future enlisted leaders. Our career airmen reenlistment rate also continues to be of concern. While the rate remained constant at 91 percent, it is still below goal by 4 percent. Figure 1 illustrates retention trends since 1979.

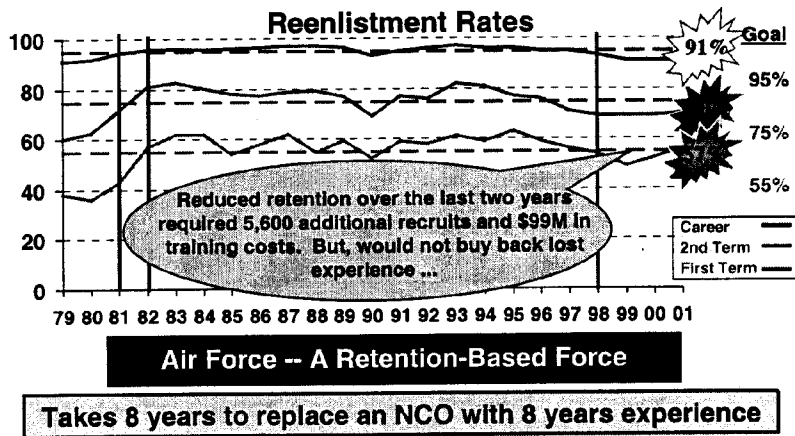


FIGURE 1 (AS OF 31 MAY 01)

Retaining the right skills in our enlisted force is just as important as retaining the right numbers. Figures 2 and 3 show trends in first- and second-term reenlistment rates for critical and key warfighting skills. We have shown progress in some areas. However, most of these skills are still below goal. For example, while the second-term reenlistment rate for communications/computer systems control specialists is up 10 percent from fiscal year 1999 to fiscal year 2001, the rate is still 30 percent below goal.

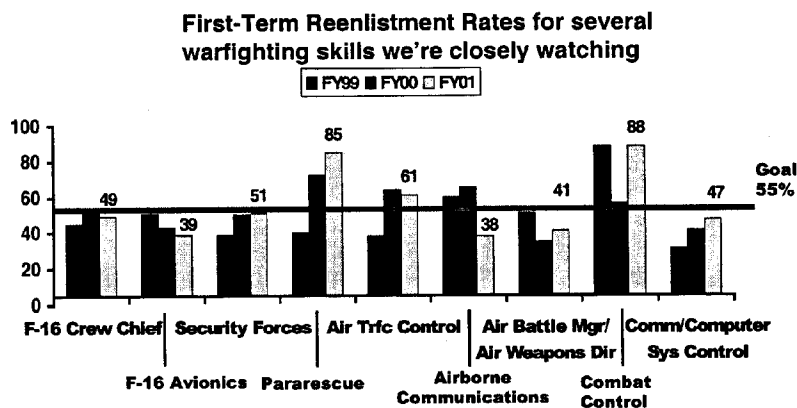


FIGURE 2 (AS OF 31 MAY 01)

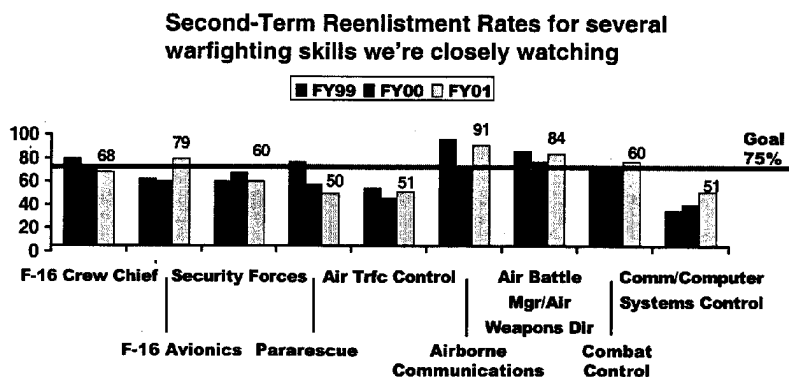


FIGURE 3 (AS OF 31 MAY 01)

The Air Force, unlike a business, cannot recruit many already trained members, such as F-16 avionics specialists. It literally takes us 8 years to replace the experience lost when an 8-year noncommissioned officer leaves the Air Force. There are no shortcuts. In addition, it costs less to retain than to recruit and retrain, and when we retain, we maintain skill, experience and *leadership*. Now, more than ever, we must address the factors that encourage our people to leave or stay. Approximately seven out of every ten enlisted men and women will make a reenlistment decision between fiscal year 2001 and fiscal year 2004—over 193,000 enlisted members. Considering today's strong economy, potentially large numbers of our enlisted force, our technical foundation, will likely continue to seek civil sector employment and more stable lives for themselves and their families. In our 2000 retention survey, availability of comparable, civilian jobs and inadequate pay and allowances were cited as top reasons enlisted personnel leave the Air Force. It is essential we address these issues now to minimize impact on our readiness.

Officer Retention

Officer retention is also challenging our Air Force. We measure officer retention by cumulative continuation rates (CCR), the percentage of officers entering their 4th year of service (6 years for pilots and navigators) who will complete or continue to 11 years of service given existing retention patterns. Our navigator and air battle manager (ABM) CCRs showed improvement from fiscal year 1999 to fiscal year

2000; the navigator CCR increased from 62 percent to 69 percent and the ABM CCR from 45 percent to 51 percent. However, our non-rated operations and mission support CCRs declined from fiscal year 1999 to fiscal year 2000. Our non-rated operations CCR was 51 percent in fiscal year 2000, 6 percentage points below the fiscal year 1999 rate, and 8 percentage points below the historical average of 59 percent—the rate as of March 2001 is 49 percent. In fiscal year 2000, our mission support officer CCR was at 43 percent, down from 45 percent in fiscal year 1999—historical average has been 53 percent. Figure 4 illustrates historical CCRs in these specialties.

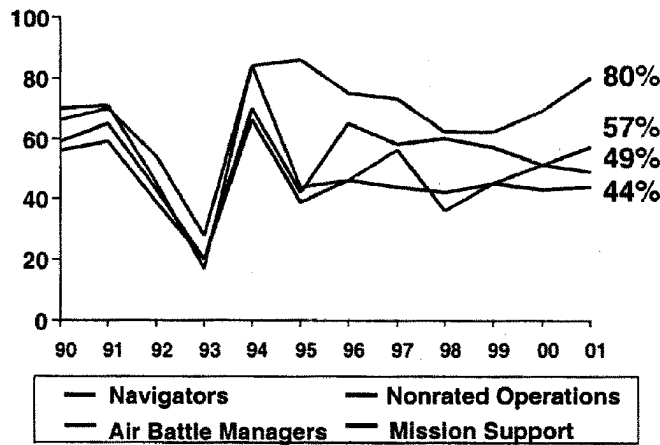


FIGURE 4 (AS OF 31 MAR 01)

As with the enlisted force, we have difficulty retaining officers with skills that are in demand in the private sector. We are particularly concerned about retaining our scientists, engineers, and communications-computer systems officers. We are not meeting our desired levels in these critical specialties. In fiscal year 2001, we have shown some progress, as CCR for developmental and civil engineers and communications-computer systems officers improved slightly. However, we remain below historical CCR for these officers. Figure 5 illustrates historical CCRs for selected critical skills.

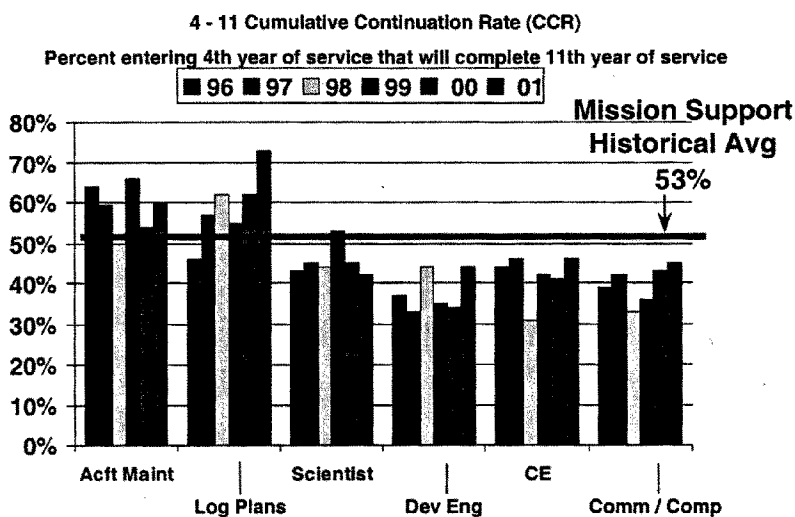


FIGURE 5 (AS OF 31 MAR 01)

Retention Initiatives

Through a number of initiatives, we are fighting back; progress is slow but steady. For our enlisted troops, we increased the number of career specialties eligible to receive a Selective Reenlistment Bonus over the past 3 years. Now, 154 of 197 skills (78 percent of enlisted specialties) receive a reenlistment bonus. The number of enlisted men and women who received initial bonus payments increased dramatically from approximately over 2,500 in fiscal year 1995 to over 17,000 in fiscal year 2000. Over 23,600 members received anniversary payments and 193 received accelerated payments, which are provided to members experiencing hardship situations. The result has been a moderate improvement to first-term retention, and the ability to hold steady in second-term and career retention.

We appreciate the legislative authority you granted us to offer our people the Officer and Enlisted Critical Skills Retention Bonus of up to \$200,000 over their careers and the increase in Special Duty Assignment Pay to a maximum of \$600 per month. This will help us turn around the crisis we are experiencing in retaining our mission support officers and enlisted members in our warfighting specialties. We also implemented a liberal High Year Tenure (HYT) waiver policy to allow noncommissioned officers with skills we need to stay past their mandatory retirement. In fiscal year 1999, we granted nearly 1,600 such waivers, and we granted over 1,100 in fiscal year 2000. As of 31 May 2001, we granted 643 HYT waivers.

On the officer retention front, our Acquisition community held a Scientist and Engineer Summit to review our long-term strategy for recruiting, retaining and managing these highly technical officers and civilians. A key outcome of the Summit was that our Acquisition community was identified to serve as the interim central manager for scientists and engineers. They are developing a concept of operations for our scientists and engineers, and analyzing scientist and engineer manpower requirements. A second summit is being planned to review and prioritize the requirements, establish career path guidance and request civilian hiring practices to make us competitive with industry. We have also outsourced many of our officer engineering and programming requirements.

Pilot Retention

Management of our pilot force has been a top priority since the fall of 1996 and is one of our most difficult challenges. The "pull" of civilian airline hiring and "push" of tempo continue to impact our pilot retention. Major airline hiring is far exceeding predictions. Since 1994, annual airline hires have nearly quadrupled: from 1,226 in calendar year 1994 to 4,799 in calendar year 2000. The 14 major airlines could hire every fixed-wing pilot that the United States Army, Navy, Marine Corps, and Air Force produces and still not meet their requirements for the foreseeable future. Figure 6 graphically portrays this challenge.

Airline Hiring vs Losses

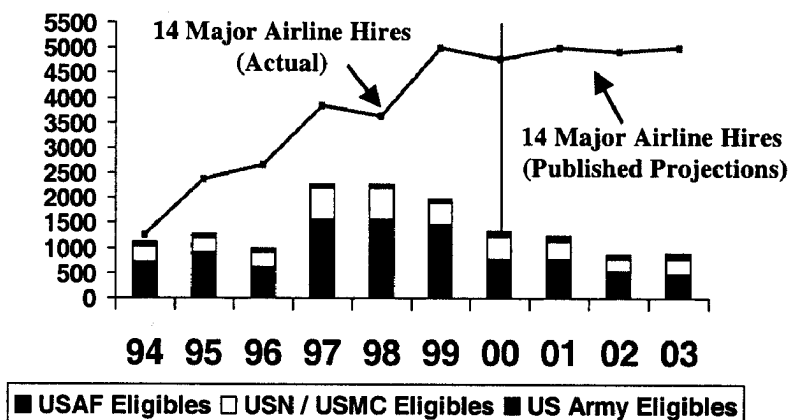


FIGURE 6

In addition, the overall increase in tempo over the past several years has affected the pilot force. A recent Air Force study of pilot retention concluded that high tempo carries significant, adverse retention impacts, and recent surveys cite tempo as among the leading causes of pilot separations. In fiscal year 2000, there were 1,084 approved pilot separations compared to only 305 separations in fiscal year 1995. As a result, we ended fiscal year 2000 approximately 1,200 (9 percent) below our pilot requirement. Our pilot CCR of 45 percent in fiscal year 2000 is down from a high of 87 percent in fiscal year 1995. We project a pilot shortage of approximately 1,200 (9 percent) by the end of fiscal year 2001.

