Prepared Statement

of

The Honorable David S. C. Chu

Under Secretary of Defense (Personnel and Readiness)

Before the

House Armed Services Military Personnel Subcommittee

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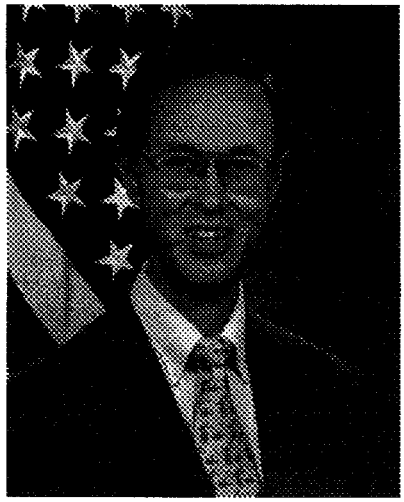

David S. C. Chu was sworn in as the Under Secretary of Defense for Personnel and Readiness on June 1, 2001. A Presidential appointee confirmed by the Senate, he is the Secretary's senior policy advisor on recruitment, career development, pay and benefits for 1.4 million active duty military personnel, 1.2 million Guard and Reserve personnel and 680,000 DoD civilians and is responsible for overseeing the state of military readiness.

The Under Secretary of Defense for Personnel and Readiness also oversees the $15 billion Defense Health Program, Defense Commissaries and Exchanges with $16 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, Fort Lee VA. He later served a tour of duty in the Republic of Vietnam, working in the Office of the Comptroller, Headquarters, 1st Logistical Command. He obtained the rank of captain and completed his service with the Army in 1970.

Dr. Chu earlier served in government as the Director and then Assistant Secretary of Defense (Program Analysis and Evaluation) from May 1981 to January 1993. In that capacity, 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, Congressional Budget Office, providing advice to the 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 the 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 of Arts Degree, magna cum laude, in Economics and Mathematics from Yale University in 1964 and a Doctorate in Economics, also from Yale, in 1972. He is a fellow of the National Academy of Public Administration and a recipient of its National Public Service Award. He holds the Department of Defense Medal for Distinguished Public service with silver palm.

INTRODUCTION

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

I am struck by the consistent theme of our annual review of the Department's personnel programs: we are a nation committed to an all-volunteer military force and we must do our very best to sustain it. It falls to us to sustain it not in a time of peace and tranquility, but in the midst of a long war – a war irregular in nature in which we fight against unconventional enemies, extremists, and global terrorist networks.

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

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

Some ask if the force is broken. It is not. Our military and civilian forces comprise high quality, motivated individuals who are choosing to continue to serve. Almost two thirds of the active military tell us they intend to stay on active duty and a similar fraction expresses satisfaction with the overall military way of life. Survey results likewise show a strong, resilient

reserve force – over 70% are satisfied overall with the military way of life. Furthermore, in recent surveys over 80% of civilians indicate they are satisfied with their jobs and three quarters indicate they plan to continue to work for their current organization.

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

THE ALL VOLUNTEER FORCE

End Strength, Stress, and Shaping the Force. Maintaining a strong defense that is able to quickly overcome and defeat enemy threats remains an imperative for our nation. In that regard, the Department of Defense continues to take actions aimed at reducing the stress on the force as operations in Iraq, Afghanistan, and the Global War on Terror (GWOT) continue, while maximizing present and future Total Force capabilities. By focusing our efforts on more effectively structuring and managing our forces, and employing advanced technology, we strongly believe there is no requirement for permanent increases in our military end strength. In fact, we believe that planned reductions resulting from transformation efforts in the Active Air

Force and Navy manpower programs, and the Navy Reserve, as stated in our FY 2007 President's budget request, balance risk with fiscally responsible manpower program decisions.

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

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

The old force structure, designed to respond to Cold War threats, does not provide us with the best balance of capabilities in the active and reserve components for the 21st century. Rebalancing the force must continue, converting capabilities within and between the active and

reserve components, shifting resources from lower demand capabilities to higher priorities. The Services are improving their posture with respect to the active component/reserve component mix and have rebalanced about 70,000 spaces through FY 2005. The Services are pursuing additional rebalancing initiatives for FY 2006 through FY 2011 totaling 55,000 additional spaces.

Military-to-civilian conversions are also helping to alleviate stress on the force while increasing our combat potential. In FY 2004 and FY 2005, the Department converted over 20,000 military billets to DoD civilian or private sector performance and currently plans to convert an additional 10,000 plus billets in FY 2006 and FY 2007. Further conversions are being identified for FY 2008 through FY 2011, that could raise the number of conversions to over 60,000. Military strength made available from these conversions is being used to ameliorate high demand/low density capabilities, alleviate stressed career fields, and enable initiatives such as Army Modularity. Because of conversions, the Navy and the Air Force will be able to reduce their authorized military end strength without any loss of combat capabilities. In fact, savings from these conversions will result in increased force effectiveness as resultant savings are applied toward force modernization, recapitalization, and other compelling needs.

Stress on our all volunteer force will also be reduced through targeted investments in less manpower intensive platforms and new age technologies such as electronic hardware, communications systems, precision weapons and unmanned air, land and sea vehicles. One such example is the application of new technologies that reduce the manpower required for the performance of Air Force installation security. This success is being implemented around the world. To ease the burden on some high demand/low density units and individuals, we have employed innovative joint concepts to meet mission requirements. Today, Navy and Air Force

personnel are augmenting ground forces in Iraq and elsewhere. Actions like this result in additional capabilities and effects that would simply not be possible in a parochial "stove-piped" organization.

Active Duty Recruiting and Retention. The success of our all volunteer force starts with recruiting. An improving economy, lower support from influencers to recommend Service, growing concerns from GWOT, increased Army recruiting goals, and high operations tempo continue to challenge our ability to recruit. During FY 2005, the military Services recruited 153,887 first-term enlistees and an additional 9,372 individuals with previous military service into their active duty components, for a total of 163,259 active duty recruits, attaining 96% of the DoD goal of 169,452 accessions. The quality of new active duty recruits remained high in FY 2005. DoD-wide, 95% of new active duty recruits were high school diploma graduates (against a goal of 90%) and 70% scored above average on the Armed Forces Qualification Test (versus a desired minimum of 60%).

Through February, FY 2006 all Services have met or exceeded numerical recruiting objectives for the active force. Army achieved 25,973 of its 25,100 recruiting goal through February, for a 104% accomplishment. However, the Army's high school diploma graduate rate of 84% is not yet at our desired level (90%). The Army is focusing its recruiting on the summer months when more high school diploma graduates are available.

