

Statement

**Honorable Michael L. Dominguez
Principal Deputy Secretary Of Defense For
Personnel and Readiness**

Before the

Commission on the National Guard and Reserves

“Changes in Reserve Component Forces”

**20 June, 2007
1:30 P.M.**

Honorable Michael L. Dominguez

Principal Deputy Under Secretary of Defense

for Personnel and Readiness



Michael L. Dominguez was nominated by the President as the Principal Deputy Under Secretary of Defense for Personnel and Readiness on November 21, 2005 and confirmed by the Senate on July 11, 2006. As a presidential appointee confirmed by the Senate, he is the primary assistant to the Under Secretary of Defense for Personnel and Readiness providing staff advice to the Secretary of Defense and Deputy Secretary of Defense for total force management as it relates to manpower; force structure; readiness; Reserve Component affairs; health affairs; training; and personnel policy and management, including equal opportunity, morale, welfare, recreation, and quality of life matters.

Prior to this appointment, Mr. Dominguez served, from August 2001 until July 2006, as the Assistant Secretary of the Air Force for Manpower and Reserve Affairs. His responsibilities included developing and overseeing Air Force manpower and personnel policies, readiness, and Reserve Component affairs.

Mr. Dominguez also served as Acting-Secretary of the Air Force from March 28, 2005 thru July 29, 2005. In this role, he was responsible for the affairs of the Department of the Air Force, including the organizing, training, equipping and providing for the welfare of its more than 360,000 men and women on active duty, 180,000 members of the Air National Guard and the Air Force Reserve, 160,000 civilians, and their families.

As an Air Force dependent, Mr. Dominguez grew up on bases around the world. After graduating in 1975 from the U.S. Military Academy at West Point, N.Y., he was commissioned a second lieutenant in the U.S. Army, reported to Vicenza, Italy, then worked varied assignments with the 1st Battalion, 509th Infantry (Airborne) and the Southern European Task Force. After leaving the military in 1980, Mr. Dominguez went into private business and attended Stanford University's Graduate School of Business. In 1983 he joined the Office of the Secretary of Defense as an analyst for Program Analysis and Evaluation (PA&E).

Mr. Dominguez entered the Senior Executive Service in 1991 as PA&E's Director for Planning and Analytical Support. In this position he oversaw production of DOD's long-range planning forecast and its \$12 billion in annual information technology investments. He also directed the PA&E modernization of computing, communications and modeling infrastructure. He joined the Chief of Naval Operations staff in 1994 and assisted in the Navy's development of multi-year programs and annual budgets. Mr. Dominguez left federal government in 1997 to join a technology service organization. In 1999 he began work at the Center for Naval Analyses where he organized and directed studies of complex public policy and program issues. In 2001 he

rejoined the staff of the Chief of Naval Operations where he worked until his appointment as Assistant Secretary of the Air Force.

EDUCATION

1975 Bachelor of Science degree, U.S. Military Academy, West Point, N.Y.

1983 Master's degree in business administration, Stanford University, Stanford, Calif.

1989 Program for Senior Officials in National Security, Harvard University

CAREER CHRONOLOGY

1. June 1983 - September 1988, program analyst, Office of the Secretary of Defense for Program Analysis and Evaluation, Washington, D.C.

2. October 1988 - September 1991, executive assistant to the Assistant Secretary of Defense for Program Analysis and Evaluation, Washington, D.C.

3. October 1991 - September 1994, Director for Planning and Analytical Support, Office of the Assistant Secretary of Defense for Program Analysis and Evaluation, Washington D.C.

4. October 1994 - April 1997, Associate Director for Programming, Office of the Chief of Naval Operations, Washington, D.C.

5. April 1997 - September 1999, General Manager, Tech 2000 Inc., Herndon, Va.

6. September 1999 - January 2001, Research Project Director, Center for Naval Analyses, Alexandria, Va.

7. January 2001 - August 2001, Assistant Director for Space, Information Warfare, and Command and Control, Office of the Chief of Naval Operations, Washington, D.C.

8. August 2001 - March 2005, Assistant Secretary of the Air Force for Manpower and Reserve Affairs, Washington, D.C.

9. March 2005 – July 2005, acting Secretary of the Air Force and Assistant Secretary of the Air Force for Manpower and Reserve Affairs, Washington, D.C.

10. July 2005 – July 2006, Assistant Secretary of the Air Force for Manpower and Reserve Affairs, Washington, D.C.

11. July 2006 – Present, Principal Deputy Under Secretary of Defense for Personnel and Readiness, Washington, D.C.

AWARDS AND HONORS

1980 Army Commendation Medal

1988 and 1994 Defense Meritorious Civilian Service Medal

1993 Defense Civilian Service Medal

1997 Superior Civilian Service Medal, Department of the Navy

1998 Meritorious Executive Presidential Rank Award

January 2005, July 2005 and July 2006, Air Force Exceptional Civilian Service Medal

Chairman Punaro and members of the Commission: thank you for the invitation to offer my perspective on the status of America's Total force and its ability to meet current and future operational requirements; as well as the efforts we've made and are still making toward total force management. Your invitation letter asked me to cover several salient points that the commission is exploring, and I will do that. I will frame the issues from three perspectives. The first is what we have already accomplished; and in many cases that is a lot. Next is differing views with where our efforts should be focused; some of which are broad to achieve a better force structure and balance, and some are more narrowly focused to target those who are bearing the burden of mobilization and deployment. Finally, are gaps or challenges we still face; this is where we can use your assistance. We have harvested most of the so-called "low hanging fruit" so we are now dealing with the very difficult issues and challenges.