We are aggressively attacking the pilot shortage from numerous angles. We are focused on fully manning our cockpits and have prioritized rated staff manning. We established temporary civilian overhire billets and implemented a Voluntary Rated Retired Recall Program. We also increased pilot production from 650 in fiscal year 1997 to 1,100 in fiscal year 2000 and beyond. In October 1999, we increased the active duty service commitment for pilot training to 10 years. Additionally, the Expeditionary Aerospace Force is helping us manage tempo for our people, affording us greater predictability and stability.

Under a provision of the Fiscal Year 2000 National Defense Authorization Act (NDAA), we began offering Aviation Continuation Pay (ACP) payments through a pilot's 25th year of aviation service at up to \$25,000 per year. We also expanded eligibility to include pilots through the rank of colonel. This ACP restructuring resulted in a substantial increase in committed man-years and improved force predictability. We made further enhancements to the pilot bonus program in fiscal year 2001. The up-front lump sum payment cap was raised from \$100,000 to \$150,000 and up-front payment options were expanded for first-time eligible pilots. These enhancements are designed to encourage pilots to take longer-term agreements. Although the bonus take rate for first-time eligibles has declined over the past 2 years, due in large measure to the growing effects of the sustained "pull/push" retention forces described, the ACP program continues to play a vital role in partially countering these effects.

All of these efforts, along with significant improvements in quality of life, are helping us manage the pilot shortage, allowing us to hold the line in a tough retention environment.

RECRUITING

Since our transition to an All-Volunteer Force in 1973, we met our enlisted recruiting goals in all but 2 fiscal years: 1979 and 1999. More high school graduates, approximately 70 percent, are choosing to enroll in college versus pursuing a military career—in many cases, they don't realize what the military has to offer. Our

footprint in the civilian community is getting smaller. There are fewer military influencers—parents, grandparents, teachers, counselors, and community leaders—who have served in the military. In fact, only 6 percent of our population under age 65 have military experience. These factors, combined with the longest sustained economic growth in our Nation's history, have made recruiting a diverse All-Volunteer Force extremely difficult. However, we have taken significant steps to reverse the downward trend in recruiting. In fiscal year 2000, we waged an all-out war to recruit America's best and brightest—and won. We increased recruiter manning, developed more competitive accession incentives, instituted an expanded and synchronized marketing, advertising, and recruiting effort, and broadened our prior service enlistment program. Additionally, we targeted minority recruiting markets with a goal to increase diversity.

Using these weapons, we ended fiscal year 2000 at over 101 percent of our enlisted accession goal, accessing 34,369 towards a goal of 34,000. In addition, we did not sacrifice quality. We still require 99 percent of our recruits to have high school diplomas and nearly 73 percent of our recruits score in the top half of test scores on the Armed Forces Qualification Test. Additionally, 848 prior service members returned to active duty, compared to 601 in fiscal year 1999 and 196 in fiscal year 1998. For fiscal year 2001 (as of 30 June 2001), we have accessed 811 prior service members.

ENLISTED ACCESSION GOAL HISTORY

Fiscal Year									
1992	1993	1994	1995	1996	1997	1998	1999	2000 ¹	2001
35,100	31,500	30,000	31,000	30,700	30,200	31,300	33,800	34,000	34,600

¹ Lower than projected retention/accessions increased fiscal year 1999 goal by 2,300, fiscal year 2000 goal further increased to 34,000 . . . fiscal year 2001 goal set at 34,600 (NPS/PS Goal combined this fiscal year)

TABLE 1

As of 30 June 2001, we had accessed 101 percent of our year-to-date recruiting and net reservation goals. The significance of this achievement is clear when you compare it to the same point in fiscal year 2000, when we had accessed 83 percent of our recruiting goal and 93 percent of the net reservation goal. Being ahead of our year-to-date recruiting targets alleviates the pressure associated with surging during the summer months to overcome a mid-year deficit—the bottom line is we have sent enough enlistees to basic training and have enough applicants under contract for this fiscal year—exceeding fiscal year 2001 recruiting goals. We should enter fiscal year 2002 with a healthy bank of applicants holding enlistment reservations. Also, successful recruiting means enlisting airmen whose aptitudes match the technical skills we need. Recruiting is more than just numbers—we are concerned about accessing the appropriate mix of recruits with mechanical, electronics, administrative, and general skill aptitudes. In fiscal year 2000, we fell about 1,500 short of our goal of 12,428 recruits with mechanical aptitude. In response to this shortfall, we developed a targeted sales program that is now being taught to all our field recruiters to highlight the many opportunities we offer to mechanics. Additionally, we have targeted enlistment bonuses against the skills we need and our efforts have paid off. Through June 2001, we accessed 9,525 mechanical recruits against our goal of 9,038 (105 percent).

We've also recognized the need for additional recruiters. At the beginning of fiscal year 1999, we had 985 production recruiters. Since then, we've made significant improvements in recruiter manning. As of 1 July 2001, recruiter staffing was at 1,482—nearly 90 percent towards our goal of 1,650.

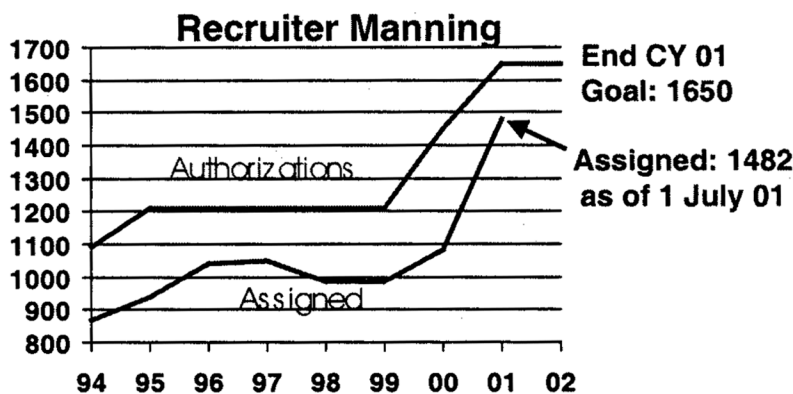


FIGURE 7

Bonuses have also proven effective in helping us meet recruiting goals. We expanded the enlistment bonus program from 4 skills in 1998 to 85 in fiscal year 2001, and increased the maximum payment to \$12,000—69 percent of our bonus eligible accessions selected a 6-year initial enlistment in fiscal year 2000. Additionally, an up to \$5,000 “kicker” incentive program helped us fill the ranks during hardest-to-recruit months (February through May). To encourage “trained” personnel to return to certain specialties, in Apr 01 we introduced the Prior Service Selective Reenlistment Bonus of up to \$14,000 to target a previously untapped pool of prior service personnel. The bonus targets high-tech, hard-to-fill positions. In fiscal year 2001, the bonus program remains an instrumental tool in our recruitment arsenal. The effectiveness of the fiscal year 2001 initial enlistment bonus program is illustrated by our year-to-date success in making recruitment goals. Additionally, the Air Force maintains an aggressive and integrated advertising and marketing campaign in order to saturate the applicant market and reach a cross section of American society.

Officer Recruiting

In fiscal year 2000, we achieved 97 percent of our line officer accession target, even though fiscal year 2000 production was 21 percent greater than fiscal year 1998 and 5 percent above fiscal year 1999. The Reserve Officer Training Corps (ROTC) anticipates shortfalls of 191 officers in fiscal year 2002 and 169 in fiscal year 2003. However, we are working on several initiatives to reduce these shortfalls, such as offering contracts to non-scholarship ROTC cadets after the freshman rather than sophomore year, and some legislative initiatives to ensure a strong and viable officer corps in the future.

Recruitment of health care professionals has also been difficult. Many medical, dental, nurse and biomedical specialties are critically undermanned—only 80 percent of our clinical pharmacy positions are currently filled. In fiscal year 2001, for the first time, we will offer a \$10,000 accession bonus to pharmacists who enter active duty.

QUALITY OF LIFE

The welfare of our men and women serving our Nation is critical to our overall readiness and is essential to recruiting and retention. But more than that, providing our people with adequate quality of life is the right thing to do. With continued strong support from Congress, we will pursue our core quality of life priorities: adequate manpower, improved workplace environments, fair and competitive compensation and benefits, balanced tempo, quality health care, safe and affordable housing, enriched community and family programs, and enhanced education opportunities.

This year, we added two new core quality of life priorities: manpower and workplace environments. Updated wartime planning factors and real-world operations validate increased manpower requirements beyond our fiscal year 2000 level. Meeting our current mission requirements with our current end strength is wearing out our people and equipment at an unacceptable rate. It is essential that we match resources to taskings—manpower requirements must be programmed to the nec-

essary level to execute today's missions and meet tomorrow's challenges. We need to increase our force, primarily in combat, combat support, low-density/high-demand, and high tempo areas. RAND conducted an independent assessment of our requirements and reported that manning requirements may be understated. To keep trust with our men and women, we must provide the essential manpower to help balance tempo and to meet the national military strategy.

The Air Force recognizes that workplace environments significantly impact readiness and morale. Our workplace environments have been neglected over the years—requirements exceed available resources. Our infrastructure accounts have continually been tapped to pay for readiness. Sustainment, restoration, and modernization (SRM) have not been fully funded, allowing only day-to-day recurring maintenance and life-cycle repairs, creating a backlog of required SRM. Military construction has been drastically reduced since the mid-1980s. The resulting degraded and unreliable facilities and infrastructure negatively impact productivity on the flightline, in maintenance shops and administrative areas, and also adversely influence career decisions. In the long term, reduced funding results in reduced combat capability and readiness, increased SRM, parts and equipment backlogs, and creates larger bills for the future.

Providing our people with safe, affordable living accommodations improves quality of life, increases satisfaction with military service, and ultimately leads to increased retention and improved recruiting prospects. Our unaccompanied enlisted personnel desire and deserve privacy; the Air Force will continue to pursue a private room policy for our airmen using the 1+1 construction standard. The Air Force goal is to provide a private room to all unaccompanied airmen (E-1 to E-4) by fiscal year 2009. The 1+1 construction standard will allow our members to live in a private room with a shared bath. We are also focusing efforts to improve, replace, and privatize over 12,800 family housing units for our members with families by fiscal year 2010—59,000 of our housing units need revitalization, as their average age is 37 years. Ensuring members and their families have adequate visiting quarters and temporary lodging facilities is also a priority.

We are committed to ensuring our personnel are adequately compensated—this is crucial in helping us recruit and retain quality personnel. Congressional support in achieving gains in military compensation played a significant role in improving overall quality of life for our people. We are encouraged by the positive momentum gained from the improved compensation packages in the Fiscal Year 2000 and 2001 National Defense Authorization Acts. Our 2000 retention survey indicated officer and enlisted intent to stay in the military increased in nearly all categories over the 1999 survey results—from 24 to 31 percent for first-term airmen, 36 to 43 percent for second-term airmen, and 81 to 84 percent for career enlisted members. Company grade pilots' intent to stay increased from 25 to 42 percent, and the intent of other company grade officers increased from 52 to 59 percent. Field grade pilots' intent to stay increased from 63 to 77 percent, but other field grade officers' intent decreased from 87 to 84 percent.

In the 2000 Chief of Staff of the Air Force Quality of Life Survey, First Sergeants ranked pay and benefits as the number one quality of life priority within their units, and commanders ranked pay and benefits as second—tempo ranked first. In the October 2000 Major Command Revalidation, all major commands commented that we must continue to improve compensation and benefits. All major commands ranked pay and benefits in their top three quality of life priorities.

The 3.7 percent pay raise (one half percent above private sector wage growth) authorized in the fiscal year 2001 NDAA and the targeted pay raise for E-5s to E-7s were important and positive developments. The need to widen our bonus footprint to cover more career fields, coupled with current retention rates, is strong evidence that the basic pay structure is too low. The Secretary of Defense's revised budget submission contains targeted pay raises to help balance military with private sector wages for same education and experience and to also ensure we continue to reward promotion and avoid pay table compression. The revised submission also contains a military pay raise for all others of 5 percent. Both are needed to remain competitive in this robust economy.