FY 2006 Active Component Accessions
(Through February 2006)

	Quantity		
	Accessions	**Goal**	**% of Goal**
Army	25,973	25,100	104%
Navy	12,454	12,236	101%
Marine Corps	11,570	11,308	102%
Air Force	12,086	11,995	101%
Total	62,083	60,639	102%

We appreciate the new authorities to support recruiting you provided in the FY 2006 National Defense Authorization Act (NDAA), especially the increased levels of enlistment bonuses and the $1,000 referral bonus. The increased enlistment bonus is allowing the Army to target those especially difficult skills formerly constrained by the $20,000 limit. Army already has over 1,000 leads from referrals and sees this new program growing daily. Additionally, the three-year opportunity for the Army to provide additional recruitment incentives will allow the Department a level of additional flexibility to tailor incentives quickly to meet current needs. We have every confidence that requested supplemental funding and policy modifications will be sufficient to ensure continued success in achieving recruiting goals. Active duty officer accessions are on track in all Services for numerical success this year.

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

Overall, retention remains healthy in FY 2006, and we expect all Services to meet or

exceed FY 2006 retention goals. To date, the Army has reenlisted 31,365 soldiers toward an end of year goal of 64,200. Army mid-career retention is 4% below the desired glide path, but the Army is targeting bonuses toward that population, and we believe the additional Non-Commissioned Officer (NCO) pay raise for FY 2007 will also help the Army finish FY 2006 in a strong position. Navy, Marine Corps and Air Force have enjoyed excellent reenlistment rates through January 2006, and are predicted to meet their goals for the fiscal year.

The Army is the only Service currently executing Stop Loss. As of December 2005, 7,620 active soldiers, 2,418 Army Reserve soldiers, and 2,429 Army National Guard soldiers were impacted by the Stop Loss Program. The Army will terminate Stop Loss as soon as it is operationally feasible. Army initiatives of Modularity, Restructuring and Rebalancing the Active/Reserve component mix, and Force Stabilization will over time eliminate the present need for Stop Loss.

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

Purpose, Missions, and Policies of the Reserve Components. The Department's use of the Reserve components has changed significantly since 1990, and a mission-ready National Guard and Reserve force has become a critical element in implementing our national security strategy. The Reserve components support day-to-day defense requirements, and portions of the Reserve have served as an operational force since Operations Desert Shield/Desert Storm. This force is no longer just a strategic reserve used only once in a generation. Since September 11, 2001, an annual average of about 60 million duty days have been provided by Reserve

component members – the equivalent of adding over 164,000 personnel to the active strength each year.

The Reserve components support the full spectrum of operational missions and currently furnish about 20% of the troops in the Central Command (CENTCOM) theater of operation. The Reserve components are performing a variety of non-traditional missions in support of the GWOT, including providing command and control and advisory support teams in support of the training that will allow Iraqi and Afghan forces to assume a greater role in securing their own countries. The National Guard also remains integral to homeland defense missions and will remain a dual-missioned force, performing federal and state missions, exemplified by the more than 50,000 National Guard members who responded to Hurricane Katrina relief efforts last fall.

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

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

Volunteerism is the cornerstone of our force. Of the more than 493,000 Reserve

component members who have served since September 11, 2001, approximately 88,000 have served more than once—and almost all of those who have served more than once have been volunteers. No reservist has been involuntarily mobilized for more than 24 cumulative months.

This Operational Reserve supports on-going missions where appropriate, while providing the additional reserve capacity needed to meet surge requirements or support wartime or contingency operations. This new construct allows greater flexibility to perform new missions ideally suited to reserve service, such as "reach-back" missions (Intelligence, Communications, Unmanned Arial Vehicles, etc.) and training missions which would be appropriate to assign to a Reserve component unit.

One element in responding to domestic terrorist attacks is the fielding of 55 Weapons of Mass Destruction Civil Support Teams (WMD CSTs), one in each state, territory and the District of Columbia. These 55 teams support our nation's local first responders by identifying the agents or substances involved, assessing current and projected consequences, advising on response measures, and assisting with appropriate requests for additional state support. Each team is comprised of 22 highly-skilled, full-time, well trained and equipped Army and Air National Guardsmen. To date, the Secretary of Defense has certified 36 of the 55 congressionally authorized teams as being operationally ready. The WMD CST funding for FY2006 is $214.6 million, and the budget request for FY 2007 is for $224.2 million. The Department is preparing eight teams for certification in FY 2006. The final 11 teams are being prepared for certification in FY 2007.

Reserve and National Guard Utilization. There continues to be considerable discussion about the stress that the GWOT is placing on the force. The most frequently asked question is: what level of utilization can the Guard and Reserve sustain while still maintaining a viable

Reserve force? Recognizing that the GWOT is a long war, the Department established a strategic approach to ensure the judicious and prudent use of the Reserve components, postulating involuntary mobilization no more than one year in six. We will continue to assess the impact of mobilization and deployment on the Guard and Reserve and adjust our policies as needed to sustain the Reserve components.

As stated earlier, more than 493,000 Reserve component members have served in support of current contingencies since September 11, 2001. Of the current Selected Reserve force of about 824,000 today, slightly more than 46% have been mobilized. We are monitoring the effects of this level of effort.

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

The composite Reserve component percentage of recruiting goals achieved over the past three years are 97.5% in FY 2003, 95.9% in FY 2004, and 85.5% in FY 2005. However, recruiting results through February 2006 show a general reversal of this negative trend, with four of the six DoD Reserve components near meeting or exceeding their recruiting goals—including both Army Reserve components.

Overall, Reserve component attrition rates remain at historically low levels: 18.4% in FY 2003, 18.7% in FY 2004, and 19.2% in FY 2005. Attrition data through February 2006 indicates that attrition rates will remain at this level for FY 2006, and may even decrease.

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

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

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

Reserve Component Recruiting and Retention. As noted earlier, recruiting has been a challenge for the Reserve components over the last three fiscal years. Although FY 2006 data

through February indicate a reversal, we are aware that the Reserves will continue to face a very challenging recruiting environment. Through February 2006, four of the six Reserve components were near or exceeding their recruiting goals; only the Navy Reserve and Air National Guard did not achieve their goals. We are seeing steady improvements with overall Reserve component attainment of recruiting objectives—increasing from 98% achievement in October 2005 to 100%, year-to-date, in February 2006. The Army National Guard is leading the Reserve components at 107% achievement of its goal through February 2006, with the Army, Marine Corps and Air Force Reserve all near 100% of their goals. The Air Force Reserve has exceeded its recruiting goals for each of the past four months. The Marine Corps Reserve performance is quite remarkable since it has had the greatest proportion of its force mobilized since September 11, 2001, in support of the GWOT, yet recruiting remains strong. FY 2006 Reserve component enlisted accession performance, year-to-date, is depicted below.