Implementation of a True Continuum of Service

The continuum of service is not just a Reserve component concept—it is a total force concept. The continuum of service originated with the Reserve components because of the part-time nature of the reserve force. Thus, the most immediate and noticeable changes under a continuum of service construct can be implemented within the Guard and Reserve as they move between active and reserve military duty and civilian status. We have made some significant changes to management practices within the Reserve components that make movement along the continuum of service more transparent. We replaced the old "180-day" rule with the flexible and more responsive

operational support duty. We simplified duty statutes (but more needs to be done as I will describe in the next section). We allow members to serve longer—age limits have increased. We are more closely aligning pay and benefits with duty performed. We are experimenting with new service concepts such as the Army’s O9L translator aide program in which Arabic speakers recruited directly into the Individual Ready Reserve for follow-on mobilization and deployment to OIF/OEF, and the Air Force’s “reverse” associate units in which active duty personnel are assigned to reserve units.

Initiatives that encourage members to leave service rather than continue to serve are not helpful. For example, proposals to make the reserve educational assistance programs—which are currently designed as recruiting and retention incentives—a post-service or transition benefit, and reducing the age at which reservists would be eligible to receive retired pay are not consistent with our force management objectives. We also have to be cautious about making benefits for part-time service more attractive than benefits provided to members who are serving full-time.

The challenges we face are two-fold. First is to continue the transition within the Reserve components to an operational reserve. The second is institutionalize the continuum within the total force where varying levels of service are encouraged and transition between full-time military, part-time military, and civil service within DoD becomes a routine practice. We need to overcome a system of intersections with stoplights and one-way streets. There should be a system of on ramps and off ramps, as Admiral Clark often described. A member may be on the freeway (full-time as military

or civilian) during part of a career; cruising along the access road at times (part-time duty—the Selected Reserve); or parked in the garage but ready to go (the IRR or standby reserve). But regardless of personal circumstances that put the individual in that particular lane at that particular time, the system should be able to accommodate movement to the freeway, access road or garage consistent with military requirements and as personal circumstances change.

There is one area the commission may want to consider. One obstacle to the seamless movement between regular and reserve status is the requirement to reappoint officers who move between the regular force and the reserve force. While there still may be a need to distinguish between officers who are serving on active duty (the active duty list) and officers serving in the Guard or Reserve (the reserve active status list), the administrative burden and delays in transition between regular and reserve are the antithesis of a continuum of service.

Simplified Duty Statuses

Several years ago, we sponsored a study of reserve duty statuses. That study reported that there were 32 different reserve duty statuses. That number was later refined to 29 different reserve duty statuses. The issue regarding “simplifying duty statuses” has historically been related to the “work-arounds” that were required to provide voluntary Reserve component support across the spectrum of military operations. The work-arounds cobbled together multiple types of inactive duty and active duty—such as

multiple inactive duty training periods (drills) with annual training or other active duty for training and active duty for special work (ADSW) to allow a reservists to complete an operational requirement.

A significant change when the 2005 defense authorizations act with the creation of the Operational Support Duty. This new duty category eliminated the “180-day” rule, overcoming the need for work-arounds. Within this new duty category, a reservist can voluntarily perform active duty for an unlimited duration to perform operational missions. While performing operational support duty, the member never moves to the active roles, does not count against active duty controlled grades, and does not have to compete for promotion with active duty personnel. The member remains in guard or reserve and is managed as such. The only requirement is that if a member performs this voluntary duty for more than three continuous years, or more than three years out of the previous four years, must he or she be counted within the annual active duty strength authorization. This serves as a forcing function for the Services to determine if this is really a part-time requirement or a full-time requirement that should be resourced as such. But even if a member exceeds a threshold, this should be transparent to the member since he or she can remain on the same set of orders and his or her pay and benefits continue uninterrupted.

While there are three primary duty statuses for Reserve Component members codified in law—inactive duty, active duty and full-time National Guard duty, we have aligned Reserve component duty status into four broad categories based on the type of work performed. These categories are (1) training, (2) operational support, (3) mobilization and (4) other. The “other” category includes specialized duty, such as captive status, medical care, funeral honors, disciplinary action/unsatisfactory participation, insurrection and duty at the National Guard Bureau.

But there are still challenges. With the new operational support duty, there should be much greater transparency to the member and command as to what duty status the member is performing duty. But within the various duty statuses, there are subcategories. Within the four categories we use (training, operational support, mobilization and other), there are 26 subcategories classified by duty purpose and 23 authorizing statutes (note that training and operational support duty are performed under the same provisions of law). But the vast majority of duty performed by reservists is performed under one of only six statutory authorities.

Budget justification requirements add complexity to reserve duty, which results in additional subcategories in order to provide discrete justification for the appropriation of reserve funds. Unlike active duty members who are on duty the entire year—which makes it easy to justify pay appropriations, the periodic nature of reserve service is driving the need for specific justification for pay and allowances. While these subcategories should be transparent to members and command, that is not allows the

case. Some movement takes place when an emerging requirement is determined to be operational or training and the orders of a member on duty must be funded from a different appropriation.

In an initial effort to consolidate the number of inactive duty statutes, the Department previously proposed legislation to simply have inactive duty. But that was met with great skepticism from advocacy groups concerned that the Department was simply trying to save money by eliminating inactive duty. Although this was not the case, the proposal was not adopted. While there may also be some consolidation in the number of “other” duty categories such as a separate duty status for medical evaluation, treatment or care, or duty at the National Guard Bureau, the vast majority seem to have a particularly valid and useful purpose. The Commission may want to challenge that assumption as it looks at reserve duty statuses.

Another challenge for the Department and the Commission is to determine if the budgeting aspect for reserve duties can be simplified. A more centralized, consolidated appropriation for reserve duty could significantly reduce the need for multiple variations of reserve duty. It would provide greater flexibility and continuity which would help eliminate detrimental changes in a member’s pay caused when a reservist must be placed on a different set of orders to conform with the proper pay appropriations.

Integrated Full-Time Support

Full-time support (FTS) for the Reserve components is critical to maintaining readiness. It is comprised of four manpower categories: (1) Active Guard and Reserve (AGR) military members, (2) Military Technicians (MilTechs), (3) Civil Service personnel, and (4) Active Component (AC) military members. Each of these manpower categories has specific strengths that are considered when the Reserve components determine the appropriate structure and apportionment of their FTS assets.

