

STATEMENT BY

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BEFORE THE

**PERSONNEL SUBCOMMITTEE
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**ACTIVE AND RESERVE MILITARY AND CIVILIAN PERSONNEL PROGRAMS OF
AMERICA'S ARMY**

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**RECORD STATEMENT OF
ASSISTANT SECRETARY OF THE ARMY FOR
MANPOWER AND RESERVE AFFAIRS
UNITED STATES ARMY**

Mr. Chairman and Members of the Committee, on behalf of the men and women of the United States Army, we would like to thank you for the opportunity to appear before your Subcommittee today to discuss the Active and Reserve Military and Civilian Personnel programs of America's Army. As we move into the 21st century, the evolution of the all-volunteer Army continues, marked by dramatic changes and proud accomplishments. The Army of today is facing serious challenges in the proper manning and readiness of the force, but we feel we are taking the necessary steps, with your help, to ensure that it remains the best Army in the world. We would like to discuss several key issues.

RECRUITING

In the aftermath of September 11th, the greatly increased security requirements here in the U.S. and the challenges of fighting terrorism serve to emphasize the critical importance of Army recruiting. The Army continues to recruit in a highly competitive environment. The private and public sectors, to include post-secondary educational institutions, are all vying for high quality men and women. Maintaining adequate resourcing for recruiting is essential to ensure that we sustain our improvement over the past two years. Recruiting will continue to be my first priority.

The Army's recruiting requirements are developed from projected needs based on a steady state of 480,000 soldiers. The recruiting environment remains the toughest in the history of the all-volunteer force; with youth unemployment holding at record lows. Even with the slowing economy, youth unemployment has remained relatively steady. This makes for a very tight labor market. The Army must recruit far more than any other Service. The Army must recruit quality applicants from the non-propensed market and

the positively propensed market in order to meet it's goals.. To make this possible, the Army must continue to be equipped and resourced to succeed in this task. Properly resourced, the Army can meet its recruiting goals.

For the second year in a row, the Army made mission and met or exceeded all three DoD quality goals in FY01 with 90.2% having a High School Diploma, 63.2% scoring in the top 50th percentile on the Armed Forces Qualification Test (categories I-III A) and only 1.9% scoring in category IV (26th to 30th percentile).

To fulfill the FY02 enlisted accession mission, the Active Component must write 87,300 new contracts to cover the 79,000-accession requirements and build an adequate Delayed Entry Program (DEP) of 35% to start FY03. The Army Reserve must access 41,757 and the Army National Guard, 60,504. These workloads combine to require productivity not seen since 1990, under more difficult market conditions.

Through January 2002, we have exceeded our Active Component accession requirements by 467. The Army National Guard and the US Army Reserve are also exceeding their missions. We are fully engaged to meet this year's accession missions and believe we can accomplish all three Components' missions. We are implementing initiatives to expand the recruiting market in cost effective ways, without degrading the quality of the force.

We know that Hispanics are underrepresented in The Army relative to their share of the U.S. population. However, enlisted Hispanic population increased from 8.3% of the Army as of September 1999 to 9.1% as of September 2000 and 9.7% as of September 2001. The Commander of the US Army Recruiting Command has developed a goal of 12% Hispanic contracts in FY02. One program that the Recruiting Command has implemented to help accomplish this goal is the Foreign Language Recruiting Initiative (FLRI). The FLRI is a two-year pilot program designed to increase the number of Hispanics in the Army. The Army will access 200 recruits per year during the two-year pilot program. The program began 2 January 2002 and will provide quality individuals who speak Spanish, with an opportunity to improve their ASVAB score and use of the English language. As of 31 January 2002, Hispanics account for 12.1% of all FY 02 contracts.

To date we have implemented the "College First" test program and the "GED

Plus - the Army's High School Completion Program". There were 673 enlistments in College First through FY01, and 109 in FY02 as of 6 January 2002. You granted us changes to the College First program for FY02 that will improve the test and the ability to determine expansion to the bound-for college market. The GED Plus program achieved 3,449 accessions in FY00, and exceeded the 4,000 (5,947 Total Regular Army) program limit in FY01. As of 6 January 2002, there have been 2,838 accessions through this program.