FY 2006 Reserve Component Recruiting
(Through February 2006)

Reserve Component	Goal YTD	Accessions YTD	% of Goal	Annual Goal
Army National Guard	24,755	26,390	107%	70,000
Army Reserve	11,247	11,133	99%	36,032
Navy Reserve	4,021	3,415	85%	11,180
Marine Corps Reserve	3,004	2,937	98%	8,100
Air National Guard	3,914	3,180	81%	9,380
Air Force Reserve	2,844	2,935	103%	6,604
DoD	49,785	49,990	100%	141,296

To address their recruiting challenges, the Army National Guard and Army Reserve have employed the enhanced enlistment and reenlistment incentives provided in the FY 2004 and FY 2005 National Defense Authorization Acts. They fielded additional recruiters and increased advertising funding. As a result, Army National Guard and Reserve recruiting is trending

upward. Additionally, Army Reserve component recruiting efforts are again focusing on those personnel separating from active service who have long been an important Reserve recruiting source. Accordingly, they are determining how to best use incentives that encourage those leaving active service to join the Reserves, and also offering inter-service transfers to help accessions.

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

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

Reserve Component Attrition

Component	FY 2006 Target (Ceiling)	FY 2000 YTD Feb 2000	FY 2005 YTD Feb 2005	FY 2006 YTD Feb 2006
Army National Guard	19.5	8.44	8.77	7.39
Army Reserve	28.6	11.30	9.06	8.34
Navy Reserve	36	12.66	12.85	14.62
Marine Corps Reserve	30	12.12	8.09	9.60
Air National Guard	12	5.30	4.32	4.62
Air Force Reserve	18	8.24	5.71	5.82
DOD	NA	9.25	8.33	7.82

The mission of the National Committee for Employer Support of the Guard and Reserve (ESGR) is directly related to retention of the Guard and Reserve force. ESGR's mission is to "gain and maintain support from all public and private employers for the men and women of the

National Guard and Reserve as defined by demonstrated employer commitment to employee military service." Employer support for employee service in the National Guard and Reserve is an area of emphasis, considering the continuing demand the GWOT has placed on the nation's Reserve components and the employers who share this precious manpower resource. The broad-based, nationwide support for our troops by employers continues to be superb.

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

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

COMPENSATION AND MANAGEMENT

Compensation. Prosecuting the GWOT requires top quality, highly skilled men and women whose compensation package must be competitive enough to recruit and retain them in voluntary service. Basic pay, housing and subsistence allowances, bonuses, special and incentive pay and other key benefits must serve to sustain these war-fighting professionals. We are grateful to the Congress for its work in improving each of these areas, especially over the past several years.

Under this Administration since 2001, military basic pay has increased by approximately 25%. In addition to an overall pay raise of 2.2%, the FY 2007 budget increases pay by larger percentages for Warrant Officers and higher ranking enlisted personnel. DoD also intends to propose extending the pay table to encourage longer service. With these pay increases, the Department will reach the standard for pay that the 9th Quadrennial Review of Military Compensation established – that is, enlisted at the 70th percentile against the distribution of comparably educated civilians.

Members view the housing allowance as one of the key elements of their total compensation package and can be confident they can afford adequate housing when they move in the service of their country. The Basic Allowance for Housing increased almost 70% since 2000 as a direct result of the close cooperation between the Department and the Congress. To ensure the allowance accurately reflects the current housing markets where Service members and their families reside, the Department will continue its efforts to improve our data collection. Additionally, we are grateful to the Congress for the authority to increase the allowance or extend the Temporary Lodging Expense period for areas subject to major disasters or installations experiencing a sudden increase in troop levels.

The Department is committed to taking care of Service members and their families through appropriate compensation while members are deployed and serving their country in dangerous locations around the world. Military personnel serving in OEF and OIF in a designated combat zone, as well as members serving in direct support of these operations, receive combat zone tax benefits that exclude all the income of our enlisted members from federal income tax. These Service members also receive $225 per month in Imminent Danger Pay and $250 per month in Family Separation Allowance. Additionally, these individuals qualify for Hardship Duty Pay-Location at the rate of $100 per month and $105 per month in incidental expense allowance. This results in pay increases for a typical married member of over $700 per month and over $500 per month for a typical single member, while deployed.

In recognition of deployments of excessive duration, the Department has authorized payment of Assignment Incentive Pay to members serving longer than 12 months in Iraq or Afghanistan. These payments are as much as $1,000 per month for members serving necessary extensions beyond 12 months. The Department is grateful to the Congress for its substantiation of Assignment Incentive Pay as a flexible and responsive means for Services to compensate appropriately members who are called on to extend their service in demanding assignments by increasing the cap to $3,000 and providing for lump sum payments. We also appreciate the increase in the ceiling for Hardship Duty Pay, as it will allow us further flexibility with additional options to better address these pressing issues of frequent deployments as well as those that follow in quick succession.

Retention of Special Operations Forces presents another critical compensation challenge. The United States Special Operations Command force structure is projected to increase. Retention of current Special Operations Forces members, in the face of ever demanding

requirements and lucrative alternatives, is critical to the success of that growth. In 2004, the Department authorized a robust retention incentive package that includes extensive use of the Critical Skills Retention Bonus, Special Duty Assignment Pay, Assignment Incentive Pay, and the Accession Bonus for new Warrant Officers in Critical Skills. For example, we are offering bonuses of up to $150,000 for highly skilled senior noncommissioned officers to serve an additional six years, when that service would take them beyond typical retirement points. The Department continues to monitor Special Operations Forces retention and review initiatives to sustain these highly valued professionals.

We realize that no benefits can replace a human life; the lost presence of the family member is what survivors face. We are grateful to the Congress for supporting the President's initiative to increase death benefits in the FY 2006 NDAA, which acknowledges the principle that a Service member be able to elect a benefits package that would provide up to $500,000 to the surviving family. Our objective is to ensure that we fully support our Service members when we send them into harm's way, and that we properly support the family's needs if the Service member dies on active duty.

Joint Officer Management. In 1986, Title IV of the Goldwater-Nichols Act codified joint officer personnel policies, providing specific personnel management guidance on how to identify, educate, train, promote, and assign officers to joint duties. While the operational forces have developed an exceptional capability to execute joint operations, the system used for Joint Officer Management has not kept pace. We recognize the need to modernize current joint management processes to enable a flexible joint qualified officer construct to meet both the challenges of today and the 21st century war fighting environment.