Each Reserve component is different in size, structure, and missions. The Army National Guard and the Army Reserve are the two largest Reserve components, yet they have the smallest percent of full-time support relative to their authorized Selected Reserve strength for the DoD Reserve components, at 15 percent and 13 percent, respectively. The percentage of full-time support for the other Reserve components is: 23 percent for the Navy Reserve; 17 percent for the Marine Corps Reserve; 35 percent for the Air National Guard; 23 percent for the Air Force Reserve; and six percent for the Coast Guard Reserve.

The Commission has questioned whether more active component members should be assigned to the Reserve components. The Department's long-standing policy has been to allow each Service and Reserve component to determine its optimal mix of full-time support. The appropriate mix of full-time support for one Reserve component is not necessarily the appropriate mix of full-time support for another Reserve component. That is why there are variances in the relative size and composition of the component full-time support forces. The Army and Navy Reserve have the highest percent of AGRs

comprising their Full-Time Support force, while the Marine Corps Reserve uses predominantly active component members with its Instructor/Inspector (I&I) full-time support program. The Reserve components of the Air Force use more dual-status MilTechs, and the Army National Guard full-time support force is about evenly divided between AGRs and MilTechs.

However, with the shift from mobilize, train, deploy within the Reserve components of the Army to train, mobilize, deploy, the Army National Guard and Army Reserve ratio of full-time support to Selected Reserve strength must be reviewed. They will be required to assume responsibility for a significant portion of the training that was previously conducted after mobilization. The Army has supported annual increases in AGRs and MilTechs for both the Army National Guard and the Army Reserve since FY 1999 and continues to support AGR and MilTech increases for both components through the FYDP (FY 2013). However, with the shift to train, mobilize, deploy, it appears that the increase in full-time support should be accelerated if they are going to be able to meet the new training and readiness demands. Our staff is working with the Army National Guard and Army Reserve to address this challenge.

Opportunities for JPME and Joint Duty Qualifications

Congress provided authorities in the 2007 John Warner National Defense Authorization Act which allow enhancements to the Goldwater-Nichols Department of Defense Reorganization Act of 1986 (GNA). Using these authorities, the Department

created a Joint Qualification System (JQS) that accounts for an officer's career-long development of expertise in joint matters. Central to this system is the requirement to complete the appropriate level of Joint Professional Military Education (JPME) in order to meet one of the criteria for earning joint qualifications.

JPME is a Chairman of the Joint Chiefs of Staff-approved body of objectives, policies, procedures, and standards supporting JPME requirements for Joint Qualified Officer (JQO) designation. JPME is a shared responsibility of the Military Service colleges and the National Defense University (NDU). Under the umbrella of the National War College, the Industrial College of the Armed Forces (ICAF) and the Joint Advanced Warfighting School (JAWS) curricula encompass JPME Phase I and Phase II. Other educational institutions approved by the Chairman of the Joint Chiefs of Staff conduct JPME I, and Joint Forces Staff College (JFSC) conducts JPME II as well as the Advanced JPME (AJPME)—a 40-week program that combines distance learning and in-residence program for Reserve component officers. NDAA 2005 established the authority for senior-level Service colleges to award JPME II credit upon accreditation by the Chairman of the Joint Chiefs of Staff. To date, the Marine Corps War College and the Air War College have been certified to award JPME II credit. The Army War College will undergo its certification visit in the fall of 2007 and the College of Naval Warfare certification is pending the Chairman's approval based on the May 2007 accreditation visit.

Officers who complete both JPME I and JPME II satisfy the educational

requirements to become a Joint Qualified Officer. Further, Reserve component officers who complete AJMPE in lieu of JPME II can receive a level III Joint Qualified Officer designation. The Joint Qualification System marks a turning point in that this system provides a Total Force Joint Officer Management Program that corresponds to the way we operate—as a seamless, blended force of reserve and active personnel. It provides a method of tracking the accumulation of joint experience, joint education, joint individual training and self-development throughout an officer’s career that lead to the award of progressive levels of joint qualifications. Ultimately, these levels of joint qualification will enhance the ability of the Department to incorporate the wealth of information captured by the JQS into assignment, promotion, and development decisions. This will directly benefit the warfighting commanders who will have improved visibility of the joint qualifications of candidates for key positions on their staffs.

While these recent changes will expand the pool of joint qualified Reserve component officers, there are still challenges for those officers to obtain joint qualifications. Guard and reserve officers must take the initiative to become joint qualified. Just as important, the Department must provide more opportunities for guard and reserve officers to achieve the various levels of joint qualification. The recent authority to obtain JPME phase II at the senior-level colleges and the AJMPE course are both positive steps. To meet the education requirements, more distributed learning opportunities would be helpful as well as greater opportunity for National Guard and Reserve general and flag officers to attend the Capstone course.

Acting upon the March 1st recommendations from the Commission, the Secretary has directed a review of U.S. Northern Command staffing with the objective of increasing Reserve component representation at that command. He has also directed that assignment to the National Guard Bureau staff will provide for the award joint qualification. The Secretary has also asked the Services to assess their process for nominating senior officers for joint assignments to ensure that National Guard and Reserve officers have every opportunity to compete for those positions and to ensure that National Guard and Reserve general and flag officers have the opportunity to serve in joint assignments.

Total Force Recruiting and Retention

As you probably read, the Army and Army National Guard missed their recruiting goals for the month of May. However, they are still on target for the year, with no major shifts expected in the propensity of young people to join the military. However, we face continuing challenges to maintain the support among influencers and parents—those adults who help young people make decisions about joining the military. Support among this group continues to dwindle as the war progresses. I would ask the Commission to give some thought to this challenge and provide any ideas you may have that would help the Department shore up the support among this critical group. You asked that I provide specific information about active duty and reserve recruiting and retention, which is provided next.