In FY02 you gave us the opportunity to conduct an 18-month enlistment option pilot test designed to increase the participation of prior-service soldiers in the Selective Reserve and assistance in building the Individual Ready Reserve.

Additionally, you directed us to conduct a test of contract recruiters replacing active duty recruiters in 10 recruiting companies. The Army is implementing this initiative. The plan is to bring on the 10 company contractors throughout FY02 and run the full test from FY03 through FY07. We have awarded this pilot program to two independent contractors each receiving contracts to perform the full complement of recruiting services, including prospecting, selling, and pre-qualifying prospective applicants for the Regular Army and Army Reserve, and ensuring that contracted applicants ship to their initial entry training starting this spring in selected locations across the country.

Today's young men and women have more employment and educational opportunities than ever before. Competition for these young people has never been more intense. The enlistment incentives we offer appeal to the dominant buying motive of young people and they allow us to sell the skills most critical to our needs at the time we need them most. The flexibility and improvements you provided to our incentives in the past have helped us turn the corner regarding recruiting. The initial four \$20,000 Enlistment Bonus specialties have seen dramatic increases in volume and quality fill. The combination of all incentives will help fill critical specialties as The Army continues its personnel transformation. The combined Montgomery GI Bill and Army College Fund, along with the Army's partnership with education, remain excellent programs for Army recruiting and an investment in America's future.

While the actions we have taken will help alleviate some of the recruiting

difficulties, we also know more work has to be done to meet future missions. We must continue to improve the recruiting efforts from developing a stable, robust resourcing plan to improving our core business practices. We must capitalize on the dramatic improvements in technology from the Internet to telecommunications and software. We must improve our marketing and advertising by adopting the industry's best business practices and seeking the most efficient use of our advertising dollars.

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

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

ENLISTED RETENTION

The Army's Retention Program continues to succeed in a demanding environment. Our program is focused on sustaining a trained and ready force and operates around five basic tenets:

- Reenlist highly qualified soldiers who meet the Army's readiness needs.
- Enlist or transfer qualified transitioning soldiers into a Reserve Component unit based on the soldier's qualification and unit vacancy requirements within geographic constraints.
- Achieve and maintain Army force alignment by reenlisting qualified soldiers in critical skills.
- Maintain maximum command involvement at every echelon of command.

- Ensure that a viable and dynamic retention program continues is critical to the sustainment function of the Army's personnel life-cycle.

Our retention efforts demand careful management to ensure that the right skills and grades are retained at sufficient levels that keep the Army ready to fulfill its worldwide commitments. Our Selective Retention Budget continues to provide this leverage, which ensures a robust and healthy retention program.

Over the past several years, retention has played an even greater role in sustaining the necessary manning levels to support our force requirements. Retention has been a key personnel enabler, considering the difficult recruiting environment that has existed over that period. This past year was an excellent example of the delicate balance between our recruiting and retention efforts. Through a concerted effort by the Department of the Army, field commanders and career counselors; the Army not only made it's FY01 mission, but finished the year by retaining 982 soldiers above that adjusted mission for a reenlistment percentage of 101.5%.

This year we have a retention mission of 56,000. Although that mission is below the 64,982 soldiers who reenlisted last year, the decreasing separating soldier population will make that mission just as difficult. Last year the retention accomplishments equated to 67% of all separating soldiers, which was a historic high for the Army. The mission this year requires us to equal that feat and retain once again 67% of all separating soldiers.

The ultimate success of our retention program is dependent on many factors, both internal and external to the Army. External factors that are beyond our ability to influence include: the economy, the overall job market, and the world situation. While we are enthusiastic about a healthy economy and high employability of our soldiers in the job market, we are also aware that these factors play heavily on the minds of soldiers when it comes time to make reenlistment decisions. Our force today is more family oriented. Today the Army is 55% married. Army spouses, who are equally affected by these external factors as the service member, often have great influence over reenlistment decisions. The internal factors that we can influence include: benefit packages, promotions, the number of deployments, adequate housing, responsive and accessible health care, attractive incentive packages, and reenlistment bonuses. Not all

soldiers react the same to these factors. These factors challenge our commanders and their retention non-commissioned officers (NCOs) to provide incentives to qualified soldiers that encourage them to remain as part of our Army.