Joint Task Forces (JTFs) now define the way we array our armed forces for both war and

operations other than war. The effectiveness of joint operations is no longer simply the interoperability of two or more military services; it requires the synergistic employment of forces from multiple services, agencies, and nations. Non-governmental agencies and commercial enterprises must now be routinely combined with traditional military forces and interagency components to achieve national objectives. Such a dynamic and varied environment demands flexibility, responsiveness, and adaptability not only from the individual Soldiers, Sailors, Airmen, and Marines, but also from the programmatic infrastructure supporting joint force development.

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

This Strategic Plan proposes an expansion of the existing joint officer management system in pursuit of a career-long development model. This model recognizes that joint experience can be gained in a myriad of locations and organizational constructs. Many of these constructs were not in existence when the Goldwater-Nichols Act was initiated. This model also takes into consideration that the level, or amount, of joint experience attained by an officer may be a function of currency, frequency, and intensity in addition to the standard measure of a specific period of time in a billet. This expansion can be executed with only minor increases in flexibility to the existing statutes – flexibility which will recognize the realities of today's multi-

national and interagency operating environment and the need to capture all joint experiences, not just those attained through traditional means. The end result of this proposed expansion will be a flexible and dynamic joint officer management system which will stay true to the stated and implied objectives and goals of the Goldwater-Nichols Act throughout the 21st century.

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

The Department's Training Transforming Program is focused on melding world-class individual Service competencies and training capabilities into a cohesive joint capability. We are developing three joint capabilities: Joint Knowledge Development and Distribution Capability (joint training and education for individuals), Joint National Training Capability (joint unit and staff training), and Joint Assessment and Enabling Capability (assessments to answer the question: are we truly transforming training?).

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

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

Our Joint Assessment and Enabling Capability created a performance assessment architecture and used it as a start point for the conduct of a block assessment and balanced scorecard assessment. Our first block assessment serves as a baseline set of metrics to measure

Training Transformation. Upon completion of these assessments and outcome measurements of Training Transformation missions and programs we will adapt and revise our strategic guidance and programmatics.

The Training Transformation Interagency, Intergovernmental, Multinational Mission Essential Tasks (TIM2) Task Force is a collaborative effort supported by my staff and is under the purview of the Office of the Under Secretary of Defense (Policy). TIM2 seeks to integrate DoD capabilities better in support of other federal entities, including the Departments of State and Homeland Security.

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

Sexual Assault Prevention. The Department's Sexual Assault Prevention and Response (SAPR) Program has made great progress during the past year. We introduced and implemented a comprehensive policy designed to effect a cultural change and serve as a benchmark for other large organizations. The Joint Task Force for Sexual Assault Prevention and Response (JTF-

SAPR) published a Department of Defense Directive. The JTF-SAPR has transitioned into a permanent office to lead the Department's long-term efforts.

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

The Department has mandated an aggressive training and education program that ensures training is conducted throughout every Service member's career at both the unit level and at all professional military education programs. The military Services have implemented ambitious training programs to meet this requirement and to provide trained sexual assault response coordinators at all major installations. Additionally all major commands in the Army have received baseline SAPR training as well as over 1,300 sexual assault response coordinators and uniformed victim advocates. The Navy has successfully integrated SAPR baseline training into all Navy military training, resulting in 365,900 trained sailors. In addition to its sexual assault response coordinator training, the Marine Corps has trained over 700 unit victim advocates and has targeted leadership instruction at both the junior and advanced level. As part of its training program, the Air Force produced a highly acclaimed video which facilitated the training of over

356,000 Airmen.

This aggressive training and outreach program and confidential reporting, has, as we expected, increased the overall number of reported sexual assaults in DoD. In calendar year (CY) 2005 there were 2,374 reported assaults involving a Service member as either the alleged victim or alleged offender. Although one assault is too many, we believe that this increase reflects the effectiveness of the training programs in that more people understand what behaviors constitute assault, are more willing to report, and know how to report. The numbers also reflect positively on the design of the confidential reporting option. Although in effect for only six months, there were 435 confidential reports. Even more compelling is the fact that 108 of these victims later changed from Restricted to Unrestricted reporting. Future data will continue to assist the Department in evaluating how the new sexual assault policy and our training efforts are affecting the incidence of this crime. Trend data on reported cases will be augmented with surveys such as the Active Component survey and the Reserve Component survey, which provide baselines against which to measure progress.

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

[1] We believe it would be more effective to conduct the Academy Survey biennually, and will submit a legislative proposal to permit this.

READINESS

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

Expanding Our Foreign Language and Regional Expertise Capabilities. To win the long war the Department must embrace and institutionalize foreign language and regional expertise into Department of Defense doctrine, planning, contingencies, organizational structure, and training, as the Quadrennial Defense Review directs. Last year the Defense Language Transformation Roadmap provided three broad goals that will ensure a strong foundation in language and cultural expertise, a capacity to surge, and a cadre of language professionals. This year our focus and goal is to take deliberate steps and actions to transform our force. One key goal is to establish policies, practices and funding that will ensure a base of officers possessing language ability in key languages such as Arabic, Chinese, Persian Farsi, and Urdu. We have

been successful in establishing policies that will create language as a core capability and obtained necessary funding through the QDR to effect this needed change.

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

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

Through guidance in the Roadmap, we have completed self-reported screening of 83% of our military personnel. Over 17,000 of our members reported language skills in Arabic, Chinese, Farsi, Urdu, Hindi and Korean. We have provided for increased proficiency by adding 785 training billets for crypto-language analysts in the Army, Navy and the Air Force and increasing funding for Defense Language Institute Foreign Language Center (DLIFLC) to change the graduation standard to higher proficiency levels. We have developed 26 on-line language survival courses and provided over 183,000 language survival kits for deploying units. Our prestigious DLIFLC has scheduled 23 languages classes for FY 2006 for over 3,000 new students. Special Operations Command will teach over 1,300 students in 10 different languages focused on the long war.

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

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

We view Foreign Area Officers (FAO) as a key asset for the 21st century military – providing a unique combination of regional expertise, political knowledge, languages and

military skills. That is why we are building a more robust FAO program that will form a professional cadre of military officers with the right skills to support our Combatant Commanders. We published a new "Military Department Foreign Area Officer Programs" Directive in April 2005 which provides common standards for the FAO program across the Services, focusing on accession, training, utilization, promotion and retention rates. Our current plan will create an additional 400 officers with languages and skills critical to the Department's mission.

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

proficiency levels in high school to superior levels in college. This is the first project of its kind in the U.S; the National Security Language Initiative proposes to build on this model.

Secretary Rumsfeld's Mishap Reduction Initiative. The Department continues its pursuit of reducing mishaps and injuries. We have established a 75% reduction goal by the end of FY 2008 from our FY 2002 baseline. Our metrics focus on civilian and military injuries, aviation mishaps and the number one non-combat killer: private motor vehicle accidents.