Active Duty Recruiting. During FY 2006, the Active components recruited 167,909 first-term enlistees and an additional 12,631 individuals with previous military service, attaining over 100% of the DOD goal of 179,707 accessions.

While meeting our quantitative goals is important, we also need to have the right mix of recruits who will complete their term of service and perform successfully in training and on the job. The “quality” of the accession cohort is critical. We typically report recruit quality along two dimensions—aptitude and educational achievement. Both are important, but for different reasons.

As you know, all military applicants take a written enlistment test—the Armed Services Vocational Aptitude Battery (ASVAB). One component of that test is the Armed Forces Qualification Test (AFQT), which measures math and verbal skills. Those who score above average on the AFQT are in Categories I-III A. We value these higher-aptitude recruits because they absorb training lessons and perform better on the job than their lower-scoring peers (Categories III B-IV).

We also value recruits with a high school diploma because they are more likely to complete their initial service commitment. About 80% of recruits who have received a traditional high school diploma complete their first three years, yet only about 50% of those who have not completed high school will make it. Those holding an alternative credential, such as a high school equivalency or a General Educational Development (GED) certificate, fall between those two extremes.

In conjunction with the National Academy of Sciences, the Department reviewed how best to balance educational attainment, aptitude, recruiting resources, and job performance. With an optimizing model we established recruit quality benchmarks of 90% high school diploma graduates and 60% scoring above average on the AFQT. Those benchmarks are based on the relationship among costs associated with recruiting, training, attrition, and retention using as a standard the performance level obtained by the enlisted force cohort of 1990—the force that served in Desert Shield/Desert Storm. Thus, the benchmarks reflect the aptitude and education levels necessary to minimize personnel and training costs while maintaining the required performance level of that force.

Through May, all Services have met or exceeded numerical recruiting objectives for the active force. Army achieved 44,862 of its 42,750 recruiting goal, for a 105% year-to-date accomplishment (Table 1). The active Army did fall short of recruits with a High School Diploma (80% versus the desired 90%). Although the Army is slightly below the desired number of recruits scoring at or above the 50th percentile on the AFQT, we look for the Army to achieve the DOD benchmark by the end of FY 2007.

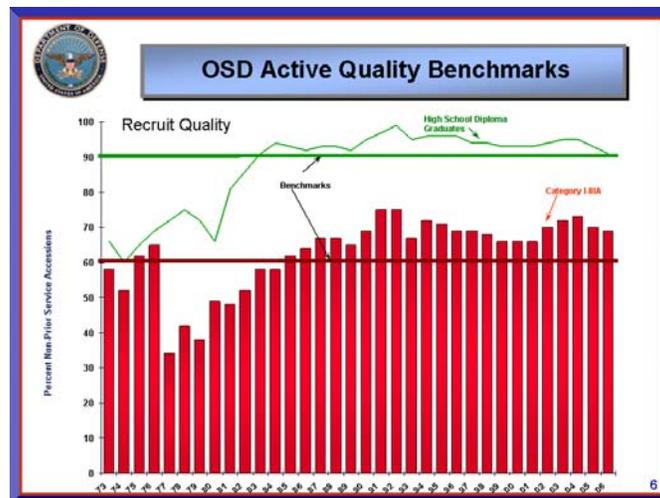


Figure 1. DoD Quality 1973-2006

For over twenty years, the military Services have met or exceeded the Department's benchmarks for quality Active duty recruits (Figure1). The quality of new Active duty recruits remained high in FY 2006. DOD-wide, 91% of new Active duty recruits were high school diploma graduates (against the goal of 90%). This compares favorably to the national average in which only about 80% graduate from high school. On the Armed Forces Qualification Test, 69% are drawn from the top half of America's youth (versus a desired minimum of 60%).

Active Duty Retention. Overall, in FY 2006 we exceeded Active duty retention goals across the board. The Army, Air Force, and Marine Corps met FY 2006 Active duty retention goals in every category. The Navy retained in high numbers at the outset of the year, but a focus on physical fitness test performance led to an increase in disqualification among first-term Sailors later in the year. Navy is on a planned, controlled path to reshape the force and will continue to monitor carefully zone behavior by skill set.

| | Quantity | | | Quality | |
|--------------|------------|--------|-----------|--|--|
| | Accessions | Goal | % of Goal | % High School Diploma Graduate (HSDG); <i>DOD Benchmark = 90%</i> | % Scoring at / above 50th Percentile on AFQT (Categories I-III A); <i>DOD Benchmark = 60%</i> |
| Army | 44,862 | 42,750 | 105% | 80% | 59% |
| Navy | 21,177 | 21,177 | 100% | 93% | 73% |
| Marine Corps | 17,754 | 17,194 | 103% | 94% | 67% |
| Air Force | 17,978 | 17,978 | 100% | 98% | 79% |
| Total | 101,771 | 99,099 | 103% | 90% | 68% |

Table 1. FY 2007 Active Duty Enlisted Recruiting Through May 2007

For FY 2007, Active duty retention continues on track (Table 2). Army, Navy, Marine Corps, and Air Force met or exceeded overall retention missions. Army did miss its mid-career goal; however, Army met 100% of the aggregate year-to-date mission. We still predict that Army will meet its reenlistment goals in all categories, to include mid-career, for FY 2007.

| | Reenlisted Through May 2007 | Mission | Percent of Mission |
|---------------------|--|----------------|-------------------------------|
| Army | | | |
| - Initial | 19,349 | 17,643 | 110% |
| - Mid Career | 13,874 | 15,131 | 92% |
| - Career | 10,036 | 10,466 | 96% |
| Navy | | | |
| - Zone A | 7,668 | 8,007 | 96% |
| - Zone B | 5,971 | 5,510 | 108% |
| - Zone C | 3,559 | 3,300 | 108% |
| Air Force | | | |
| - Zone A | 12,153 | 12,000 | 101% |
| - Zone B | 7,051 | 7,333 | 96% |
| - Zone C | 4,495 | 4,667 | 96% |
| Marine Corps | | | |
| - First | 7,113 | 5,532 | 129% |
| - Subsequent | 6,702 | 5,200 | 129% |