Out-of-pocket expenses are also an area of concern. Recent improvements in the Basic Allowance for Housing (BAH) will help prevent further growth of out-of-pocket expenses. In CY 2001, our members' out-of-pocket housing expenses were reduced from 18.9 to 15 percent—the stated OSD goal is to eliminate them by CY 2005. This is an added expense and is likely to be included in the Secretary of Defense's review of quality of life issues.

It is also important our members are not adversely impacted by moves required by the government. Our members are particularly concerned about the loss of their spouses' incomes when transferring to an overseas location. The Cost of Living Ad-

justment (COLA) is designed to defray the difference between the cost of living in the CONUS and OCONUS, not to replace lost spousal income. Overseas employment for spouses often is not available or is only available at reduced income levels due to local custom or Status of Forces Agreements. The loss of spousal income due to assignment to overseas locations is causing difficulties in filling overseas billets and is discouraging members from continuing active duty service.

Total Permanent Change of Station (PCS) costs associated with reimbursable items exceed the amount allotted to relocating families. The 1999 Department of Defense (DOD) PCS Cost Survey concluded military members are only reimbursed \$0.62 per dollar spent. To help reduce out-of-pocket moving expenses, the fiscal year 2001 NDAA equalized the Dislocation Allowance for E-5s and below and authorized advanced payment of temporary lodging allowance as well as a pet quarantine reimbursement up to \$275. However, members who are ordered into or out of base housing (including privatization or renovation of housing) at their permanent duty station without a permanent change of assignment do not receive a dislocation allowance.

Again, we appreciate the support of Congress. Enhancing community and family programs is crucial to the readiness of a force that is 62 percent married. We created the Community Action Information Board (CAIB) to bring together senior leaders to review and resolve individual, family, and installation community issues that impact our readiness and quality of life and to improve the synergy of our resources.

The Air Force maintains one of the Nation's largest childcare programs—55,000 children per day. As part of a recent force-wide retention initiative, we launched a major new child care initiative called the Extended Duty Child Care Program to provide child care homes for parents whose duty hours have been extended or changed. Despite these initiatives, we are able to meet less than 65 percent of the need for child care in support of active duty members. We must continue to invest in quality childcare facilities and programs.

We recognize the economic benefits our members and their families derive from strong community and family programs such as youth programs, family support centers, fitness centers, libraries and other recreational programs that support and enhance the sense of community. Physical fitness is a force multiplier; thus investments in fitness facilities, equipment and programs directly impact our capabilities. We also support the commissary benefit as an important non-pay entitlement upon which both active duty and retired personnel depend.

We have an excellent on-line tool available for military members and their families to access detailed information on all our installations. The website, *www.afcrossroads.com*, provides a host of support programs to include a spouse forum, pre-deployment guide, eldercare hotlines, school information, and a spouse employment job bank. The job bank allows spouses to search for jobs submitted by private industry and post up to three resumes for review by potential employers. In further support of spouse employment needs, we are participating with other Services in providing IT training to a limited number of spouses. It also offers an avenue for young people to chat with youth at the gaining installations so they can learn from their peers what it is like being a young person at the installation to which the family will be moving. This website is receiving nearly 7 million hits per month.

Although our current tempo can make educational pursuits difficult, our Learning Resource Centers and distance learning initiatives offer deployed personnel education and testing opportunities through CD-ROM and interactive television. The Montgomery GI Bill contribution period of one year (\$100 a month) is a financial burden for new airmen. Additionally, we have joined with the other Services, the Department of Labor, and civilian licensing and certification agencies to promote the recognition of military training as creditable towards civilian licensing requirement.

We are committed to providing quality, accessible, and affordable health care for our Air Force people, their families and our retirees. We greatly appreciate the many health care programs authorized in the fiscal year 2001 NDAA, such as TRICARE for Life for approximately 1.5 million retirees over the age of 65. By enrolling in Part B Medicare, they will be able to visit any civilian health care provider and have TRICARE pay most, if not all, of what Medicare does not cover.

We look forward to implementing extended TRICARE Prime Remote to our family members who are accompanying their military family member on assignment to remote areas, eliminating co-payments for family members, establishing chiropractic care for active duty members at some selected sites, reducing the TRICARE catastrophic cap to \$3,000 per year, and improving claims processing. We have established patient advocates, beneficiary counseling/assistance coordinators and debt col-

lection assistance officers at medical treatment facilities to assist our people with TRICARE processing issues.

CIVILIAN WORKFORCE MANAGEMENT

No discussion of Air Force recruiting and retention would be complete without including our civilian workforce. In fact, our Air Force civilians are more critical to our mission than ever before. With an expeditionary aerospace force, civilians provide critical reachback capability and more and more provide our critical technical and professional expertise. However, our Air Force civilian workforce is not structured to meet tomorrow's mission, a challenge that is faced by the entire Federal civilian workforce. Our Air Force workforce is out of balance because of significant personnel reductions during the drawdown years. As a result of actions taken to effect these reductions, in the next 5 years, over 42 percent of our civilian career workforce will be eligible for optional or early retirement. This contrasts significantly with our civilian force in 1989—16 percent of our permanent U.S. professional and administrative personnel were in their first 5 years of service. Now, only 8 percent of the workforce are in their first 5 years of service. While we are fully meeting our mission needs today, without the proper force shaping tools, we risk not meeting tomorrow's challenges. Figure 8 illustrates our civilian workforce challenge.

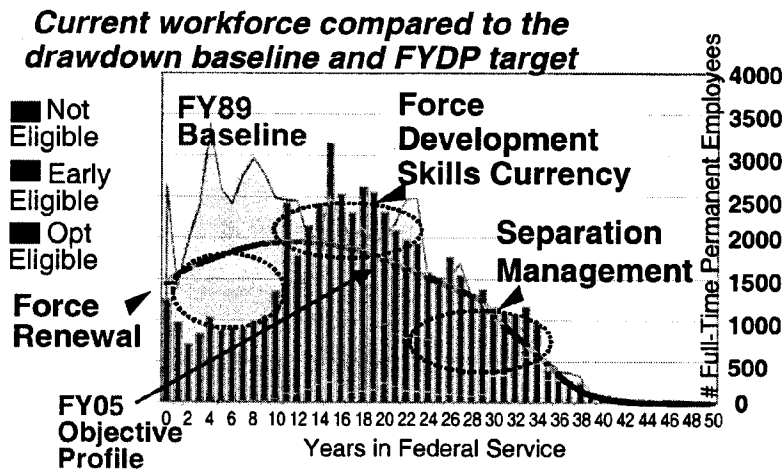


FIGURE 8

In order to sustain our civilian force, we need a diverse mix of developmental, mid-level, and senior employees. We have not been complacent. We developed a four-prong strategy to attract and recruit civilian employees, streamline our hiring process, better align civilian salaries with those of private industry, and pursue special salary rates for hard-to-fill occupations. We must invest in civilian workforce development to meet today's demands of an increasingly technical force. Job proficiency training, leadership development, academic courses, and retraining are fundamental in addressing our civilian workforce retention concerns.

We will also use separation management tools to properly shape our civilian force. Using methods such as voluntary separation incentive pay and voluntary early retirement authority, we will retain employees with critical skills and create vacancies so that our workforce is refreshed with new talent. Vacancies created as a result of these shaping programs will be used to create an increasingly diverse workforce with new talent with current skills.

IN CLOSING

Recruiting and retaining high-quality military members and balancing our civilian workforce are key Air Force issues that impact our readiness—issues that must be addressed if we are to maintain the expeditionary culture of our force. We cannot

easily replace the experience lost when our people depart the Air Force, nor can we assume that a replacement will be available. The “pull” forces that have severely impacted our recruiting and retention will continue, and while these factors are good for our Nation overall, they represent a challenge for us. We have addressed their impact on recruiting through a strategy that is increasing recruiter manning, synchronizing marketing, advertising and recruiting programs, targeting our bonuses to critical skills, and pursuing prior service members to bring back needed experience.

Retention is affected by both “push” and “pull” factors. In particular, our members and their families are stressed by a way of life that cycles between temporary duty and regular 55-hour work weeks at home. Our retention strategy is based on the premise that if we take care of our people and their families, many of them will stay with us despite the pull factors. Our core quality of life programs underpin the strategy. We must match resources to taskings and recapitalize our people, readiness, modernization and infrastructure areas. We need to upgrade neglected workplace environments, provide safe and affordable living accommodations, adequately compensate our people, enhance community and family programs, provide educational opportunities and affordable health care. Reducing out-of-pocket expenses, and access to health care are two areas in which Congress’ support is key.

Finally, we recognize the increasingly important role of civilians to our armed forces. They are our scientists, engineers and support force that provides reachback for deployed and forward-based forces. We need flexible tools and policies to manage this force.

We depend on a highly skilled, diverse, educated and technologically superior force of world-class men and women to function as an effective warfighting team. Air Force people are an indispensable part of our national military strategy—men and women who are dedicated and selfless professionals. There is no substitute for high-quality, skilled and trained people. You have provided many of the tools we need and we will work hard to gain your continued support for legislation, funding and the flexibility we need to manage our force. These tools are critical to the Air Force’s future and to the future of our Nation.

I appreciate the opportunity to speak to this Committee and share the initiatives we have taken to combat our retention and recruiting challenges and convey to you the appreciation of our extremely capable and committed Air Force people.

Senator CLELAND. Thank you very much, Dr. Chu. I have several questions. Military families regard commissaries, as we’ve just heard, as one of the most important quality-of-life benefits of military service. They offer savings of nearly 30 percent on the food bill for a typical military family. Many regard the commissary benefit as an integral part of military compensation. DOD has proposed a legislative change that would allow the Department of Defense to contract out the operation and management of commissaries. This has the potential of diminishing this very important benefit. What’s your view of this proposal? What’s the status of that proposal?

Dr. CHU. Well, thank you, sir, for allowing me to address that question, because I think some misunderstanding has arisen. I’m particularly sensitive to your evocative comments earlier this morning about the emotional bond between our service personnel, present and former, and the commissary facilities.

There is no intent in this proposal to change the benefit, as far as the beneficiary population is concerned. What the Secretary has asked is to explore whether some degree of privatization would allow us to do the job better. As you’re aware, we already have in the commissary system some degree of private-sector operation. In some facilities, the stockage operation is privatized. In others, we have concessions for either bakery or the delicatessen or the seafood element which is a private-sector concession. So what the Secretary has asked is to explore whether partnering with the private sector would allow us to deliver the same benefit either better than we now do it or at less cost to the government than we now do so.

But there is no intent of changing the benefit as far as the beneficiary population is concerned.

Senator CLELAND. Thank you. Last year, Congress enacted legislation often referred to as TRICARE For Life, which provides major new entitlement to older military retirees by providing continued access to TRICARE even when they become eligible for Medicare. While Congress delayed implementation until October 1 of this year, much work still needed to be accomplished in a short period of time. DOD has worked hard to get ready to implement the benefit. I'm confident the program will be implemented as successfully as the new pharmacy program that went into effect in April.

One area put forward that was not completely developed at the time of the legislation was the revision of domiciliary and custodial care for TRICARE beneficiaries. Do you have any suggestions on how we might address this issue in this year's legislation?

Dr. CHU. Yes, sir. We have been in a conversation with the committee staffs on this subject. I think the broad outlines of a possible outcome that would improve the situation for all would be updating, in essence, the rules of the game under which this kind of care is rendered. Many of the Department's rules, as you are aware, are from an earlier period in American healthcare, and so our definitions and practices do not accord with the standard practices out there. Ultimately, what may be attractive is offering military personnel the right to buy into the proposed long-term care insurance that's going to be offered to civil employees as part of a larger package in which we also improve what the Department of Defense offers, as far as home healthcare is concerned. Again, we are still really in an earlier era, in terms of how our rules of the game are structured, reflecting the fact that we did not care for this kind of population.

Senator CLELAND. As the author of the long-term healthcare proposal that was signed into law about a year ago authorizing Active-Duty Forces, retired-military forces, and their families, to be in a group with Federal civilians, allowing them to get long-term healthcare insurance at 10 to 20 percent off, I look forward to working with you on this issue out.

Dr. CHU. Thank you, sir.

Senator CLELAND. Social Security and wage credit. The administration's budget proposes to eliminate the \$1,200 Social Security wage credit for uniformed-service personnel. This will cause Social Security benefits to be reduced for those who need it most, disabled veterans and families of service members killed on active duty. How much does this save the department, and are these savings reflected in the administration's budget?

Dr. CHU. Mr. Chairman, we share your concern with this inadvertent effect of the broader change the administration seeks here. I have the permission of the Office of Management Budget to work with your committee to craft a replacement program for, specifically, the population you're describing, which is a very small element of the total. This is not an expensive decision. There are a variety of possibilities here.