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

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

However, the Department finds itself increasingly in competition with a broad range of interests for a diminishing supply of land, air and sea space and frequency spectrum that we use to test and train effectively. Exacerbating the encroachment challenge, the demands of the military mission are expanding. The increased complexity and integration of training opportunities necessary to satisfy joint mission requirements, combined with the increasing

testing and training battlespace needs of new weapons systems and evolving tactics associated with force transformation, point to a military need for more, rather than less, range space. The confluence of these competing trends makes it clear that encroachment remains a powerful challenge to military readiness, and requires a comprehensive and continuing response.

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

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

THE DOD CIVILIAN FORCE

Human Capital Planning. Department of Defense civilian employees have joined our military forces and faced significant challenges this past year. They have supported the GWOT here and on the front-line of battle, helped build democracies in Afghanistan and Iraq, and

responded with alacrity and compassion to those affected by the tsunami, hurricanes, and earthquakes around the globe and here at home. Just as agile military forces are needed to meet a mission characterized by irregular, catastrophic and disruptive challenges, we need agile and decisive support from our DoD civilians. It is only through the integration of DoD civilian employees that we can realize the potential of a Total Force.

The Department continues to make great strides in our strategic human capital planning by ensuring that human capital investments are focused on long-term issues. These guiding principles are continually reviewed and refreshed in the Department's Civilian Human Capital Strategic Plan (HCSP). Our 2006-2011 HCSP recognizes the need to refocus civilian force capabilities for the future--that is a civilian workforce with the attributes and capabilities to perform in an environment of uncertainty and surprise, execute with a wartime sense of urgency, create tailored solutions to multiple complex challenges, build partnerships, shape choices, and plan rapidly.

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

The National Security Personnel System (NSPS) provides the framework for implementation. This modern, flexible, and agile human resource system enables contemporary responses to meet our national security mission requirements, while preserving employee protections and benefits, veterans' preference, as well as the enduring core values of the civil service.

The Department plans to begin implementing the performance management, compensation and classification, staffing, and workforce shaping provisions of the NSPS human resources management system this spring. NSPS design and development has been a broad-based, participative process involving key stakeholders, including employees, supervisors and managers, unions, employee advocacy groups, and various public interest groups. Employees slated for conversion will be included in groupings, or Spirals, with the first phase covering over 11,000 Department of Defense civilian employees. Implementation of the labor relations, adverse actions, and appeals portions of NSPS is on hold pending the final outcome of the litigation against the Department and the Office of Personnel Management (OPM). Our attorneys, in consultation with attorneys at OPM and the Department of Justice, are working on the next steps relative to the recent federal court decision on labor relations, adverse actions, and appeals. The Department is committed to a labor relations system and adverse actions and appeals process that are more responsive to our national security mission while respecting and preserving collective bargaining and due process.

Acquiring, Developing, and Retaining Civilians. The Department's civilian workforce is a unique mix of employees providing support to DoD's national security and military mission. The Department's challenge will be attracting and sustaining the right talent – those who can perform in ambiguous, uncertain environments, create rapid solutions, perform with a wartime

sense of urgency, develop integrated approaches, and lead multiple complex challenges with integrity and excellence. Technological advances, contract oversight, and complex missions have generated the need for more employees with advanced education and more sophisticated technical skills. Additionally, there must be a very active campaign for recruitment of a diverse workforce. We take seriously the responsibility to foster and promote an environment that is attractive to individuals from all segments of society.

Last year, the Department launched a campaign to reach out to the injured and disabled men and women who fought and served on behalf of our nation. We are committed to providing every disabled veteran who wants to serve our country as a DoD civil servant the opportunity to do so. The Department offers over 700 diverse, challenging, and rewarding occupations for those who want to continue to serve their country as a DoD civilian employee. We introduced a new Defense Web site especially for disabled veterans—www.DoDVETS.com. This web portal serves as a resource of employment information for veterans, their spouses, and managers. To date, 68 Service members who were disabled from OIF or OEF have been offered positions, of whom 54 have accepted positions at various DoD and federal agencies. We are continuing to work with other federal agencies, such as, the Department of Labor to provide job training, counseling, and reemployment services to seriously injured or wounded veterans.

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

Workforce planning takes on a special importance with the expected exodus of federal employees over the next decade. Significant to this equation are DoD career Senior Executive Service (SES) members, 67% of whom are eligible to retire in 2008. Our HCSP calls for the identification and closing of leadership competency gaps and strengthening the pipeline to ensure continuity of diverse and capable leaders. In addition, the Department is updating its civilian human resources policies for the deployment of civilians in support of military operations to ensure that DoD civilian employees are able to contribute to the DoD mission.

The Defense Leadership and Management Program (DLAMP) is the premier DoD program to develop senior civilian leaders and a key component of the Department's succession management strategy. DLAMP is important to DoD readiness, providing a vehicle to mature a diverse cadre of civilian leaders throughout the Department, with a joint perspective on managing the Department's workforce and programs. Through a comprehensive program of Professional Military Education, formal graduate education, and courses in national security strategy and leadership, DLAMP ensures that the next generation of civilian executives has the critical skills to provide strong leadership in a joint environment in challenging times. With 350 participants who have met program goals to date and approximately 200 more each year projected to complete their development programs, DLAMP is providing a pipeline of well-qualified leaders ready for tomorrow's challenges. We are currently reviewing the DLAMP curriculum to ensure alignment with a DoD-wide competency-based leadership development model and best practices in private and public sector executive development.

The Department has established and fully implemented the Pipeline Reemployment Program. The program enables partially recovered employees with job related injuries and illnesses to return to work. The program supports the President's Safety, Health, and Return-to-

Employment (SHARE) initiatives by assisting each Department installation in reducing lost days resulting from injuries. DoD organizations will have resources and funding to reemploy partially recovered injured employees for up to one year. Returning injured employees to suitable productive duty, as soon as they are able, improves that employee's sense of value to the organization while minimizing the cost of workers' compensation disability payments. To date the Pipeline program has returned 211 of employees to productive positions, and saved the Department approximately $171 million in cost avoidance charges.

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

Employees adversely affected by BRAC may be offered the opportunity to separate voluntarily under the Voluntary Early Retirement Authority and the Voluntary Separation Incentive Payment programs. Involuntarily separated employees are also eligible for a number of post-separation benefits and entitlements, to include temporary continuation of health

insurance for 18 months with the Department paying the employer portion of the premium; severance pay, including a lump-sum payment option; and unemployment compensation.