Table 2. FY 2007 Active Duty Enlisted Retention Through May 2007

The Army is the only Service currently using Stop Loss. Over the past six

months, the average number of Soldiers under Stop Loss per month is 6,600 Active component, 1,900 Reserve and 2,200 National Guard. As of April 2007, the Army Stop Loss program affected less than half of one percent of the total force (5,185 Active Component, 1,432 Reserve, and 2,103 National Guard soldiers). The active Army Unit Stop Loss program takes effect 90 days prior to unit deployment or with official deployment order notification, if earlier, and remains in effect through the date of redeployment to permanent duty stations, plus a maximum of 90 days. Reserve component Unit Stop Loss begins 90 days prior to mobilization or with official mobilization alert deployment order notification, if later, and continues through mobilization, and for a period up to 90 days following unit demobilization. The Secretary has directed the Army to minimize their use of Stop Loss.

Reserve Component Recruiting: The Department measures and reports recruiting in a standard way for both Active and Reserve—that is, total accessions against goals. In reporting recruiting for the Active components, the Department includes all individuals that enter the active force, both non-prior service enlistees and those who have prior service. For the Reserve components, the Department reports all individuals who enter the Selected Reserve, including non-prior service enlistees, those who have prior service, and those who transfer directly from active duty or the Individual Ready Reserve into the Selected Reserve. As described above, support among influencers and parents has declined as the war progresses and we would appreciate your thoughts on how we might gain the support of influencers.

In FY 2005 the recruiting goal was 130,334, and the Reserve components achieved 111,017 for 85% of goal. In FY 2006 the goal was 141,223, and the Reserve components achieved 137,326 for 97%. They accessed 26,309 more service members in FY 2006 than in FY 2005. Total accessions through May 2007 were higher than during the same time period in FY 2006. Overall, the Reserve components in 2007 are again on track to exceed their previous year's total accessions.

Four of the six Reserve components met or exceeded their May 2007 accession goals: Army Reserve: 106%; Navy Reserve: 105%; Marine Corps Reserve: 111%; and, the Air Force Reserve: 104%. The Army National Guard: and Air National Guard achieved 88% and 77%, respectively. However, year-to-date accomplishments reflect that three of the Reserve components have met or exceeded their goals through the end of May 2007, as shown in table 3 below:

| | Quantity | | | Quality | |
|-----------|------------|--------|-----------|--|--|
| | Accessions | Goal | % of Goal | % High School Diploma Graduate (HSDG); <i>DOD Benchmark = 90%</i> | % Scoring at / above 50th Percentile on AFQT (Categories I-III A); <i>DOD Benchmark = 60%</i> |
| ARNG | 45,014 | 45,001 | 100% | 93% | 57% |
| USAR | 18,798 | 20,197 | 93% | 92% | 58% |
| USNR | 6,239 | 6,667 | 94% | 93% | 70% |
| USMCR | 5,126 | 4,747 | 108% | 96% | 74% |
| ANG | 6,224 | 6,456 | 96% | 98% | 75% |
| USAFR | 4,849 | 4,631 | 105% | 99% | 74% |
| DoD Total | 86,220 | 87,699 | 98% | 92% | 61% |

Table 3. FY 2007 Reserve Component Accessions Through May 2007

Despite a strong economy and ongoing military operations in support of the Global War on Terrorism, recruiting has been successful.

Reserve Component *Quality*: With regard to enlistment standards, the Department has not changed the recruit enlistment quality standards since 1990, when those standards were first established. The Department's recruit quality benchmarks require 60 percent of the fiscal year NPS accessions to score at or above average on the enlistment aptitude test and 90 percent of accessions to be high school diploma graduates.

For the Reserve components through May 2007, the quality is within limits except for the two Reserve components of the Army which, year to date, are just slightly below the aptitude benchmarks. All Reserve components appear to be on track to be within limits by the end of the fiscal year.

Services will continue to work on improving achievement of recruit quality through aggressive recruiting initiatives such as, increasing enlistment bonuses and increasing advertising. The overall positive trend in the Reserve components recruiting is attributed to additional recruiting resources, aggressive recruiting campaigns, and increased in-service recruiting efforts by the components.

Reserve Component Retention and Attrition: Measuring and reporting retention is standard for all Active forces, but attrition is the measurement we use to evaluate Reserve component retainability. Attrition is measured as total losses divided by average strength. Attrition is a more accurate measure of losses from the Selected Reserve.

Attrition measures the members who leave the Selected Reserve during a specified period of time, such as transfers to the Individual Ready Reserve (also part of the Ready Reserve), rather than just those members who reach a reenlistment "gate." Since members may transfer from the Selected Reserve at any time, measuring retention does not provide an accurate accounting of the component's ability to retain members or meet end strength. That is why the Government Performance and Results Act accepted Reserve component attrition as a more accurate metric than retention.

As of April 2007, losses in all Reserve components are within acceptable limits. We expect May 2007 to continue at the current trend. (Note: This indicator lags by one month).

| Component | FY 2007 Target (Ceiling) | | FY 2000 YTD APR 00 | FY 2006 YTD APR 06 | FY 2007 YTD APR 07 |
|----------------------|-----------------------------|----|--------------------------|--------------------------|--------------------------|
| Army National Guard | 19.5 | G | 11.6 | 10.6 | 11.2 |
| Army Reserve | 28.6 | G | 16.6 | 12.2 | 13.1 |
| Navy Reserve | 36.0 | G | 17.2 | 20.7 | 18.3 |
| Marine Corps Reserve | 30.0 | G | 16.1 | 13.6 | 14.5 |
| Air National Guard | 12.0 | G | 7.1 | 6.4 | 6.3 |
| Air Force Reserve | 18.0 | G | 10.4 | 8.3 | 10.0 |
| DOD | 19.5 | NA | 12.8 | 11.2 | 11.6 |

Table 4. FY 2007 Selected Reserve Component Enlisted Attrition (April 2007)

Source – Defense Manpower Data Center. Chart provides attrition data for FY 2007 as compared with FY 2007 ceilings, FY 2000 and FY 2006 rates for the same period. (FY 2000 is considered a base year because there was no mobilizations associated with that year).