Our incentive programs provide both monetary and non-monetary inducements to qualified soldiers looking to reenlist. These programs include:

- The Selective Reenlistment Bonus, or SRB, offers money to eligible soldiers, primarily in the grades of Specialist and Sergeant, to reenlist in skills that are critically short or that require exceptional management.
- The Targeted Selective Reenlistment Bonus program, or TSRB, is a sub-program of the SRB that focuses on eleven installations within the continental United States and Korea where pockets of shortages existed in certain military occupational specialties (MOS). The TSRB pays a reenlisting soldier a higher amount of money to stay on station at a location in the program or to accept an option to move.

Both of these programs, which are paid from the same budget, play key roles in force alignment efforts to overcome or prevent present shortfalls of mid-grade NCOs that would have a negative impact on the operational readiness of our force. We use the SRB program to increase reenlistments in critical specialties such as Infantry, Armor, Special Forces, Intelligence, Communications, Maintenance, and Foreign Languages. The FY01 SRB budget, as a result of the Congressional Markup, was increased by \$44 million to \$106.3 million.

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

The Army executes its retention mission through a network of highly dedicated and experienced professional NCOs (Career Counselors) who serve at the Brigade, Division, Corps and MACOM level. They are supported by unit-level personnel who

provide retention support to their units as an additional duty. These soldiers and civilian personnel are directly responsible for making the Army's retention program successful.

The Army's retention program today is healthy. Into the 2nd Quarter of FY02, as of 31 January 2002, we have reenlisted 109% of our year-to-date mission and are on track to make the 56,800-reenlistment mission that is required to sustain our 480,000 soldier Army. Our Reserve Component transition efforts during last year were also successful. We transferred 12,099 Active Component soldiers into Reserve Component (RC) units against a mission of 10,500 for a 115.2% success rate. For FY02 year-to-date, we have transferred 2,925 soldiers into RC units against a mission of 2,441 for a rate of 120%. The Army is expected to exceed its annual RC mission again this year.

Despite these successes there are a growing number of concerns surrounding the direction and future success of the Army Retention Program. With the eligible separating population of soldiers decreasing during the next three years, the actual retention rate will have to be sustained at about 67%, which is 7% above what the Army has previously accomplished prior to FY99. Additionally, MOS support skills, which include required language proficiency, signal communications, information technology, and maintenance, present a significant challenge caused by those external factors mentioned earlier (e.g., the economy, the job market, and increased PERSTEMPO). Even in the current economy, civilian employers are actively recruiting service members with these particular support skills. They are offering bonuses and benefit packages that we simply cannot expect to match under current bonus allocation rules and constrained budgets. Although retention in the aggregate is healthy, we continue to be concerned with retaining the right numbers of soldiers who possess these specialized skills.

To achieve our retention mission, we concentrate our efforts primarily on first-term and mid-career soldiers. It is within these two mission categories that the foundation for the career force is built. However, retention decisions are significantly different between these two groups. First-term soldiers cite educational opportunities and availability of civilian employment as reasons for remaining in the Army or separating. Mid-career soldiers are affected more by health care, housing, compensation, and availability of commissary, exchange and other post facilities. Consequently, a higher percentage of

mid-career soldiers are married, although the number of married first-term soldiers continues to increase. We continue to monitor both groups closely for any change in reenlistment behavior. They are the key to continuing a successful retention program. First-term retention rates continue at historic levels, as they exceeded 52% during FY99, FY00 and FY01. Mid-career rates continue to be above the pre-drawdown levels, at approximately 74%. We consider these rates to be the minimum levels necessary to sustain the force. Non-retirement-eligible soldiers continue to remain in the Army at a 98% rate. However, retirement-eligible soldiers who are still retention-eligible are leaving the service at higher than expected rates. The Army is keeping the right number of soldiers in the force necessary to maintain our readiness. This is due in large part to the help from Congress, existing incentive programs, and the continued involvement by Army leaders at all levels.