The administration's decision to put it forth this way, quite frankly, sir, reflected the inability of Social Security Administration data-processing system to set this particular group aside and treat

it differently from other groups. We look forward to working with you and your staff to find a solution to this. There is no intent to disadvantage this most vulnerable population.

Senator CLELAND. Glad to hear that. Thank you for that testimony, and we look forward to working with you on that point.

I'm just fascinated about military pay. In one sense, with an All-Volunteer Force, it's obvious that the benefit structure has to be pretty competitive. This includes pay. The military has the tradition of uniform pay, that if pay benefits go up for one, they go up for all. The administration's proposed targeted pay raise, ranging from 5 to 10 percent and emphasizing those midrange NCOs and officers, is a little bit of a departure from the norm. I'd like for you to just respond to that, if you will.

There's a second part to this. One reason I've been so fascinated about taking the GI Bill, making it family friendly as an extra arrow in the retention quiver, is realizing that pay can't solve everything. If it was just a matter of pay and retirement, that's pretty simple for Congress to do. However, that doesn't seem to be able to just solve recruiting problems or retention problems. There's a lot more to the American military mind set, there's much more—there's a family mind set now, there's a retention mind set, and there's a professional development mind set. It's more complex now.

What we're talking about is putting together an attractive package for going in the military and staying in the military. It has much more to do with a lot of other things other than just pay, although pay is important. I was actually trying to structure it so that the Department of Defense would have an extra arrow in its quiver other than just pay. We've mentioned the almost emotional relationship to commissaries and a perception of benefits. Service members say, "The country is either with me or not with me," and, "When I'm away from home, they're either taking care of my family, or they're not taking care of my family." That includes everything, healthcare, education, commissary benefits, pay, retirement, the whole perception that "My country's behind me and, therefore, I'm going to give it my best shot," rather than, "I'm strung out here in Korea, and the country's forgotten about me and they're not taking care of me."

I wonder if you just want to talk a little bit about the targeted pay raise ranging from five percent to ten percent? I'm sure there's a rationale for that, and I probably could understand it. But on the question of pay and bonuses, one of my fears about the All-Volunteer Force was that it would become, shall we say, not just a professional force, but a mercenary force. In other words, you tack a number up on the wall and all those who want that number go to it. That's a dislocation or disconnect from the American society, which is another problem. I don't want our military to be just hired-gun professionals out there making big bucks, separated from the average culture of America. On the other hand, we do want to take care of our people.

So do you want to kind of tackle that range of issues, particularly in terms of pay?

Dr. CHU. Absolutely, sir, and I feel privileged by the chance to answer your question. Let me begin by agreeing that the Depart-

ment's view is that it's more than pay that counts; it's the total package, including the celebration of people's service and honoring what they have done, are doing, and will do in the future.

Indeed, I made myself, some years ago, in the debates over military healthcare, get out the reports of Congress when it wrote the antecedents to modern law on military healthcare. I was struck by the degree to which the spirit of those laws back in the 1940s was very much as you described, to be sure that we took care of the families here at home while the members of the services were overseas.

To the pay issue itself, I think you put your finger on the Department's key consideration here, and that is: Are we remaining competitive? The first results from the so-called ninth Quadrennial Review of Military Compensation began to tell the department that we were losing our competitive position for the mid-grade NCOs, non-commissioned officers, and for our middle-career officers, the O-3s and O-4s in our force. On the enlisted side, part of the problem derives from the fact that there's been a change in American life. Now almost 70 percent of American youth who graduate from high school seek to go on to college. The point of comparison the Department had used in prior years, which was, "What does someone with a high school diploma make," is no longer appropriate. We need to look, beginning with, roughly, the E-5 pay grade, at the compensation that someone with some college in American life might enjoy. It's against that standard that we began to think about how to best use the president's decision to increase military pay. That led to the philosophy described. There was a base pay raise for everyone of five percent for the officers, six percent to the enlisted personnel. For the groups where we believe we are facing present or near-future competitive disadvantage against the civil marketplace, we need to do more. Those groups, as you've noted, sir, are basically the E-5 to E-9 group. There are some other small additions beyond that in the O-3 and O-4 group.

To the mercenary charge, with due respect to my colleagues here, quite candidly, we don't pay enough to call these people mercenaries. Without in any way criticizing what Congress has done here in its generosity over the years, it's not that lavish. We intend to be fair about what we pay to people, competitive about what we pay to people.

You were absolutely right, sir, this is a difference from the usual philosophy of the department. I think it's a constructive difference. I think it's going to make a meaningful difference for our people. I've talked with all five of the senior enlisted advisors, including the master chief petty officer of the Coast Guard. Everyone of them supports this structured raise.

It is not unprecedented. In, I believe, 1982, Congress approved a restructuring of the pay that had some of the same flavor that this does today.

Senator CLELAND. Don't misunderstand my remarks, I didn't say that they were mercenaries. I just said that that's what we didn't want to create the moment we went to an All-Volunteer Force. There's a positive side of that, which is what we want to stay on. However, the dark side of that is a growing disconnect between the civilian population and the American culture, setting up an "us"

and "them." In this country, with a tradition of the citizen soldier, we can never allow that to happen. It looked like to me, that, although we want adequate pay, what we're striving for is not just a moneyed force. We don't want some foreign legion that we just pay money to join, saying, "We'll send you somewhere but don't ask us to do anything." What we were much more interested in, as part of our GI Bill tradition, is the response a grateful nation gives in response to service, in and outside the military, by providing adequate pay, good retirement, and a host of other things such as good commissary and PX privileges. By offering survivor benefits, educational benefits, and home loan guarantees, we create the overall feeling with service men and women that, "I'm doing this cause I love my country. This is the job I want to do. I love to do it. While I'm doing it, the country is taking care of me." It's not just, "They're buying me off and lots of luck," but rather, "I'm connected. I'm serving, and they're serving me and my family, and we are together. I'm going to do my job and do what I love to do." That kind of sense is where we want to go. Is that your feeling?

Dr. CHU. Absolutely, sir, and I think that's why in this budget request, the Secretary so strongly backs the improvements in family housing, the improvements in the workplace and the infrastructure of the department. I think he is very much convinced it is the entire package, and it is service to the Nation that we are honoring here with the decisions made.

Senator CLELAND. Can I follow up on your point about celebration of service? You're a Vietnam veteran and I'm a Vietnam veteran. In dealing with military people and veterans a long time now, for some 30 years, I think military people don't think of service as a monetary thing; it is a psychic thing, a psychological sense that the country cares and has not forgotten me. One of the ways we do that is with medals for service. There is an issue of a Korean service medal; a proposal for an award of a new campaign medal has been referred to the Senate Armed Services Committee for consideration. The proposal would require that the Korea Defense Service Medal be awarded to members of the armed forces who were assigned to duty in Korea since the Armistice was signed in 1953. I don't want to catch you off guard here, but do you have any thoughts about that at this point?

Dr. CHU. Just two, sir. First, we have not come to a conclusion, as a department, on this subject. Second, in the past the department has been wary of open-ended awards, and that's one feature of this. As I understand it, the proposal would be ongoing into the future. Generally, awards have been for a period concluded already, and therefore honors a specific set of circumstances. I do think that the point you're making is well taken, that the military personnel who have been serving in Korea since the Armistice have been on the front line, so to speak, often under difficult circumstances. Perhaps something more than we have done in the past to note that is in order.

Senator CLELAND. Thank you very much, sir. Senator Hutchinson, welcome to our third panel, sir.

Senator HUTCHINSON. Thank you, Mr. Chairman. I apologize again to our witnesses for my absence. One of the great frustrations in the Senate is having multiple committees meeting simulta-

neously and trying to be in more than one place at once. So I do apologize, and I beg your indulgence.

General Peterson, let me join the chairman in congratulating you, wishing you the best, and expressing our gratitude for your service to our country. We wish you the very best.

General PETERSON. Thank you very much, Senator.

Senator HUTCHINSON. Secretary Chu, I wanted to bring up a subject that certainly is personnel related, something that's become of grave concern to me. The issue regards the Department of Defense's immunization program. Back in the early 1990s, the Pentagon considered the building of a government-owned, contractor-operated (GoCo) facility that would meet the very unique immunization needs of the military. Many times, they are dealing with real or potential viruses that could be biological weapons. The protection of our troops would not be sufficient to have a general commercial value and be profitable for the private sector. The recommendation was made that a GoCo be established. However, the recommendation was not followed, and the decision was, I think, a terrible mistake. We depend entirely upon the commercial sector, which has had grave consequences.

The difficulty now that it's created for the anthrax vaccination is pretty well known to everybody. According to a recent *Chicago Tribune* story, recently two Navy recruits died as a result of a viral infection. The conclusion was that their lives could have been saved. The vaccine was not available because the company that had produced it decided it wasn't commercially feasible and quit producing it. Therefore, we had no means of protecting them from that infection.

I think it's a serious national security problem, and I know the Department of Defense is again looking at the creation of a GoCo. I'd like your opinion on the establishment of a government-owned facility dedicated to the unique needs of the military, whether that's necessary, and whether we could better protect our troops with such a facility.

Dr. CHU. To get to the bottom line, first, and then to offer an explanation, we have not yet concluded that a GoCo facility is the best option.

Let me put this in context. Sir, there is a problem with vaccine production for the entire American society, given the impact of tort litigation on this sector of healthcare. In the Department of Defense, we are a particular victim of that outcome.

That said, I think we need to look at the entire vaccine picture in coming to a conclusion of how we want to proceed. We have just started that enterprise and don't have the answers yet, but we know this is something that is urgent.

On the specific *Chicago Tribune* issue, there are two points I'd like to add. One, part of the difficulty was that the manufacturer, as I understand it, had to come up to the newer, tighter FDA standards and, as you say, decided that was not commercially viable. The Department is pursuing a new contract solicitation for that purpose. Second, the real problem here is the loss of personnel time in training. While the story headlines the two most unfortunate deaths, this is a real training issue that we need to solve. But I don't want to be a Pollyanna here and promise that the solution

is around the corner. This is part of a much larger problem, and we're going to have to figure out what the right Department of Defense role is.

Senator HUTCHINSON. I don't know how much evidence we need. It was my understanding that the Department of Defense was heading toward a very expeditious review and a recommendation on what course to take.

Dr. CHU. Yes.

Senator HUTCHINSON. This is news to me, if we're still undecided. Clearly, the BioPort is an unmitigated disaster recognized by all. It is costing the American taxpayer millions and millions of dollars and jeopardizing the safety of our troops for whom we are not able to provide that anthrax vaccination. We know there are a whole host of needs that the military has in regards to vaccinations and immunizations that would not be generally available. They are not needed by the general population and could never be commercially viable. Tell me what the counter-argument is. Why is there still consideration of depending upon the commercial sector to provide protection for our troops when this is has been such a costly disaster in the past?

Dr. CHU. A GoCo facility would be depending on the commercial sector, since it's government-owned contract-operated.

Senator HUTCHINSON. Shall I say "solely" dependent upon the private sector then?

Dr. CHU. I don't think we're disagreeing, sir. We recognize we're going to have to take aggressive action in this sphere in order to get the kind of vaccine supply we need for a variety of ailments, but we're not quite yet at the decision point, I can't report exactly what we're going to do this morning.

Senator HUTCHINSON. Okay. It would seem——

Dr. CHU. I apologize for that.

Senator HUTCHINSON. Maybe there are more options out there than I can imagine. It would seem to me our options are kind of limited on what we do and that we made a big mistake in the early 1990s when we turned down that solid recommendation. But thank you for that.

Let me bring up another issue that I have been involved in. When we had our roles reversed, and I was chairing the committee, we had a number of hearings on recruitment and retention. Maybe in those early days as chairman, I was naive, but I was very shocked to discover the problem that our recruiters have in access to our high schools across the United States. I'll never forget when we had a panel of front-line recruiters. These were the guys out there in the schools, out in the communities, and I asked all of them to name the number-one problem that they had in recruiting. They said access to the students, access to the potential recruits. As the evidence accumulated that there were literally thousands of high schools that bar recruiters to their campuses, we sought a solution to that. Through a lot of good-faith negotiations with those who wanted to make certain that we didn't have too heavy-handed approach with it, I think we came up with a provision that's pretty good. It sets in place a series of steps by which a recruiter would report a school that doesn't provide access, and there would be the efforts of superiors, right on up to the Secretary and to the Gov-

ernor of the State, if necessary, to find out what's the problem and how to get it solved. Ultimately, instead of a superintendent or a principal having the authority to bar recruiters, it has to be something that the school board takes a public vote on if they're going to have that policy in place. So I think it was a good compromise.