It should be noted that overall reserve attrition for end-of-year September 2006 was the lowest it has been since 1991.

Benefits and Compensation

To sustain this highly skilled all-volunteer force, the Department must have a robust and competitive compensation package. Congress has been very helpful in enhancing compensation for Reserve component members. Much of the success in sustaining the reserve force is a direct result of higher amounts and more flexible rules for enlistment, accession, affiliation and retention bonuses. Enhancements to special and incentive pays have also helped compensate for the rigors of military service.

Since September 11, 2001, the Department and the Congress have worked together to increase military basic pay by approximately 28%. This has enabled the Department to achieve its goal of pay equal to or greater than the 70th percentile of private sector pay for those with comparable levels of age, education and experience.

Basic Allowance for Housing (BAH) has increased almost 80% since 2001. Just as importantly, the threshold for Reserve component members to receive BAH at the rate adjusted for locality was reduced from 140 days to 31 days. The Department estimates it would cost approximately \$100M annually to eliminate the flat rate BAH (BAH/RC) paid to reserve component members on active duty for less than 31 days.

A top priority for the Department is ensuring that Reserve component members called to active duty in support of a contingency operation receive the same pay and

allowances as their active duty counterparts. Military personnel—active, guard and reserve—serving in Operation Enduring Freedom and Operation Iraqi Freedom (OEF/OIF) receive combat zone tax relief benefits that exempt all pay of our enlisted members and most of officers’ pay from Federal income tax. These Service members also receive \$225 per month in Hostile Fire/Imminent Danger Pay, and those who have dependents receive an additional \$250 per month in Family Separation Allowance. Additionally, members assigned in Iraq and Afghanistan qualify for Hardship Duty Pay (HDP)-Location at the rate of \$100 per month, and \$105 per month in incidental expense allowance. Mobilized Reserve component members may also qualify for income replacement if they meet one of the three thresholds specified in law.

What has not been helpful is broad enhancements for all members and for individuals who have left the force. The cost of personnel is increasing and we must target our resources wisely on compensation and benefit programs that help achieve force management objectives—the expansion of entitlements and the creation of new ones that do not improve recruiting, retention, or readiness.

Last year, the Defense Advisory Committee on Military Compensation reviewed matters pertaining to military compensation, examining approaches to balancing military pay and benefits and incentive structures and made suggestions for improvements that they believe will assist us in meeting our recruiting and retention objectives. We used the findings and recommendations of the Advisory Committee's report as a starting point for the Tenth Quadrennial Review of Military Compensation (QRMC), mandated by statute.

The Tenth QRMC was tasked to pay particular attention to (1) the potential for consolidation of special pays and bonuses into fewer, broader, and more flexible authorities, and (2) the potential need for enactment of broader and more flexible authorities for recruitment and retention of uniformed services personnel. Currently, the large number of special and incentive (S&I) pays available dilutes the effectiveness of the pays to influence behavior, and makes the system unwieldy and difficult to administer and oversee. The degree of flexibility among the many different pays also varies. Most S&I pays are narrowly focused, with strict statutory limits on how they are disbursed. The QRMC is recommending a proposal which replaces the more than 60 pays that now address relatively narrow staffing issues with eight pay categories designed to cover a broad range of personnel needs. The House-passed Authorization Act for 2008 includes a provision that would achieve this consolidation. Importantly for the Reserve components, the provision would provide the Reserve components with exactly the same authority and the same amounts as those authorized for active duty members. This would give the guard and reserve a tremendous boost in their ability to target and meet their force management objectives.

There has been considerable interest in reducing the age at which Reserve components would begin receiving retired pay to more closely align it with the immediate annuity available to active duty members who complete at least 20 years of service. An independent research institution studied the effect of reducing the retirement age. They found that such a change would have no effect on recruiting and while there

would be a marginal increase in retention, that increase would be more than offset with Reserve component members serving fewer years. The bottom line is that there would be substantial cost to the Federal government and no force management objectives would be achieved. Moreover, the Tenth QRMC is studying the active duty pay system.

Preliminarily, they are assessing the impact of earlier vesting, gate pays, and more closely aligning the actual receipt of retired pay with that of federal civilian employees. Under these conditions, the reserve retirement system could be much more closely aligned with the active duty system.

We could use the support of the Commission in advocating for tailored, targeted pay and benefits that help achieve force management objectives and support those who are bearing the burden of mobilization and deployment. Overly broad authorities and pay and benefits focused on retirees are have a significant impact of the budget and crowd out other critical readiness requirements.

Health Care

TRICARE for the “Suddenly Military” Reserve Family

As the Department began mobilizing guard and reserve members following the terrorist attacks of 9-11, the Department also initiated a demonstration project to ease the transition of reserve families to the Military Health System. The RC Family Member Demonstration Project consisted of three elements:

- Waive TRICARE Standard deductible

- Waive non-availability statement requirement
- Allow TRICARE to pay up to 115% of TRICARE maximum allowable charge

Congress has also been very helpful, first by codifying the demonstration project and second by providing new authorities that ease the transition between civilian health care and the military health care system. Specifically, Reserve component members and their families are now eligible for TRICARE up to 90-days before the member must report for duty when issued “delayed-effective-date” active duty orders in support of a contingency operation. Also, if a Reserve component member serves on active duty more than 30 days in support of a contingency operation, the member and his or her family has 180 days of premium-free TRICARE coverage under the Transitional Assistance Management Program or TAMP when their active duty coverage ends. It is worth noting that the period of TAMP coverage was only 30 days before 9/11 but now provides for a much long period of coverage.