OFFICER RETENTION

It is anticipated that we will finish FY02 at slightly below our Officer Budgeted End Strength of 77,800. We continue to monitor officer retention rates, particularly that of Captains. Post-drawdown (1996-1999) Captain loss rates remain slightly higher than pre-draw down (1987-1988) loss rates (.9% difference); manning levels are constrained by deliberately under-accessed cohorts during the drawdown years. However, the impact of the Captain shortage has been historically offset by a Lieutenant overage, in aggregate number. The Army steadily increased basic branch accessions beginning in FY00 with 4000, capping at 4,500 in FY02 and beyond, to build a sustainable inventory to support Captain requirements.

Administration and congressional support on pay table reform serve to redress the pay issue. We continue to promote Captains above the DOPMA goal of 90% and are currently promoting all fully qualified Lieutenants to Captain at the minimum time authorized by DOPMA (42 months).

Army initiatives to improve retention among its Warrant Officer AH64 (Apache) pilot population have stabilized attrition trends; a reduction from 12.9% in FY97 to 8.6% in FY01. Since FY99 we have offered Aviation Continuation Pay to 665 eligible officers, of which 565 accepted (88% take rate). Additionally, we have recalled 209 pilots since 1997, and have 21 Apache pilots serving on active duty in selective continuation status.

RESERVE COMPONENTS

The exemplary performance of our Army in these past months is testimony that we are indeed One Army...an Army whose Components are practically indistinguishable from one another. I know our Nation is very proud of the performance of our Guard and Reserve forces. And I, who have seen them perform first-hand in contingency operations overseas and at home, at the Pentagon, am exceptionally proud of our forces.

Let me tell you why I am so proud. Our citizen soldiers went into action immediately and decisively in the aftermath of September 11th. In addition to the many individual heroes at the Pentagon and in New York City, many other great men and women came forward without hesitation. They were well trained and prepared to do their duty, a duty no one in the civilized world could have imagined.

Whether as volunteers in the first few days after the attacks or whether called up under the partial mobilization, the soldiers of the Army Reserve and Army National Guard have come forward to serve proudly and honorably—just as our citizen-soldiers have always answered the Nation's call.

I cannot go on without giving praise to those employers of our magnificent soldiers who believe and support the role our Reserve Components provide in meeting our National Security obligations. Likewise, we must recognize the family members who, through their unwavering support, allow our service members to serve with peace of mind.

We have a highly motivated, professional Guard and Reserve force performing real world missions alongside an equally motivated and professional active force. As of mid-January, we had over 4,000 Army Guard and Reserve soldiers engaged in the Balkan and Sinai operations.

Our Guard and Reserve are respectively providing about 8,000 and 6,200 soldiers in support of Operation Noble Eagle and nearly 4,700 and 6,400 respectively for Enduring Freedom. Additionally, we have nearly 11,000 Guard troops not in a Title 10 status but either a Title 32 or State Active Duty status supporting Noble Eagle. That amounts to over 40,000 Army Guard and Reserve troops supporting Operations Noble Eagle and Enduring Freedom.

I want to express appreciation for your support in this past National Defense Authorization Act (NDAA). The increase in full-time support authorizations, funding for Military Technicians and Active Guard and Reserve soldiers, and the increase in AGR controlled grades were especially critical.

PERSTEMPO

An increase in operational commitments and a reduced force structure have combined to increase the turbulence and uncertainty felt by the soldiers who serve our Nation. The increase in time spent away from home for our soldiers is directly related to the increase in unit and individual deployments and joint training exercises.

The Army actively manages the effects of PERSTEMPO through force management options as well as through working with OSD to manage force requirements in response to contingency operations. Some initiatives to reduce PERSTEMPO include rotating units, selective use of Reserve Component forces, global sourcing, use of contract civilians where possible, and a post-deployment stabilization policy.

The FY00/FY01 National Defense Authorization Acts (NDAA) required the Services to pay a high-deployment per diem allowance to service members for each day in which members are deployed in excess of 400 days in the preceding 730 days. The Services have established a system to track and record the number of days a member of the armed forces is deployed.