My concern now is that a year from now, next July, this new policy will kick in. Recruiters are already reporting that they're running into superintendents who have no idea about this coming change in policy. It's my understanding from other hearings, that there are Web sites that are being prepared to help get the word out. We put an amendment in the education bill, the ESEA, that will hopefully get to the President, that actually authorizes money for a joint effort between Education and Defense to help educate and get the word out so schools are aware of the new policy.

Could you give me your thoughts on what's being done and what kind of preparations are being made?

Dr. CHU. I personally welcome the attention you've given to this issue. The Department is very much concerned with it, and is undertaking the kind of preparation that you have indicated. It may be useful to get some sense from my colleagues here how they feel the trend is in terms of actual behaviors in the American community at large, in terms of recruiter access. I'd invite their comments on that subject.

Senator HUTCHINSON. I would welcome that.

General PETERSON. We're making good progress, I think, sir. We haven't, obviously, solved the problem, and most of that's from engagement with the schools themselves. We have taken an initiative, especially in the area of our installations, to have a colonel-level representative on the school boards in our communities. We've engaged them with not only our recruiters, but with our squadrons where we have military bases in the area. In general, we're marching down the line to make contact with schools, and we're finding out that a good part of our problem has been failure to communicate. We've had less problems once we actively engage the senior officers and NCOs with the schools than we anticipated.

We will still have some hard-core ones, I think, that we'll have challenges with, and we're not moving as fast as we'd like to. It's a matter of getting enough senior NCOs and officers out into the school systems themselves, and we've built a game plan to do that. I think we're marching down that path.

Senator HUTCHINSON. Is this Web site that was mentioned up and running where recruiters can report schools that are barring access? Is anybody familiar with that issue?

General MAUDE. I'm not familiar with the Web site, sir. I am familiar with the Department of Defense database that we've just finished populating to make sure that we have identified all the schools and their status about whether they are allowing access to one, all, or none of the services. We can then target our efforts to reach out to the school board and the school administration. So our effort since the passage of the law has been to gather the data and make sure that we are working on the right problem.

Senator HUTCHINSON. Is there sufficient data yet to determine whether there are any trend lines and if the situation is improving,

even from the publicity that's attended the legislation and the issue?

Admiral RYAN. Senator, from the Navy point of view, I would agree with my colleagues. As Don has said, the Secretary of Defense's office has organized us, broken down the schools and areas that we think are potential problems, and given them to each of us to go out and communicate with. That has been very helpful.

I can give you just one example. The Portland, Oregon school system was one of our areas, and we had two of our Navy flags go and talk to the authorities there. The regional superintendents were able to come to an agreement to where we could get back into the schools and have our recruiters back in there.

So this has been a very useful forcing function. I think we've taken it on methodically to get the database and to understand the problem. I think each of us has started to go out now, once we've each done our share of the schools, to go out to those areas that are in our purview and start to address the issues with the principals. We're into phase two now where we will be expected to make sure that the schools know what the situation is and what the expectations of the law are.

Senator HUTCHINSON. You mentioned Portland. Have they changed?

Admiral RYAN. Well, in Portland, we had not been able to get into the schools—

Senator HUTCHINSON. Right.

Admiral RYAN. We had two of our Navy flag officers go out to that area and talk to the authorities there, the elected officials and the school board. We have been able to get back into the school systems to make our presentations.

Senator HUTCHINSON. Very good.

General Parks.

General PARKS. Senator Hutchinson, as you may recall from previous hearings with you as the chairman, I was in the seat as the recruiting commander at that point. I've been working and following this issue very closely over the last few years. As my colleagues have articulated, I believe we are making progress in the one-to-one interface that comes by getting someone across the table. We are explaining it at a level where there's an influencer, how the process works, what we're trying to do, and why we need access to offer the opportunities that should be provided to young folks, whether that be in high school or college.

The burden for that, as we start out, falls on the recruiter to start through the process and ratchet it up through his chain of command. Initially, he has been given one extra thing to do. So as we get this rolling, it takes getting the senior leadership involved. Again, that will just take us time. We are making progress. As we started this out, the letter signed by the Secretary of Education was the most valuable piece that that recruiter had to go out there and say, "Here's what the Secretary of Education says."

So your efforts to work closely with the Secretary of Education and the Department of Education will only help our efforts to move forward in this regard on behalf of DOD.

Senator HUTCHINSON. I'm very pleased with that report. I think that's an excellent indication that a lot of these situations are going

to be resolved fairly quickly. While there may be some hard-core schools that resist that change in policy, I think that's a very favorable report, and I'm pleased.

Mr. Chairman.

Senator CLELAND. Thank you very much, Senator Hutchinson. We thank you for your interest in all these issues. It means a lot.

General Maude, could you share with us your top two personnel priorities this year that you would like to have this committee address?

General MAUDE. Yes, sir, and thank you for the opportunity to address the committee and to testify today.

Army readiness is our primary concern—soldiers in foxholes—and I'd like to report to the committee that we've had another very successful recruiting year and a very successful retention year that has enabled us to man our formations in a much better posture than we have in many years. By the end of this year, 67 percent of our warfighting formations will be at or above a hundred percent, and then we'll have about a 94-percent match on grade and skill. That's better than we've been in decades. It is the result of the great support that we've gotten from this committee and from Congress on our programs to support recruiting and our programs to support retention.

There are two issues that are of top concern to us in the Army right now, as it pertains to readiness. First, shaping the officer corps, because we have not yet got that quite right. We continue to have shortages, particularly at the grade plate of captain. Our line officers will be about 2,700 captains short. Our greatest tool to shape the officer corps, and I think it's the intent of Congress, is the promotion system, very well articulated in the rules of DOPMA. We think we need some help from you in lowering the promotion point—pin-on point to captain. Currently, we're constrained to not promoting any earlier than 42 months and, with some relief, down to 36 months, temporarily to the secretary. We believe we can shape that captain grade plate, get it healthy quickly, and then regain a better readiness posture across our officer corps.

That's our largest grade plate. If it's not healthy, we have trouble sustaining the field-grade ranks from which we begin to pull for major and lieutenant colonel. The most number of years that anybody serves is at that grade plate.

Senator CLELAND. Thank you for zeroing in on that whole pin-on-time-to-captain point. I have two thoughts. First, you have two old, burned-out Army captains here—me and Secretary Chu here—

[Laughter.]

So if things—I'm not sure things are going to get that bad, but we're available. [Laughter.]

Second—

Dr. CHU. I think I've been volunteered here. [Laughter.]

Senator CLELAND. In other words, I should speak for myself, right, Mr. Secretary?

Dr. CHU. That's okay.

Senator CLELAND. Second, I was promoted to captain the 1st of February 1968 and I think it was under 36 months in those days.

General MAUDE. Twenty-four months, sir.

Senator CLELAND. The day I was promoted, the Tet Offensive broke out, and the war went to hell in a handbasket, and all of my friends said, "Yeah, we figured that would happen when you went to captain." [Laughter.]

The pin-on time was literally 26 days. The battalion commander couldn't even get to me to pin on my captain's bars for 26 days. When I saw in my briefing notes that you're bringing up the pin-on time, shortening that, I'm all in favor of that. I thank you for zeroing in on that point. We will take serious note of your request and serious advisement of that.

General PETERSON, I see that the Air Force is requesting an active duty end-strength increase of some 1,800 personnel. Do you have any idea where this end strength will be used, or will it be just be used as yeast to leaven the force?

General PETERSON. Pretty much across the force, sir, focused on our maintenance area. If I took it in raw numbers, that is the area we're trying to increase. We're going from, as you mentioned, 357,000 to 358,800. We'd like to, gradually, continue to build our force as we can sustain it. Some of that goes into our recruiting and our training piece, as well, so that we can bring our overall shortfall up.

Senator CLELAND. You are going to miss your end strength by a little more than about 4,000 this year.

General PETERSON. Yes, sir. We think we'll be short, but we hope we'll do a little bit better than our estimate right now; it's about 2,500 enlisted and about 1,500 officer right now. Our recruiting is much better than it was last year, and so we're beginning to close the gap there. The area we need to work on the hardest is retention.

Senator CLELAND. In terms of recruiting—I don't know whether Senator Hutchinson wants to remark on this point—but personally, I would much rather have the American military stick to quality and emphasize capability, performance, professionalism. I don't see that as a great disaster, if you don't hit that magic mark that Congress and the budget allocated or something. I would much rather have an insistence on quality, performance, and quality force than, shall we say, lower standards just to get to a number.

Senator Hutchinson, do you have any reaction to that?

Senator HUTCHINSON. Mr. Chairman, I'd only offer my agreement. I think that is very true, and in the long run, recruitment and retention is enhanced when we maintain a quality standard. I think you're right.

Senator CLELAND. Amen.

General PETERSON. In that area, Senators Cleland and Hutchinson, we couldn't agree with you more, and we've lagged the fight a little bit by maintaining—trying to concentrate on our quality as we've built our recruiting force up. It will enable us, not only to raise the numbers, but to continue to concentrate on quality, and we all, I think, know the value of quality. That's what we want to retain.

Senator CLELAND. Thank you. General Maude, a question about state forces. My state, and other adjutant generals, tell us that full-time support is the top readiness issue of the Reserve component.

I know the Army developed a plan to incrementally increase the full-time support program over an 11-year period, but I wonder why the Army didn't include the first year of this ramp up in the current DOD legislative proposal. Any particular reason for that?

General MAUDE. Sir, I don't know that I can address that adequately. If I could take that for the record and return to you on that, I will.

[The information referred to follows:]

You correctly state that full-time manning is directly linked to readiness in the Reserve components and impacts the ability to train, administer and prepare ready units and individuals for the transition from a peacetime to a wartime posture. The Army developed the full-time support ramp plan to incrementally increase the Reserve Component Full-Time Support Program over 11 years, beginning in fiscal year 2002. However, for fiscal year 2002, we do not have sufficient funds to resource the authorized increases in Active Guard Reserve (AGR) or Military Technicians (Mil-Tech). For this reason the first year ramp requirement was not included in the proposed legislation.

For fiscal year 2002, the required full-time support increase is 724 in the Army National Guard and 300 in the Army Reserve. Additionally, there is a requirement for a Mil-Tech increase of 487 for the Army National Guard and 250 for the Army Reserve. Without an increase in total obligation authority these requirements will not be satisfied in fiscal year 2002, which may delay achieving the planned FTS manning objective by fiscal year 2012.

Senator CLELAND. Thank you. Admiral Ryan, could I get your views about the issue of authorizing transferability of a portion of a service member's GI Bill benefits to his or her family members?

Admiral RYAN. Mr. Chairman, Senator Hutchinson, I think the Navy has had a lot of success recently in our retention efforts. We're up 7 percent. Our recruiting is up. Our gaps at sea in the deployed forces are down by over 60 percent in 2 years. We think we have a strategy that is going to move us to a more senior, experienced force. It's going to be a smaller force because we're going to be more technical, but we've found that we and our sailors both need flexibility and choice. We have restored, I think, the choice and the power of service with the restored retirement benefit and with the improved medical benefit. We think the third part of that triad is to put the "wow" back into the education benefit.

The way we would use the transferable education benefit, if it was approved, is we would offer this to our personnel that have approximately 10 years or greater in service. We think this would be a real incentive for them.

We have polled our men and women on this issue, and this is a real winner with them. They like having the choice of what they do with their benefit, and they like the fact that we're taking into consideration if they have a spouse or a child, those needs, and getting the use of this benefit up.

This would be a good, flexible thing for the Department of the Navy, Navy personnel, to have, particularly for personnel at about the 10-year-and-out point, Senator.

Senator CLELAND. Thank you very much. I was in Yokosuka Naval Base in Japan last August, and a wonderful admiral, when I talked to him about this issue, said, "The decision to remain in the Navy is made around the dinner table." I thought that was a powerful statement, that it's an inclusive decision. Maybe with the improved educational opportunity for spouses and youngsters, that

decision around the dinner table can be more positive, in terms of the Navy career.

General Parks, do you have anything to add, in terms of the Marine Corps personnel policy that you'd like to have the committee address?

General PARKS. I do, sir. The one item that I would bring up that I think is an area that, perhaps, keeps me up at night, is the issue of the personnel tempo legislation. In essence, we view that, I believe, as paying a premium for doing what we do as normal operations or an expeditionary force. We go out and about around the world. We're forward deployed, forward based. Being a small force, the ability to take people off when we get to the 400-day threshold and rearrange them impacts us perhaps greater than some of the other services.