To reach out to guard and reserve members, the TRICARE Management Activity (TMA) communications and customer service staff publishes and maintains material that is available at Military Treatment Facilities (MTFs), the regional contractors, and military units. TMA completely redesigned the TRICARE Website to better meet the needs of Reserve component families. But recognizing that not all beneficiaries have access to computers, TMA distributes nearly 200 separate publications worldwide to various categories of TRICARE beneficiaries. These publications include bulletins and newsletters mailed directly to beneficiaries’ homes, brochures in the TRICARE Service

Centers, and handouts for mobilization and demobilization briefings. TRICARE regional offices, managed care support contractors, and family support personnel also conduct extensive outreach to National Guard and Reserve units to educate members and families about their health care benefits. The regional contractors provide briefings to units that are mobilizing and demobilizing. Finally, TRICARE contractor-provided call centers assist eligible beneficiaries with program and benefit information via toll-free lines and maintain TRICARE Service Centers staffed with customer service personnel at or near MTFs.

Because of the movement between civilian and military status, continuity of health care for the family has been a concern. Congress provided one approach to address this concern when the TRICARE Reserve Select (TRS) health plan was authorized for members of the Selected Reserve. As of October 1, 2006, all members of the Selected Reserve are eligible to purchase TRICARE coverage under the premium-based TRS when not covered by any other TRICARE health plan. This provides Selected Reserve members and the eligible family members with a continuum of TRICARE health coverage. Beginning October 1 of this year, the three-tiered TRS program will be simplified with a single premium rate for member only coverage and a single premium rate for member and family coverage, and by eliminating the service commitment requirement. TMA will send a letter in August 2007 informing current TRICARE Reserve Select members of changes to the program. The letter will include detailed instructions on the steps necessary for members and their families to take in order to

continue TRICARE Reserve Select coverage after September 30, 2007, in conformity with the new statutory qualifications.

Another concern has been the availability of providers who accept TRICARE, particularly in more remote locations. TMA is working to recruit additional providers in these medically underserved areas of the country to accept TRICARE patients into their practices. Last year, TMA sent letters to the American Medical Association and other national and state medical societies encouraging physicians in areas with low TRICARE participation to accept TRICARE patients. Response to these letters, and other education efforts, is good. Also, governors have gotten involved by encouraging physicians in their states to accept TRICARE patients. This is an area where we could use the help of the Commission.

Another approach to maintaining continuity of health care that has been suggested is to reimburse reservists for the cost of maintaining their civilian health care plan when they are on active duty. Bills have been introduced in Congress that would provide this option. These bills have all been similar by including a complex formula for determining the reimbursement rate and placing an extraordinary burden on the Department to administer the program. Since TRICARE is a health system accessible around the globe, the Department found that it is neither warranted nor appropriate to expand this benefit on the assumption that some families do not have access to health care providers that accept payment under the TRICARE program. While the Department has not supported these Bills, it has completed an assessment to allow reimbursement of reservists who

have family members with special health care needs for their actual cost to maintain the family's civilian health plan. The Department estimates this would save DoD approximately \$29 million over the six-year period. The Department does support this limited option for special needs family members, provided the reimbursement is limited to an amount not to exceed 115 percent of one of the nationwide fee-for-service plans under Chapter 89 of Title V of the United States Code. A flat rate approach was considered and rejected as inappropriate since families whose actual premium cost was lower than the flat rate amount would be overcompensated for their medical expenses.

Employer Support

National Guard and Reserve members are unique in that their military service is a part-time vocation and most are engaged in another full-time pursuit, such as a civilian job or secondary education, or in some cases, both school and a career. The Department understands that we share guard and reserve members with civilian employers and those mobilization impacts civilian employers. The Secretary's new utilization policy is intended to help provide predictability to employers by limiting the length of mobilization and providing a reasonable period between mobilizations. We also know that the one-in-six mobilization policy will still require reservists to increase their participation in the year or two before the one-year mobilization. This is why we need to effectively communicate with employers. There may be periods when an employer is less impacted by the loss of an employee. We need to work with employers to determine

if we can accommodate their needs while also meeting pre-mobilization training requirements.

While all employers are affected by the loss of employees because of military duty, that impact is typically more noticeable for the small business owner. Our office is currently conducting an employer survey in order to gain greater insight into the impact of military service on businesses. We will be able to identify small business owners as a subset within the survey and analyze those results separately. One goal of the survey is to learn how we can work with employers to identify mitigation strategies. We would be happy to share our findings when the analysis is complete, which is currently targeted for September.

Employer Support of the Guard and Reserve (ESGR), the organization within DoD that has the mission of working with employers of guard and reserve members, has transformed its business plan to meet the growing demand on the Reserve components resulting from the shift from a strategic to an operational reserve. ESGR is utilizing the Civilian Employment Information database to focus its employer outreach on known employers of Guardsmen and Reservists. ESGR developed specific informational and educational materials regarding USERRA and provides them directly to employers who are affected by mobilizations and military service.

Additionally, ESGR has expanded its outreach to employers through industry alliances. ESGR has developed strategic partnerships with the Society for Human

Resource Management, the National Federation of Independent Business and the U.S. Chamber of Commerce to inform and educate their members on their responsibilities under the Uniformed Services Employment and Reemployment Rights Act (USERRA). While ESGR primarily depends on a cadre of 4,200 volunteers to accomplish its mission, nearly 200 contract personnel spread throughout its 56 field committees have been added to enhance the effectiveness of volunteer efforts.

One area of growing concern is the increased use by employers of mandatory arbitration in employment contracts. The Fifth District U.S. Court of Appeals ruled in 2006 that the mandatory arbitration required by employment contracts supersedes USERRA, thus denying guard and reserve members covered by these types employment contracts recourse in Federal court. The mandatory arbitration does not create a public record and precludes the guard or reserve members from appealing the arbitrator's decision on its merits in the federal appeals court.