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

THE MILITARY HEALTH SYSTEM

Sustaining the Military Health Benefit. The Department seeks to sustain this important benefit for the future by rebalancing its fees in a way that will control long-term costs. As Secretary Rumsfeld and General Pace have testified, it is critically important to place the health benefit program on a sound fiscal foundation for the long term. Costs have doubled in five years from $19 billion in FY 2001 to $38 billion in FY 2006, despite management actions to make the system more efficient. Our analysts project these costs will reach $64 billion by 2015, over 12% of the Department's projected budget (vs. 4.5% in 1990). One of the important factors contributing to this cost spiral is increased usage among retirees under 65. Their return to TRICARE reflects a wise financial decision for them in that TRICARE offers as comprehensive and high quality a plan as any in the private sector. But, TRICARE cost shares are significantly lower – and increasingly so. This divergence reflects our failure to adjust cost-sharing since the TRICARE program began eleven years ago.

Our proposals to manage cost growth and sustain this valuable benefit encourage beneficiaries to elect medically appropriate, cost-effective health care options. Our proposals

seek to re-norm contributions closer to those when TRICARE was established in 1995, while recognizing differences in the financial circumstances of officers and enlisted personnel.

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

We need your assistance by restoring the flexibility to manage DHP resources across budget activity groups. Our new health care contracts use best-practice principles to improve beneficiary satisfaction, support our military treatment facilities (MTFs), strengthen relationships with network providers and control private sector costs. Our civilian partners must manage their enrollee health care and can control their costs by referring more care to our MTFs in the direct care system. In concert with the new contracts, we are implementing a Prospective Payment System to create the financial incentive for our MTFs to increase productivity and reduce overall costs to the Department. Funds will flow between the MTFs and the private sector based on where the patient care is delivered. Currently, MTFs' enrollee care funds (revised financing funds) are in the private sector budget activity group. Fencing DHP In-House Care funds inhibits the Department's ability to provide the TRICARE benefit in the most accessible, cost

effective setting, particularly during time of war when MTFs frequently lose health care providers to support contingency operations. We understand and appreciate the Congressional intent to protect direct care funding; however, Congressionally imposed restrictions fencing the DHP funds adversely affects both the MTFs and care in the private sector. We urge you to allow the MTFs and the MHS to manage the DHP as an integrated system. Funds must be allowed to flow on a timely basis to where care is delivered.

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

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

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

Military medical facilities remain at the core of the Military Health System (MHS), and the TRICARE structure promotes increased involvement of the military commanders in

determining the optimum approach to health care delivery within each region. Military commanders' accountability and responsibility for patient care in their communities is now centered on sound business planning and resourcing to meet their planned production.

We now have in place a new TRICARE Regional Governance structure. The three TRICARE Regional Directors are actively engaged in managing and monitoring regional health care with a dedicated staff of both military and civilian personnel. They are strengthening existing partnerships between the active duty components and the civilian provider community to help fulfill our mission responsibilities.

Force Health Protection. Force Health Protection embraces a broad compilation of programs and systems designed to protect and preserve the health and fitness of our Service members – from their entrance into the military, to their separation or retirement, and follow-on care by the VA.

Since January 2003, environmental health professionals have analyzed over 4000 theater air, water, and soil samples to ensure that forces are not unduly exposed to harmful substances during deployments. These samples were taken at 274 locations in Iraq, 28 locations in Afghanistan, and from other sites across the world. The most important preventive health measures in place for our Service members today – immunization programs – offer protection from diseases endemic to certain areas of the world and from diseases that can be used as weapons. These vaccines are highly effective, and we base our programs on sound scientific information that independent experts have verified. Insect repellant impregnated uniforms and prophylactic medications also protect our Service members from endemic diseases during deployments.

Among the many performance measures tracked within the MHS is the medical readiness

status of individual members, both active and Reserve. The MHS tracks individual dental health, immunizations, required laboratory tests, deployment-limiting conditions, Service-specific health assessments, and availability of required individual medical equipment. We are committed to deploying healthy and fit Service members and to providing consistent, careful post-deployment health evaluations with appropriate, expeditious follow-up care when needed.

Service members receive pre-deployment health assessments to ensure they are fit to deploy and post-deployment health assessments to identify any health issues when they return. Deployment health records are maintained in the individual's permanent health record and electronic copies of the health assessment are archived centrally for easy retrieval. We have an aggressive quality assurance program to monitor the conduct of these assessments. Most recently, we have begun post-deployment health reassessments, which are conducted three to six months after deployment.

Mental health services are available for all Service members and their families before, during, and after deployment. Service members are trained to recognize sources of stress and the symptoms of depression, including thoughts of suicide, in themselves and others, that might occur because of deployment. Combat stress control and mental health care are available in theater. Before returning home, Service members are briefed on how to manage their reintegration into their families, including managing expectations, the importance of communication, and the need to control alcohol use. During redeployment, the Service members are educated and assessed for signs of mental health issues, including depression and Post Traumatic Stress Disorder (PTSD), and physical health issues. During the post-deployment reassessment we include additional education and assessment for signs of mental and physical health issues. The Services began initial implementation of this program in June 2005 and we

are working toward Department-wide implementation. After returning home, help for any mental health issues that may arise, including depression and PTSD, is available through the MHS for active duty and retired Service members, or through the VA for non-retired veterans. TRICARE is also available for six months post-return for reserve and guard members. To facilitate access for all Service members and family members, especially Reserve Component personnel, the Military OneSource Program -- a 24/7 referral and assistance service -- is available by telephone and on the Internet.

Medical technology on the battlefield includes expanded implementation of the Theater Medical Information Program and Joint Medical Work Station in support of OIF. These capabilities provide a means for medical units to capture and disseminate electronically near real-time information to commanders. Information provided includes in-theater medical data, environmental hazards, detected exposures and critical logistics data such as blood supply, beds and equipment availability. With the expanded use of the web-based Joint Patient Tracking Application, our medical providers should have total visibility into the continuum of care across the battlefield, and from theater to sustaining base. New medical devices introduced to OIF provide field medics with blood-clotting capability, while light, modular diagnostic equipment improves the mobility of our medical forces, and individual protective armor serves to prevent injuries and save lives.

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

DoD-DVA Sharing. DoD works closely with the Department of Veterans Affairs (VA) at many organizational levels to maintain and foster a collaborative federal partnership. We have shared health care resources successfully with the VA for 20 years, but many opportunities for improvement remain. Early in this Administration we formed the DoD-VA Joint Executive Council, which meets quarterly to coordinate health and benefit actions of the two cabinet departments.

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

In addition, DoD is now sending electronic pre- and post-deployment health assessment

information to VA. More than 515,000 pre- and post-deployment health assessments on over 266,000 individuals are available to VA. This number will continue to grow as assessments on newly separated Service members are sent each month. VA providers began accessing the data in December 2005. DoD plans to add post-deployment health reassessment information in FY 2006.