We understand the intent of Congress. We're working very diligently toward that. We did not have a mechanism to track it previously, and we now do. We're still grasping the total impact of it. But at this juncture, it's forcing us, once we come to the threshold on 1 October, to use scarce operations and maintenance (O&M) funds to compensate for this, to perhaps break the continuity and cohesion that has been very valuable and extremely successful in our retention. Our re-enlistment rates are the highest in our forces, which are the most active in doing what they have signed up to do. Perhaps we're going to run now counter to that by a legislated direction.

I believe we understand the intent. I would only ask, until we grasp the total impact of this, that we give a little more lead time for us before we actually have the threshold in which we have to start paying people for this.

Senator CLELAND. Excellent points you raise. I was just thinking that the Marine Corps is an expeditionary force, and your rationale for being is, in effect, completely mission oriented about deployment, movement, and quick response. You're right; when a marine signs on, and they get to do that, that's why they wanted to be a marine. We don't want to do anything that would be counter to that. But we do know that constant deployments that aren't properly measured, in terms of impact on families and other things, can begin to wear on the force. We don't want to throw the baby out with the bath water. We want to just be able to support the force in a better manner.

Senator Hutchinson, do you have any further questions?

Senator HUTCHINSON. I have only just one last comment. I want to applaud the Department of Defense for their excellent implementation of the pharmacy benefit last year. I think one of the great things that the committee did, that Congress did last year, was the TRICARE For Life. I have had a lot of feedback, an enthusiastic response, to the department's education information campaign—letting people know about this and the way it's been implemented. I think it went in—was it April?

Dr. CHU. April 1, yes, sir.

Senator HUTCHINSON. Can you just give us assurances or any information of what will be done by the department as we look to the full implementation of TRICARE For Life into the year?

Dr. CHU. Yes, sir, and thank you for those kind words. We'll be sure to take them back to our colleagues who were responsible for bringing off this important new benefit on, really, rather short lead time. I think, as you say, sir, it's been to, as far as I can tell, universal applause. I have not heard a single complaint. I'm sure there are a few things that have gone wrong out there, but it really is quite a triumph.

One of the most important things that we can do to make sure that TRICARE For Life operates properly next year is to be sure that we fully fund the present budget request for the healthcare system. We put this estimate together as our best estimate of what will be needed.

Obviously, there are uncertainties associated with this. This is why the present budget provides for a contingency account in the healthcare system. As I said earlier, what would help us most is if you could persuade your colleagues elsewhere in Congress to avoid fencing any part of the medical care budget so we can move the funds as we need to in order honor the promise that's been made to our over-65 retirees. This is a big, new responsibility. We look forward to meeting the challenge, but I would not want to underestimate how much there is to do to make this successful.

Senator HUTCHINSON. Do you anticipate an information dissemination?

Dr. CHU. Yes, sir. There's a big effort already out there starting to explain it, and I think the associations who testified earlier this morning have done a terrific job with their materials. Unlike the government, they write in plain English, and even I find the brochure a useful way to review the provisions of the law. [Laughter.]

Senator HUTCHINSON. Thank you, Mr. Secretary. Thank all of the panel for your valuable service and contribution.

Mr. Chairman?

Senator CLELAND. On the question of the retired military TRICARE For Life option and the pharmacy benefit, we were proud to be part of that and push that legislation along, particularly Senator Hutchinson and I, on the Personnel Subcommittee. It was noted in the testimony that we received; that the greatest out-of-pocket expense for a military retiree over 65 was the prescription drugs, and we're glad we moved in that direction.

If there are no further comments or questions, the committee is adjourned. Thank you.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR TIM HUTCHINSON

HEALTH CARE

1. Senator HUTCHINSON. Dr. Chu, the Department of Defense has come to rely increasingly more on the Reserve components and activation has frequently come to mean deployments throughout the world for varying periods of time. While I am not proposing total comparability of all benefits between the active and Reserve components, I am extremely concerned about the continuity of health care for reservists and their families, as they transition to and from active military service.

I applaud the efforts of the Department in assisting those Federal employees who are activated in continuing in their health plans. I am equally concerned about private sector employees and what options the Department may be considering to assist in providing consistent health benefits for those reservists and their families.

Could you please share with this committee what plans you may have in addressing this critical issue?

Dr. CHU. While all Guard and Reserve members have the option under the Uniformed Services Employment and Reemployment Rights Act (USERRA), as codified in chapter 43 of title 38 of the U.S. Code, to continue their employer-sponsored health care plan for themselves and their families, this may not be financially viable for the reservist-employee. Under USERRA, the employer may require the reservist-employee to pay the entire premium share for continuing that coverage plus a 2 percent administration fee when the period of active duty is for greater than 30 days. The additional cost may not be affordable to some reservists, or could place an additional financial burden on families who may already be financially stressed. While TRICARE is available, it requires the family to change health care systems and may require a change in health care providers, only to change back again upon the member's release from active duty.

To address this important issue, the Department has taken steps to initiate an analysis with RAND's National Defense Research Institute that would assess the current health care coverage provided to Reserve component members and their families, to identify new options that might be more cost effective and to evaluate the likely response of Reserve component members to the new approaches. The project will consider such factors as: health care for families of reservists when the reservist is not on active duty; the disruption and expense of health care coverage experienced by Reserve families when the reservist is ordered to active duty for greater than 30 days; cost-effective options that may be considered to lessen the burden on reservists and their families; and the implication for force health protection and the medical readiness of Reserve personnel.

Also we have reviewed a bill introduced by Senator Leahy—S. 1119—that would require the Department to conduct a study covering many of the same areas that will be studied under the RAND project. The Department supports the study of health care coverage for members of the Selected Reserve and their families as described in S. 1119. Our only concern is that given the level of detail that would be required, it may be difficult to meet the March 1, 2002, completion date for the Report to Congress.

Finally, with the recent mobilization of Reserve component members following the attacks on the World Trade Center and the Pentagon, the Deputy Secretary has approved several TRICARE enhancements for Guard and Reserve members called to active duty for more than 30 days in response to those attacks and the war on terrorism. Specifically, the department will: (1) waive the TRICARE deductible for fiscal year 2001 and fiscal year 2002 since many reservists may have already met an annual deductible payment associated with another health care plan; (2) pay civilian physicians who are non-participating providers up to 15 percent above the allowable TRICARE charges, which will help reduce family expenses—particularly for those families who are outside the TRICARE provider network; and (3) waive the requirement for a non-availability statement, which will allow Reserve component families to continue to receive care from their private, civilian providers.

2. Senator HUTCHINSON. Dr. Chu, I am pleased that the President's Budget Request included an addition to the Defense Health Program of \$3.9 billion to address implementation of the complete health care benefit for older military retirees and their dependents. As you have noted, the budget request reflects an increase of approximately 12 percent for the Defense Health Program over last year's amount.

I understand there is a great deal of uncertainty with regard to the adequacy of these projected amounts. What plans does the Department have for dealing with the uncertainty of the health program, both with regard to the uncertainty of budgeting for the core program, and with the uncertainty of the impact of the new retiree benefit?

Dr. CHU. For the first time in recent years, the fiscal year 2002 budget provides a realistic estimate of the Military Health System (MHS) required health care costs and adequately funds the Defense Health Program (DHP) for known requirements. The MHS continues to face challenges, just as the civilian sector does, with such issues as the rising costs of health care. It now also faces the expansion of the entitlement to health care for our over 65 beneficiaries. The fiscal year 2002 budget does include an increase of direct care funding to sustain the military treatment facilities; an increase of 15 percent for pharmacy operations; provides for 12 percent increase over the fiscal year 2001 budget for the managed care support contracts; and sufficiently funds the implementation of the Fiscal Year 2001 National Defense Authorization Act requirements, including TRICARE For Life. We believe the additional funding appropriated to the Department for the benefits to the over 65 population will be adequate to fund their health care costs. We will closely monitor execution in the coming fiscal year of not only the Defense Health Program core pro-

gram requirements, but also the health care of our new beneficiaries to determine funding sufficiency.

3. Senator HUTCHINSON. Dr. Chu, DOD has partnered with the civilian sector through the use of “managed care support contracts” to augment the capabilities of the “direct care” system to provide health care to DOD military beneficiaries. These contracts have been in place for some time now and there has been a great deal of discussion about how future contracts should be structured.

In your statement you state: “We face many challenges with the DHP. One being developing a new generation of simplified managed care support contracts, which have greater financial predictability, create more competition, and reduce administrative costs.”

What time frame do you envision pursuing this new generation of contracts and what significant changes do you propose to the current contractual process?

Dr. CHU. The TRICARE Management Activity (TMA) is developing the requirements and the new acquisition strategy to support award of the next generation of TRICARE contracts. TMA anticipates full implementation of the next generation of TRICARE managed care support contracts as existing contracts are completed.

The revised strategy will incorporate significant improvements to the current contract architecture. If Congress approves the elimination of the current statutory requirements for contractors to “financially underwrite” the TRICARE contracts, the Department will be able to explore the use of different contract models, in accordance with the Federal Acquisition Regulation, for obtaining cost effective and efficient health plan administrative services. The Defense Health Program will then assume all risks for health care costs, with appropriate financial incentives to control overall program costs. This more flexible contract model will enhance competition, facilitate the replacement of poor performing contractors, and will reduce administrative costs associated with contract change orders. Key business processes will be reengineered to simplify claims processing and to synchronize benefit changes with the Department’s programming, planning and budgeting process.

4. Senator HUTCHINSON. Dr. Chu, Do you believe that the DOD custodial care definition needs to be changed to more closely resemble the definition used by other Federal programs?

Dr. CHU. For the past few months we have been evaluating the feasibility of making that type of change. This involved assessing the impact on the basic TRICARE benefit that would be associated with such a change. The determination is that we should begin steps to make the change keeping in mind that it is essential to do so in conjunction with other key changes related to skilled nursing facility and home health care benefits and reimbursements.

5. Senator HUTCHINSON. Dr. Chu, do you support a “wrap around” to the Medicare benefit for skilled nursing facility care for DOD beneficiaries?

Dr. CHU. We support simplicity and consistency in coordination of benefits between TRICARE and Medicare. We support an extension of the number of days covered beyond the Medicare benefit with the same prerequisites for coverage as Medicare on any “wrap around” benefit. These prerequisites are a minimum 3 day precedent inpatient hospital admission, admission to a skilled nursing facility within 30 days of discharge from the hospital, and admission to a Medicare certified facility.

6. Senator HUTCHINSON. Dr. Chu, do you support implementation of a DOD home health benefit along the lines of the Medicare benefit?

Dr. CHU. We believe that transitioning to a Medicare-like acuity-based assessment of medically necessary home health care needs, coupled with the latitude to provide some support for assistance with activities of daily living using less costly support staff such as nurses aides, is in the best interest of our beneficiaries.

7. Senator HUTCHINSON. Dr. Chu, do you support integrating the provisions of the Individual Case Management Program into the basic TRICARE benefit?

Dr. CHU. It is crucial that action to do so be directly tied to a change in the definition of custodial care and action to establish Medicare-like benefit and reimbursement systems for both skilled nursing facility care and home health care services. We think that continuation of comprehensive case management services under the TRICARE Basic Program is also essential to ensure the needs of these special beneficiaries are effectively met from both a quality and cost-effective standpoint.

8. Senator HUTCHINSON. Dr. Chu, do you support a supplemental program which ensures active duty members' beneficiaries have a complete benefit to support the deployability and readiness of our active duty troops?

Dr. CHU. In support of readiness, we would welcome the latitude to develop or modify existing TRICARE programs to allow the provision of clearly defined and administered medical coverage enhancements and support services to those active duty family member beneficiaries with special needs.

9. Senator HUTCHINSON. Dr. Chu, do you support incentives for participation in long term health insurance programs?

Dr. CHU. We support the concept but until details of the long-term care insurance offering for Federal employees and military beneficiaries is more clearly defined we cannot determine what incentives may be appropriate.

10. Senator HUTCHINSON. All Personnel Chiefs: Last year, this Committee enacted legislation that fulfilled the promise of lifetime health care. Your organizations have been extremely helpful in getting the word out on new benefits. Could you share with the Committee, information about initiatives you have under way to help educate beneficiaries about these new retiree programs?