The biggest challenge in the area of employer support is the issue of reintegration into the workplace. A recent survey by Human Resource Executive Online revealed that 78% of the firms responding do not have a formal re-entry program for returning military personnel, but the vast majority of employers are doing an outstanding job of re-employing their returning Reserve component members.

Since symptoms of post-traumatic stress disorder and traumatic brain injury may not become evident until the employee has returned to their workplace, civilian

employers need to understand how to help their combat veterans obtain the care they need. This issue cuts across different agencies, so DoD has convened a task force with representatives from the Department of Defense, the Department of Labor and the Department of Veterans Affairs to address the issue of reintegration.

Family Support

Regional Joint Family Support Model

Per direction in the FY 2007 National Defense Authorization Act, the Department is designing a regional joint family support model. Two critical components of the model involve building coalitions and connecting Federal, state, and local resources and non-profit organizations to support Guard and Reserve families. Best practices and lessons learned from 22 Inter-Service Family Assistance Committees and the Joint Service Family Support Network will guide the planning process. The program will provide mobile outreach and support services to families throughout the regional areas.

Minnesota's, "Beyond the Yellow Ribbon" reintegration program, researched by the University of Minnesota, will serve as a model with a funded Community Reintegration Coordinator position. Hawaii, Oregon, New Hampshire, Arkansas, and Ohio have volunteered to be models. These are states where we can build onto a successful infrastructure to deliver a wide range of family assistance to expand our reach to the Guard and Reserve.

Child Care: Among the most important supports to the military family are high-quality child care and youth programs – this allows Service members – whether at home or deployed – to stay focused and execute their missions with minimum distraction. DoD child care continues to be a national model in both standards and oversight. Providing child care for the National Guard and Reserve presents additional challenges. Many do not live close enough to military installations to use on-installation child care and care off the installation is not always affordable. An initiative designed to address these challenges is Operation: Military Child Care, which although it does not fully subsidize the cost of child care, does reduce the financial burden. Services are provided through partnership with a national non-profit organization that helps parents locate child care at reduced rates in their own communities when they are unable to access child care on military installations. Fee reductions vary depending on geographic location, family income and age of the child(ren).

Youth Programs: Each of the Services has developed on-going partnerships with nationally recognized youth development organizations such as the Boys & Girls Clubs of America (B&GCA) and 4-H. These community-based organizations offer well-established, research-based programs that are easily accessible to Reserve Component members who do not live near an active installation. Strong partnerships with local school systems provide additional support to youth whose parents or loved-one has deployed. Programs designed to provide a safe place for youth during the summer months contribute to a comprehensive approach of providing support to youth.

Information: Two important Web-based tools are helping to improve the delivery of information and assistance to our families: Military OneSource and Military HOMEFRONT. Military OneSource specialists provide a 24/7/365 information and referral service via toll-free telephone and Internet access at no cost to participants. Programs provided are especially beneficial to those geographically separated from installation services or those who are unable to seek assistance during traditional working hours. Military HOMEFRONT is the Department's award-winning quality of life Web portal and is a user-friendly site that connects all of the best of the DoD quality of life information on-line.

Counseling: Counseling support is available both on and off military installations in the United States and overseas. Family assistance and military member counseling has more than doubled over the last year. Military and Family Life Consultants provide direct short-term, solution-focused counseling services to individuals, couples and families, and groups for situations resulting from commonly occurring life circumstances such as relationship conflicts, personal loss, and deployments. Military OneSource consultants provide referrals for non-medical short-term solution-focused, face-to-face counseling at no cost to all active and Reserve Component members and their immediate families. Face-to-face counseling services focus on issues such as normal reactions to abnormal situations (e.g. combat), couples concerns, work/life balance, grief and loss, adjustment to deployment, stress management, and parenting. Persons seeking counseling will receive up to six counseling sessions per issue.

Equipping

I would like to enlist your help in changing the equipping model we have been tied to for decades. Force structure and mission changes have generated additional requirements in equipping each military service. As the Reserve components transition to an operational force, our strategy to equip them must also change. Modernization, equipment replacement due to the war, as well as homeland defense missions are the catalyst for a new approach in equipping the Reserve components, in particular, the ground forces of the Army and Marine Corps. The Assistant Secretary of Defense for Reserve Affairs has undertaken the task of developing a new equipping strategy to meet the needs for an Operational Reserve.

The Reserve components need to be properly equipped not only when deploying but also to train while at home station. The design of the RC equipping strategy is to procure and distribute equipment to maintain a degree of readiness that is responsive to the Combatant Commanders' requests while sustaining capabilities to respond when called upon here at home. The strategy will also take into account the Department's support to Homeland Defense missions, while maximizing equipment availability throughout the force.

The Department's goal is to analyze what and where the greatest needs lie and design a strategy that best fits the operational reserve. This will require a serious and intense effort on everyone's part to maintain a ready force. Some major changes in

current thinking and new concepts of how we can equip the Reserve component force focus on availability, access, and transparency in distribution of equipment and resources. The ultimate goal is to fully equip units. Our transitional approach is to provide an equipped, trained and ready force at various stages of the new rotation policy while factoring in Homeland Defense mission. These efforts are on going and may necessitate some level of demonstration and proof of concept prior to making recommendations to the Secretary and full implementation them within the Department.

Conclusion

In conclusion, The Department is dealing with a myriad of total force management issues. I've covered only a few and they are all important. We're in uncharted territory regarding the outcomes we're striving for; be it transformation, rebalancing, homeland defense, force mix or strategic to operational reserve. We would like to partner with the Commission in addressing the challenges to maintaining an operational reserve, while maintaining an appropriate balance with families, employers, and Reserve component members. I look forward to your questions as I know what a difficult job you have, too.