In the past year, DoD and VA have developed and improved a number of joint planning efforts. For instance, the 2006 Joint Strategic Plan (JSP) builds upon successes of the two previous plans. Each goal, objective and strategy in the previous plan was reviewed to reflect the current climate of DoD/VA joint collaboration.

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

To ensure Operation Enduring Freedom and Operation Iraqi Freedom veterans benefit from continuity of care, DoD works with the VA's Office of Seamless Transition. In the past year, DoD and VA completed a Memorandum of Understanding to define protected health information data sharing activities between DoD and VA. DoD is now transmitting rosters to VA's Office of Seamless Transition containing pertinent demographic and clinical information of all service members who have been recommended for Medical and/or Physical Evaluation Boards. This enables VA to place its benefits counselors and Social Workers in touch with

prospective veterans prior to separation to expedite the delivery of benefits.

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

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

TAKING CARE OF THE FORCE AND OUR FAMILIES

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

State Liaison Initiation. The Department has recognized the need to collaborate with state and local governments to effect positive change at the local level. Through interaction with governors and other state officials, DoD has prompted action on ten key quality of life issues. With DoD assistance, the National Governors Association (NGA) developed a survey of state actions to support Guard and Reserve members and families, which showed the 50 states are providing over 600 benefits in education, family support, licensure and certification, tax relief,

and state employment benefits. In April of 2005, the NGA co-hosted a working conference attended by senior gubernatorial policy advisors from 18 states with large military populations to discuss best practices relative to the ten key issues, and we expect further progress in the years ahead.

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

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

This very high performance capability provides families with immediate access to professionals trained to listen and assess any number of situations for the best solution. The telephones are staffed by Master's level professionals, and questions can be answered in over 120 languages. Case managers can refer troops and families to licensed counselors if they wish to receive personal assistance. The areas that receive the most inquiries are deployment-related issues, parenting, child care, and finances. Military OneSource professionals can also be accessed via the Internet with researched, tailored answers to each question. In January 2006,

Military OneSource incorporated Turbo Tax into its arsenal of resources, and to date, over 240,000 Service members (including Guard and Reserve members) have filed their 2005 taxes on-line with Turbo Tax at no cost to them. Troops can even file while overseas in Iraq, Afghanistan, or anywhere their military duties take them.

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

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

Expediting Citizenship. On behalf of the non-citizens on active duty, the Department continues to work closely with the Department of Homeland Security's Citizenship and Immigration Service to expedite citizenship applications for non-U.S. citizen members of the Armed Forces. Over 28,800 military members have been granted U.S. citizenship through an

expedited process since September 2001. We are working with the Department of Homeland Security and the FBI to streamline the military member citizenship application process by accessing fingerprints provided at the time of enlistment versus requiring fingerprints to be retaken for a citizenship application. The Department has also worked closely with the Citizenship and Immigration Service to accomplish naturalization processing for military personnel overseas. Over 1,700 military members have been naturalized at overseas ceremonies conducted since October 1, 2004; in the past three months, 349 military members were naturalized in Iraq and Kuwait.

Child Care. The Department of Defense continues to be the model for the nation on employer supported child care. A report issued in 2005 on non-monetary benefits shows child care to be one of the most important benefits we provide to our Service members and families. The Senior Enlisted Advisors testified last year that child care is the number one quality of life issue. Child care also supports spouse employment as part of a family's financial readiness. Currently, DoD provides 184,000 spaces—but needs 30,000 more. We appreciate the support from Congress in the FY 2006 appropriation for child care, and will apply the increase to child care for deployed high personnel tempo installations.

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

add or renovate space at 24 locations.

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

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

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

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

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

To assist in this effort, the MSI Center has as part of its full-time staff representatives from three federal agencies: Department of Labor, the Department of Veterans Affairs, and the Department of Homeland Security's Transportation Security Administration. With these key partnerships, the Center can facilitate resolution of the issues important to the severely injured: Labor assists in finding employment for the severely injured and in some cases, the spouses and parents; the VA helps with health and benefits related issues; and TSA helps troops travel

through security checkpoints at airports. The Department is also committed to linking severely injured members and their families with local, state, and national level groups to ensure that their continuing needs are provided for.

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

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

The Department of Labor, in collaboration with DoD, recently launched a new "Key to Career Success Campaign" focused on career guidance, job search, skills training, child care, and transportation services available at the local DoL One-Stop Career Centers. Additionally, the

Department of Veterans Affairs and the National Guard Bureau signed a Memorandum of Understanding to locate additional opportunities to provide veterans benefits information to members of the Guard and other military personnel.

Voluntary Education. We are proud to continue our commitment to our Voluntary Education Program, the largest continuing education program in the world – each year over 420,000 Service members enroll in postsecondary education. In FY 2003, we began uniformly funding 100% tuition assistance across the Services, up to $250 per semester hour of credit and $4500 per year. In FY 2005, 857,384 enrollments were funded and well over 36,000 diplomas and degrees were completed. In the coming year, we plan to place even more emphasis on our voluntary education benefits, including working with major book distributors to reduce expenditures of the cost of books and providing personal, one-on-one education counseling for our severely injured personnel.

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

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

Spousal Careers and Education. The majority of military spouses continue to work outside of the home pursue a career of choice and supplement the family income. The Department is committed to helping military spouses pursue rewarding careers and to remove barriers to career advancement. Significant progress has occurred in the last two years. Employers have been made aware of the value of hiring military spouses and we have greatly increased our efforts at the state level where licensing and certification requirements differ from state to state. We have identified a range of popular spouse careers that have state-specific licensing requirements and have designed strategies to address them, initially focusing on teaching and real-estate. To offer more scholarships, grants, and reduced tuition for Service members' spouses, we are working closely with colleges and universities.

In order to raise employer awareness, we partnered with military.com, a division of Monster, Inc. to create a military spouse career network Web site portal: www.military.com/spouse. At this site, spouses can post their resumes, search both private sector and federal jobs (USAJOBS) simultaneously and they can search them by using

installation names. Over 60 spouse-friendly employers are actively recruiting military spouses for their vacant positions; these organizations can post jobs at no cost and may search this exclusive database for military spouse candidates. In the nine months since this site was launched, over 800,000 spouses have visited the site; over 500,00 have signed up for the newsletter, over 400,000 have visited the chat rooms and over 1.5 million job searches have been conducted. In recent months, DoD has co-sponsored specialty career fairs that focus employers on severely injured Service members and military spouses.

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

Military Children's Education. The Department recognizes that quality education for their children is a key factor in decisions to accept assignments for Service members and their families. There are approximately 692,000 school age children in active duty families (1.3 million including the reserves).