General PARKS. Numerous articles about TRICARE For Life and the TRICARE Senior Pharmacy programs have been included in our Semper Fidelis Memorandum For Retired Marines. In Volume 44 No. 4, we provided a brief synopsis of the Fiscal Year 2001 National Defense Authorization Act that was signed into law on 30 October 2000 which included TRICARE For Life. In Volume 45 No. 1, details of TRICARE For Life and the TRICARE Senior Pharmacy programs were the lead articles. In Volume 45 No. 2, we provided additional information about how "Other Health Insurance" (OHI) impacts on TRICARE Senior Pharmacy, and also an update on TRICARE Senior Pharmacy. In Volume 45 No. 3, we will introduce TRICARE Plus and identify to our retired component that they should have received, or soon will receive, a DOD mailout about TRICARE For Life. Additionally, every issue of the Semper Fidelis Memorandum For Retired Marines has contact numbers and some form of information pertaining to TRICARE. The memorandum is mailed to all retired marines, and surviving spouses who are receiving annuity payments from DFAS—Denver.

Our Retired Activities Section web site also has TRICARE For Life information contained on the "Hot News" page. The Retired Activities Section of HQMC Manpower Department (MMSR-6) fields numerous telephonic and e-mail inquiries pertaining to TRICARE For Life.

Admiral RYAN. Navy took several steps to ensure our Retiree Families were informed of these significant and beneficial changes. Specifically, Navy published several comprehensive articles in "Shift Colors", a quarterly retiree newsletter, and offered additional points of contact should questions arise. We also ensured this information was disseminated at annual retiree seminars held throughout the country. Detailed information packets, including various pamphlets, were mailed to all 68 Navy Retired Activities Offices (RAOs) throughout the world in February 2001. The RAOs, staffed with more than 300 volunteers, provide valuable support services to our Retiree Family and they received in-depth training on TRICARE for Life during our annual RAO training conference held in June 2001. Additionally, the Secretary of the Navy Retiree Council, comprised of both Navy and Marine Corps retirees, was provided extensive information on the program from the Surgeon General and several military retiree fraternal groups such as The Retired Officers Association (TROA) and the Fleet Reserve Association (FRA). Our Casualty Assistance and Retired Activities Division (PERS-62) maintains a toll-free number and quickly responds to E-mails from retirees, with all information additionally accessible from the PERS-62 web page: <http://www.persnet.navy.mil/pers62/RetAct/newstaff.htm>.

General PETERSON. Mr. Chairman, thank you for the opportunity to address this issue. The Air Force Medical Service (AFMS) has proudly partnered with our sister Services to successfully implement TRICARE For Life and other legislative initiatives that improve the health care options for our senior patriots and their families. Restoring the "promise" to our seniors is also a great deposit into the bank of trust with the men and women who are currently serving their country and will undoubtedly positively influence future retention.

The AFMS supported numerous initiatives to educate our beneficiaries about these new programs. In addition to supporting the TRICARE Management Activity (TMA) communications strategy, AFMS personnel developed and provided hundreds of briefings nationwide to our senior beneficiaries and other interested parties.

Many military retiree organizations played an invaluable role in this endeavor. TMA and The Retired Officers Association surveyed Medicare-eligible beneficiaries

to determine optimal communications strategies. These surveys revealed that more than 80 percent of seniors read retiree newsletters, 39 percent read the messages on their retired pay statements, 24 percent read the various handouts available in the military medical treatment facilities (MTFs), and only 7 percent used the Internet as a source of information about changes in health care benefits. TMA initially fielded web-based information about the new benefits that was later supplemented by mailings to each TRICARE For Life household in January 2001 and August 2001. These mailings provided detailed information about the new programs.

The Air Force took the lead in developing a toolkit to provide TRICARE Plus implementation and marketing guidance to each of its participating MTFs. Letters explaining the TRICARE Plus program were mailed to eligible beneficiaries by participating MTFs. Every Air Force commander received briefings about the new benefits Congress authorized as part of our Operation Command Champion program. In-processing programs at every Air Force base now contain information about these new programs. Additionally, the TRICARE Plus MTF primary care enrollment program was briefed in conjunction with the Nationwide TRICARE For Life briefings.

Congress' leadership in restoring the promise of health care to our great American senior patriots has provided a wonderful recruitment and retention tool. It has been a privilege for the AFMS to educate our active duty and retired service members and their families about these benefits.

General MAUDE. The Army Retirement Service Office within my organization and Retirement Services Officers at military installations have gotten the word out to retirees and family members on the fulfilled promise of lifetime health care. Three times a year, Army Retirement Services publishes the retiree newsletter Army Echoes, the Army's way of communicating with our retirees. Through Echoes, the Army has been preparing retirees and family members for the start of the TRICARE Senior Pharmacy program and TRICARE for Life. Issues 1 and 2 for 2001 have both featured messages from the Army Surgeon General to retirees and family members explaining the new benefits and what retirees and family members need to do to plan for them. Both issues have also included articles with more information on the new benefits. The Army Retirement Services homepage (<<http://www.odcsper.army.mil/retire>>) includes a link to the TRICARE website.

At Army installations, record numbers of retirees and family members have attended Retiree Appreciation Days, which have featured speakers on TRICARE for Life. I expect that appreciation days scheduled for the rest of the year will draw similar crowds. Some Retirement Services Officers also have homepages with links to the TRICARE website.

The Retirement Services part of my team has done a fine job of getting retirees and family members ready for these new benefits.

QUESTIONS SUBMITTED BY SENATOR SUSAN COLLINS

EDUCATION BENEFITS

11. Senator COLLINS. Dr. Chu, this year, Senator Tim Johnson and I introduced legislation, S. 131, which would index (benchmark) the Montgomery GI Bill to the cost of education at the average 4-year college/university, in an attempt to align and bring up to date the cost of tuition reimbursement to our service members. Along those same lines of bringing benefit costs into line, and offering equal benefits to the total force, would you provide some details and your thoughts on the differences which exist for those National Guard members in some states receiving 100 percent tuition reimbursement from a combination of state and Federal funds, vs. the Reserves, which only receives partial reimbursement from our Federal education and training benefits programs?

Further, would you elaborate on the benefits of modeling educational benefits for our Reserves based on an index, as S. 131 would do for the Active components of our Armed Forces?

Dr. CHU. First, Federal education assistance benefits are available to members of the federally recognized portion of the National Guard and the Reserves on an equal basis. Also, under the provisions of state statutes, some states do offer additional education assistance benefits to members of their state militia in recognition of their service to the state. This creates the perception that the National Guard is offering tuition assistance programs that are far more lucrative than those offered to other Reserve component members and may give the National Guard an advantage in recruiting. A more realistic view is that the combination of Federal and state programs acknowledge the dual missioning of the National Guard to perform both state and Federal functions.

Concerns have been voiced that when the various state programs are combined with DOD programs, 100 percent tuition assistance is often available to members of the National Guard. While most states have some type of tuition assistance program, fewer than half of the states offer what is called 100 percent tuition assistance. Moreover, these programs are often limited. While the state prescribes the scope of its program, some of the limitations imposed by various states include: uncertain annual funding, a program limited to in-state tuition only, annual ceilings per student/member (which may be well below total tuition costs), the number of credit hours for which tuition assistance is provided, eligibility that extends only to enlisted members, and financial assistance may only be used at a state-supported school. Other states have considerably more limited programs, which are also governed by state laws and funded by state appropriations. Finally, it should be noted that the Federal Government does not control, nor should it control, these programs.

With respect to Federal educational benefits, the military services, both Active and Reserve components, have the statutory authority to offer tuition assistance up to 100 percent of the cost of tuition and related expenses. However, DOD regulations require the services to be uniform in their tuition assistance programs and to pay 75 percent of tuition costs up to \$187.50 per semester credit hour with an annual individual limit of \$3500.00. Moreover, Montgomery GI Bill—Selected Reserve benefits can be combined with tuition assistance to help the Reserve component members meet their educational needs. Finally, many Reserve component members who have previously served on active duty may also be eligible for additional tuition assistance under Chapter 30 of title 38, U.S.C., from the Department of Veterans Affairs to help make up the difference between the DOD tuition assistance and the actual total cost of tuition and related charges.

The National Guard does a superb job of advertising their programs. The National Guard's proactive, positive, decentralized approach to recruiting may make the educational benefits available to members of the National Guard appear to be more robust. However, a careful review of all options reveals that programs available to the other Reserve components can compete very well.

You also asked about modeling educational benefits for Reserve component members based on an index as proposed in S.131. First, for the active duty service member, linking the amount of the monthly stipend to the actual average monthly cost of tuition and expenses for commuter students at public institutions might actually decrease the level of the current stipend. While the current \$650 stipend amount covers only 68 percent of total costs (tuition, fees, and room and board) at a public institution, it covers 164 percent of tuition and expenses for commuter students. If the formula prescribed in S. 131 were to be applied directly to the Montgomery GI Bill—Selected Reserve program, the result would be an approximate 150 percent increase in the monthly stipend authorized for a full-time student, which is currently \$263. While the President's Budget already includes an annual cost-of-living increase, as codified in law, it does not include additional benefits. The administration fully supports Montgomery GI Bill benefits and has submitted legislation that would extend the Montgomery GI Bill—Selected Reserve eligibility period from the current 10-year limit to 14 years.

UNFUNDED PERSONNEL REQUIREMENTS

12. Senator COLLINS. General Parks and Admiral Ryan, please provide for the record the Navy and Marine Corps unfunded military personnel requirements for fiscal year 2002. Further, would you elaborate on how additional funding in these areas would contribute to the recruitment and retention of our sailors and marines.

General PARKS. The following information is provided on the Marine Corps unfunded military personnel requirements for fiscal year 2002:

Item and Amount

Selective Reenlistment Bonus Program (SRB)—\$3.6 million.

An additional \$3.6 million request for SRB for fiscal year 2002 would allow the Marine Corps to offer 307 additional reenlistment bonuses to our career force than what is currently contained in our fiscal year 2002 budget. This is a particularly important requirement since we have recently seen lower continuation rates in our career force.

Marine Corps College Fund (MCCF)—\$6.6 million.

The fiscal year 2002 MCCF budget provides for 1,556 applicants. An additional \$6.6 million for the MCCF would allow recruiters to offer an additional 869 contracts to non-prior service applicants. This would greatly assist in our recruitment efforts and increase the number of MCCF applicants to a new total of 2,425. As a point of comparison, the fiscal year 2002 budget provides for 756 fewer MCCF appli-

cants than in fiscal year 2001 and 862 fewer than fiscal year 2000. An additional \$6.6 million would get us back to the previous number of MCCF contracts we have offered to qualified applicants in prior years.

Enlistment Bonus Program (EB)—\$2.0 million.

An additional \$2.0 million would provide monetary incentives, from \$2,000 to \$6,000, for enlisting on active duty in the Marine Corps for 4 to 5 years in certain enlistment options. In fiscal year 2000 and fiscal year 2001 Congress appropriated additional funding to assist in meeting retention goals. For fiscal year 2001, we allocated to our recruiting force 2,185 EBs to attract qualified applicants to critical skill areas. (Most EBs are not paid during the fiscal year allocated) The total bonus allocation for fiscal year 2001 combined with residual payments will total approximately \$7.9 million. The fiscal year 2002 budget of \$5.9 million, does not allow us to offer any bonus allocations to the recruiting force.

Active Duty Special Works (ADSW) for Short Tours and Operational Tempo—\$8.3 million.

A total of 13 officers and 250 enlisted marines will be required for the fiscal year 2002 portion of the UNITAS deployment to South America. Reserve Forces are used to augment active units to provide Operational Tempo relief; the cost estimated is \$4.8 million. The remaining \$3.5 million would enable the Marine Corps to increase Reserve participation in exercises (Beachcrest, TRUEX/MEUXX and Pacific Impact) and in the Family Inter-operational Program (FIOP).

Camouflage Utility Uniform—\$21.6 million.

An enhancement would allow the Marine Corps to issue the new Combat Utility Uniform during fiscal year 2002. Among many improvements, these new uniforms are more durable and provide a higher degree of protection from observation to marines in various combat environments. Funding of new uniforms is potentially a force protection measure and definitely a quality of life issue that should not be delayed. This increase would fund the basic issue to active marine recruits, maintenance allowances and the issue of two sets of the new uniforms (without boots) to every active enlisted marine during fiscal year 2002.

Foreign Language Proficiency Pay (FLPP)—\$1.2 million.