Our DoD schools have high expectations for the 91,300 students enrolled in our 220 schools located in 13 countries, seven states and two territories. The world-wide Department of Defense Schools system serves as a model education system for the nation and is critical to the quality of life for Service members and families. DoD students are among the highest performing in the nation as measured by norm-reference assessments like the TerraNova and the National Assessment of Education Progress. DoD schools are also leading the nation in closing

the achievement gap between white and non-white students.

Our schools work aggressively to resolve transition issues as more than 30% of the student body transitions each year. The Department recently entered into a formal memorandum of understanding to promote cooperative efforts between the Department of Defense and the U.S. Department of Education to address the quality of education and the unique challenges of children of military families who move from one education system to another. We are working with Johns Hopkins University to identify and disseminate proven educational best practices and policies that can respond to the academic and affective needs of mobile military children. Further, educational consultants are building an information resource of educational options around military installations to provide military families a wide array of quality educational choices.

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

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

Each youth responds differently to the challenges of military life and a variety of

programs provide positive outlets and help youth channel feelings into personal growth rather than violent or destructive behavior. One supportive outlet is camping experiences, with an emphasis on leadership and understanding the military better. Boys & Girls Clubs of America have opened their doors to our military youth and provided wholesome recreation designed to help young people succeed in school, stay healthy and learn important life skills. A partnership between the Services and the U.S. Department of Agriculture Extension Services/4H provides outreach to those youth whose parents are Reserve or National Guard or are not geographically located near a military installation.

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

Each of the military departments has a highly responsive family support system to help families cope with the demands of military life. The cornerstone is a worldwide network of installation family centers. Located at roughly 300 active military installations worldwide, the centers provide a wide range of services supporting commanders, military members, and families. Thanks to the National Guard Bureau, over 400 family assistance centers provide outreach to Guard and Reserve families who are not located near an installation. Unit Family Readiness Groups, staffed by volunteers, actively maintain communication with families in outlying areas through newsletters, Web sites, and direct communication to enhance unit-to-family communication

Young families, although resourceful and resilient, occasionally need guidance and

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

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

I am pleased to report that we have initiated implementation of 121 of the nearly 200 Domestic Violence Task Force recommendations, focusing first on recommendations pertaining to victim safety and advocacy, command education, and training key players who prevent and respond to domestic violence such as law enforcement personnel, health care personnel, victim advocates, and chaplains. We worked closely with Congress to create or change legislation pertaining to transitional compensation for victims of abuse, shipment of household goods for abused family members, and a fatality review in each fatality known or suspected to have

resulted from domestic violence or child abuse. During the past year, we conducted eight domestic violence training conferences, six of which were offered to joint gatherings of commanding officers, Judge Advocates, and law enforcement personnel. These conferences addressed each groups' responsibilities in responding to domestic violence in accordance with new domestic violence policies issued by the Department.

In partnership with the Office on Violence Against Women of the Department of Justice, we have continued several joint initiatives, including training for law enforcement professionals, victim advocates, chaplains, and fatality review team members. Additionally, we are conducting domestic violence coordinated community response demonstration projects in two communities near large military installations. The goal of the projects is to develop a coordinated community response to domestic violence focusing on enhancing victim services and developing special law enforcement and prosecution units.

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

Exchanges and Commissaries. All three of the exchange systems are modernizing their policies and practices. Force repositioning, BRAC, and the GWOT, with its attendant increased costs to provide the exchange benefit, will continue to challenge exchange profitability. The Unified Exchange Task Force study of the shared services concept has been completed, but no final decisions on shared services have been made. The Military Departments will take the lead as we build on the work of the task force to devise a mutually-beneficial business proposal. The DoD Executive Resale Board is providing oversight of exchange operations and revenues.

To directly support troops in the OIF and OEF theaters, there are 40 Tactical Field Exchanges, 60 exchange supported/unit run field exchanges, and an average of 15 ships' stores providing quality goods at a savings, and quality services necessary for day-to-day living. Goods and services offered include phone call centers, music CDs, DVDs, laundry and tailoring, photo development, health and beauty products, barber and beauty shops, vending and amusement machines, food and beverages, and name brand fast food operations. Goods and services vary by location based on troop strength and unit missions requirements. Commissaries now have 'gift' food packs that can be forwarded to troops.

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

Morale, Welfare, and Recreation. MWR programs support the Service members and families at the homestation and while the Service members are deployed. Fitness centers consistently rank as the most popular MWR program and improving fitness programs, to include upgrading and modernizing fitness facilities, is a high priority within the Department. The military Services operate 478 fitness centers world-wide.

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

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

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

BRAC and Rebasing. Our most recent challenge is to ensure quality of life support is

realigned to coincide with the movement of troops and families during BRAC and rebasing. Once BRAC/rebasing decisions were announced, commanders began working with local communities to lay out timelines. We are taking a proactive approach to ensure quality of life for our troops and families is being planned as they move to new communities. Twenty-five installations are gaining more than 500 active duty members in 16 states. We estimate BRAC and rebasing will affect more than 77,000 active duty members, more than 40,000 military spouses and over 78,000 minor children. Currently, two thirds of families live outside the gates and Service policies are allowing E-4 and above more choice to live off base. Our plan is to partner with community based service agencies to serve large numbers of our military Service members and their families. Community partnerships will need to be increased to deliver support such as child care, fitness opportunities, youth services, and other family services.

CONCLUSION

Mr. Chairman, I want to thank you and members of this Subcommittee for your advocacy on behalf of the men and women of the Department of Defense, and share with you our sense of the state of Defense personnel, supported by the programs described in this testimony.

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

Four-fifths of active duty members believe they are personally prepared, and two-thirds believe their unit is prepared, for their wartime jobs. These views have held steady from the start of Operation Iraqi Freedom (March 2003) through the latest survey (December 2005). The top concerns of those currently deployed are problems their spouses are facing back home, the ability to communicate with their families, and the possibility of experiencing emotional issues as a result of deployment. Today I have reviewed many of the programs that address these

specific issues, and we are fielding special surveys to spouses so we can fully understand the impact of deployments on the family.

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

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

Although we have challenges ahead managing our civilian workforce – assimilating them into jobs previously performed by the military, implementing a new personnel system, and managing the exodus of retiring personnel – the outlook is very encouraging. Since we began surveying civilians in the fall of 2003, we have learned that large majorities are satisfied, and their satisfaction levels on a number of indicators are rising. Two-thirds are satisfied with their overall quality of work life, the quality of their co-workers and supervisors. Ninety percent

consistently report they are prepared to perform their duties in support of their organization's mission, and over half are satisfied with management and leadership.

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