In April 2000, Congress authorized a FLPP increase from \$100 to \$300 per month. Due to authorized increases and emphasis on foreign language skill requirements by the Marine Corps, an anticipated shortfall of \$1.2 million is expected without congressional assistance. The \$1.2 million will allow the Marine Corps to offer the maximum FLPP level necessary to marines achieving the desired proficiency level in the languages required to meet operational and intelligence requirements.

Active Duty Special Work—\$4.6 million.

Special training is currently funded at \$26 million in fiscal year 2002. Requirements exceed funding by approximately \$20 million annually, and execution is historically higher than budgeted funding. This item requests \$4.6 million to fund special training pay and allowances, subsistence, travel, per diem, and social security contribution.

Camouflage Utility Uniforms—\$4.9 million.

An enhancement will allow the Marine Corps to issue the new Combat Utility Uniform during fiscal year 2002. Among many improvements, these new uniforms are more durable and provide a higher degree of protection from observation to marines in various combat environments. This request for \$4.9 million funds basic issue to reserve recruits, maintenance allowance, and two sets to each enlisted Reserve Marine.

Admiral RYAN. The following military personnel requirements are not funded in President's Amended Budget for Fiscal Year 2002:

- Career Sea Pay (\$102 million)—Navy received authorization in the Fiscal Year 2001 NDAA for enhancements to CSP but has been unable to fund it until fiscal year 2003. If we are able to begin using the new authority in fiscal year 2002, it will provide a much needed incentive for sailors to go to sea sooner, thereby further reducing unacceptable at-sea manning gaps.
- ITEMPO (\$160 million)—Navy was unable to budget for this in the normal cycle because we were unable to arrive at a credible cost estimate (it is still which appropriation line item (O&M,N or MP,N) will fund this requirement. If implementation is delayed, this item may not required fiscal year 2002 funding.
- SRB New Payments (\$22 million)—We experienced a historically high SRB reenlistment rate in fiscal year 2001 (7 percent above fiscal year 2000) and are asking for an additional \$15 million in 2001 in the reprogramming request. We anticipate finishing fiscal year 2001 between \$190–200 million. The fiscal year 2001 and 2002 baseline budget for new SRB payments was

\$165 million. The additional funds in fiscal year 2002 new money will allow us to carry this momentum into the next fiscal year.

- EB New Payments and Navy College Fund (\$18 million)—This accounts for a higher quality recruit (i.e., growth in accession of critical skills) and bringing them in earlier in the fiscal year to reduce the summer surge. Revised accession plan from when the budget was originally submitted.
- ADSW (\$5 million)—This additional funding will permit us to bring more reservists on active duty to assist in force protection in Fifth Fleet AOR.
- PCS Bow Wave (\$16 million)—This is to account for any PCS moves originally planned for fiscal year 2001 that roll into 2002 because of MP,N shortages in 2001 due to higher end strength and SRB reenlistments.
- Distribution Incentive Pay (\$3 million)—This funding is required to begin IT developments that will be necessary for future pursuit of a flexible, market-based incentive to encourage members to volunteer for difficult-to-fill jobs or less desirable geographic locations.

FISCAL YEAR 2002 OMNIBUS BILL

13. Senator COLLINS. General Parks and Admiral Ryan, what are the Marine Corps' and Navy's most critical personnel policy issues that you expect will be identified in the Fiscal Year 2002 Omnibus Bill? Are there any issues that will not be identified in the DOD Omnibus personnel legislation request that will require further congressional attention?

General PARKS. The following information papers address our fiscal year 2002 Omnibus issues that were not included in this year's submission. They are: Home Sales and Capital Gains Tax, Exception to Baccalaureate Degree Requirement for Members of the Marine Corps Meritorious Commissioning Program, and Authority to have an Additional 3-Star Billet-Offset by a 2-Star Billet.

27 Nov 2000

INFORMATION PAPER

SUBJECT: Grade increase from 0-8 to 0-9 for II MEF

PURPOSE: To provide information to CMC regarding options for increasing II MEF to a 0-9 billet.

KEY POINTS:

- The FY01 NDAA authorized the grade of lieutenant general/vice admiral for the Chiefs of the Reserves; and Directors of the Guard. All four services received this authorization for their RC Chiefs.
- The FY01 NDAA authorized the Marine Corps to internally increase the MARFORRES billet to a 0-9 but, we could not exceed 16.2 percent of our total general officer above the grade of 0-8. Total increase comes out to one.
- The Authorization for FY01 does not contain any grade increase to 0-9 for the Marine Corps in regards to II MEF. During the draft process this proposal was stopped at the OSD level. Furthermore, we were told to resubmit next year as part of the FY02 Omnibus proposal.
- To date, DOPMA does not allow the Marine Corps to grow any position internally without their permission through legislative approval. The earliest we could do this would be FY02 Omnibus proposal.
- Current authorization is 2 0-10's, 10 0-9's, 28 0-8's, 40 0-7's
- We can internally realign billets in order to provide II MEF with a 0-9 general officer, however this would have to be a one for one switch. Example: I&L for II MEF.

OPTIONS:

- Legislative Option:
 - Increase 0-9 headspace: Billets/headspaces stay the same and resubmit this year the request for the additional headspace for II MEF as part of the FY02 Omnibus proposal.
- Internal Realignment Option: Internally realign one 0-9 billet. Currently the only way to do this is to request a currently serving 0-9 general officer to retire. Furthermore, this option only shifts the problem from one force commander to another.
 - It is important to note, by Title 10, there is the requirement that a 0-9 serve a minimum of two years time in grade to retire at that rank (providing a waiver is approved), with three years or more being preferred (no waiver required).

L. F. Miller
 Major, USMC
 General Officer Matters Officer

Subj: HOME SALES AND CAPITAL GAINS TAX ISSUES

10 Aug 01

INFORMATION PAPER

Subj: HOME SALES AND CAPITAL GAINS TAX ISSUES

1. Purpose. Provide information concerning how best to advance or support legislation to correct the tax disadvantage created by The Tax Reform Act of 1997.
2. Key Points
 - The Tax Reform act of 1997 repealed certain portions of the existing law that allowed military members to *maintain the status quo* with other taxpayers for deferral of capital gains.
 - The new law provided for an exclusion [**obviously not intended to disadvantage service members**], but in order to qualify, a taxpayer must "own and use" the property for two of the five years preceding the sale.
 - Given the nature of military service, it is difficult for military members to qualify for the exclusion.
 - The nomadic nature of military life does not lend itself to building equity in a home purchase.
 - Legislation was introduced in 1998, but OMB objected. This issue has also been vetted through the ULB process, but has been thwarted by OMB.
 - OMB's primary objection is due to PAYGO concerns - i.e. appropriate offsets for the estimated \$12.0M to \$13.0M lost revenue.
 - This concern may be unfounded - at the time the 1997 legislation was introduced, it was intended to apply relatively equally to *all taxpayers*, to include military members [i.e. the \$12.0M to \$13.0M should have been considered at that time]. If that were true, the military portion of the PAYGO bill would have been addressed at that time.
 - Three bills have been introduced to the 107th Congress that would provide equity for military members in the sale of homes and capital gains, H.R. 356, H.R. 1596, and S. 818.
 - Although H.R. 356 is the most favorable, H.R. 1596 and S. 818 adequately address the inequity, and seem to be meeting success in both Houses. The Marine Corps should express support for H.R. 1596 and S. 818.
 - The following page provides details concerning the above noted legislation:
 - HR 1596 would suspend the running of the two of the five-year

Subj: HOME SALES AND CAPITAL GAINS TAX ISSUES

period while a member of a uniformed service or the foreign service is absent performing military duty provided the duty station is at least 50 miles from such property or the member is under orders to reside in Government quarters. A member who met the two of five-year requirement at the time of departure would remain eligible for the full exclusion. A member who did not meet the two of five-year requirement would remain eligible for a partial exclusion.

- In view of the magnitude of the exclusion (\$500,000 for a married couple filing a joint return) even a partial exclusion should exempt almost all members of the uniformed services from paying capital gains tax on the sale of their home.

- A bill similar to HR 1596 has previously passed the House and Senate and reflected the mark of the House Ways and Means Committee (the Chairman of this Committee has changed; it's possible that it would endorse legislation that was even more favorable). The bill was vetoed for reasons unrelated to this provision.

- HR 356 would treat a member of the uniformed services as using a principal residence while away from home on qualified official extended duty. In this case, even a member who only qualified for a partial exclusion at the time the member departed would soon qualify (and continue to qualify) for the full exclusion because time absent from the home performing military duty would count as use of the home as a principal residence.

- This is more favorable than HR 1596.

- This is similar to the legislative proposal that OSD coordinated with the Department of Treasury. However, that proposal did contain some qualifiers that HR 356 does not include (e.g., must have lived in the home at least 180 days, cannot buy another principal residence and still have the old home also be treated like a principal residence, and must move at least 50 miles away or be required to live in government quarters).

- S. 818 is identical to HR 1596.

Prepared by: K. J. HACKBARTH, Maj, USMC
M&RA, MP DIV, MPO-40, (703) 784-9387

10 Aug 01

INFORMATION PAPER

Subj: EXCEPTION TO BACCALAUREATE DEGREE REQUIREMENT FOR
MEMBERS OF THE MARINE CORPS MERITORIOUS COMMISSIONING
PROGRAM

1. Purpose. To provide information concerning a proposed amendment to Section 12205 of title 10, United States Code, to allow exception to Baccalaureate Degree requirements for members of the Marine Corps Meritorious Commissioning Program (MCP).

2. Key Points

This amendment would provide an exception to the baccalaureate degree requirement for certain Reserve officer promotions for prior-enlisted first lieutenants in the U.S. Marine Corps accessed through the MCP.

Under current service regulations, enlisted members of the Marine Corps are eligible for appointment as Reserve officers under several commissioning programs. Of these programs, the MCP is the only one that does not require or directly lead to receipt of a baccalaureate degree.

The MCP is open to enlisted Marines in the Regular Marine Corps who have demonstrated exceptional leadership potential, and who have completed a minimum of 75 semester hours of college or an associate's degree. During the application process these Marines are counseled on the incumbency of their progress towards completion of a baccalaureate degree on their future competitiveness for promotion and augmentation into the regular Marine Corps.

It is unrealistic to mandate that these exceptional Marines receive a baccalaureate degree prior to their consideration for promotion to captain. The first six months of a Marine officer's career is spent at The Basic School, wherein there is virtually no time to pursue off-duty education. Military Occupational Specialty (MOS) school for Marine Officers can vary from several weeks to up to 2 ½ years of formal training. During this time, the Marine is struggling to attain MOS credibility and will have limited opportunity to pursue completion of their degree during their first tour. The promotion point is such that a Marine officer currently be considered for promotion to captain with 2 years 9 months as a commissioned officer. An aviator may be considered for promotion to captain prior to completion of flight training. Thus to require Marine officers commissioned through MCP to finish 45 semester hours, and attain a baccalaureate degree prior to consideration for promotion to captain diminishes those officer's ability to fully develop competency in their MOS during the most "formative years" as a company grade officer.

The MCP is necessary because it provides a necessary source of diversity for the Marine Corps officer corps. It also provides a tremendous surge capacity for times of increased

accession needs, such as armed conflicts.

The proposed amendment is effective retroactively to protect the interests of Marines who may have been promoted while not in full compliance with the educational requirement.

Prepared by: R. L. DIDDAMS, Maj, USMC
M&RA, MP DIV, MPP-40, (703) 784-9355

Admiral RYAN. A number of initiatives included in the DOD Omnibus Submission to Accompany the Defense Authorization Act for Fiscal Year 2002 would provide us with the tools and flexibility needed to effectively recruit and manage personnel resources. Their enactment would enhance our ability to retain the right mix of skills and pay grades required to ensure optimum personnel readiness. The most important items for Navy are:

- Authorize Active Duty End Strength of 376,000
- Increase in Authorized End Strength for Members Serving in Pay Grade E-8
- Targeted Adjustments to Rates of Basic Pay
- Authorize Secretary of the Navy to Prescribe Submarine Duty Incentive Pay Rates and Increasing Maximum Rate of Pay
- Secretarial Option; Promotion to the Grade of Lieutenant without Selection Board Action
- Accession Bonus for Officers in Critical Skills
- Extension of Temporary Military Drawdown Authorities through fiscal year 2004
- Extension of Authorities for Nuclear Officer Incentive Pay, Nurse Officer Candidates, Registered Nurses, Nurse Anesthetists and Dental Officers and other bonuses and special pays
- Hazardous Duty Incentive Pay; Visit, Board, Search, and Seizure

[Whereupon, at 12:07 p.m., the subcommittee adjourned.]