Section 991(d) of Title 10, U.S.C., authorizes the suspension of certain PERSTEMPO management constraints if required by National Security interests. In the wake of the tragic events of September 11 and Executive Order 13223, the Services suspended the accrual of days for PERSTEMPO per diem; however, the Services continue to track and report PERSTEMPO deployments for management purposes. The PERSTEMPO data collected by the Army since October 1, 2000 provides a glimpse of the level and diversity of deployment activity, but more data over a longer period of time is needed to assess the impact of PERSTEMPO on Army readiness and retention. The Army will continue to manage deployments with an emphasis on maintaining readiness, unit integrity, and cohesion while meeting operational requirements.

CIVILIAN PERSONNEL

A critical component of our Army is our civilian workforce. Civilians have been, and will continue to be, a major contributor to military readiness. They provide continuity, expertise, and significant support to today's Army. They perform mission critical work in areas such as depot maintenance, supply, acquisition, transportation, training, deployment, medical care, research and development, engineering and facilities operations, to name just a few.

As of December 31, 2001, there were over 223,000 Army civilians who support military functions and are funded through congressional appropriations. This number includes foreign nationals. There were just over 24,000 civilians serving the Army in reimbursable civil works functions and nearly 29,000 serving in positions covered by non-appropriated funding.

Today, nearly 41,000 civilians serve in locations outside the continental United States. In addition to supporting soldiers and their families at overseas posts around the world, Army civilians provide direct support to operations such as Haiti, and the Balkans. During the 12-year period ending September 2001, the Army reduced its civilian strength from 434,000 to just over 222,000, or more than 45%. We achieved the civilian drawdown through reduced civilian hiring, unreplaced employee losses, and mandatory placements to minimize the adverse impact of reductions on our civilian employees.

Because of our drawdown posture over the several years, the number of civilians who are eligible to retire has grown significantly. In 2003, 30% of our current professional workforce will be eligible to retire. Using our workforce analysis and forecasting tools, we predict a steady increase in civilian retirements between 2003 and 2008 as our "baby boomers" become retirement eligible.

Recently, the Office of Personnel Management (OPM) reported that the number of retirements from the Federal workforce in 2001 was not keeping pace with projections. During 2001, the Army's experience was not typical of the experience reported by OPM. We projected that about 3.2% of our workforce would retire in 2001; 3.1% actually retired. In addition, retirement trends in the Army reflect that civilians are spending less time in retirement eligibility status. In the mid-1980's, the average time employees remained "retirement eligible" was just over eight years. Today, they're in this status about six years, on average.

The drawdown has also led to skill imbalances also. The lack of replacements for losses over the last decade has disrupted the pipeline of civilian employees who are adequately

prepared to assume leadership roles as most experienced employees retire. The ability to fill entry, mid, and senior-level civilian positions quickly is essential to Army's workforce planning efforts. We also must have the means to manage our leaders strategically – what we are calling our Strategic Army Workforce. The Army is moving toward central management of a cadre of supervisors and managers to ensure that our key workforce will be quickly accessible, trained, and ready to meet our transformation goals.

To achieve Army transformation goals, we need to replace our civilian workforce at a pace that matches their departure rates. In addition, our future workforce must be multi-skilled and capable of adapting quickly to meet our transformation goals. As the Army becomes more strategically responsive, our laws to hire and compensate our civilians must also change.

We must have flexibility to develop and implement accession programs that meet the current critical need for the swift hiring of highly qualified candidates. We ask this Committee to support necessary changes to simplify or eliminate outmoded civil service rules and produce a modern, streamlined personnel system, one that is responsive to our needs. We need the capability to hire at least 3,100 civilians expeditiously into critical hard-to-fill positions, be able to pay for performance using a flexible pay-banding system, and to provide funds to advance the development of bold and innovative civilian leaders. Our civilians are the best. We must have the support to replenish the best and compete in tomorrow's labor market.

ARMY REVIEW BOARDS AGENCY (ARBA)

The Army Review Boards Agency (ARBA) continues to make progress toward providing all of our applicants fair and timely consideration of their cases, as well as a clear explanation of our decisions.

The Army Board for Correction of Military Records (ABCMR) processed over 12,000 cases in FY01 and has made significant progress in improving service to soldiers and veterans. A case backlog of nearly 5,000 a year ago has been reduced to a sustaining caseload of less than 3,200. Average case-processing time has been reduced from 22 months in 1998 to less than six months today. Ninety-eight % of the cases submitted to the Board for review during FY01 were completed within 10 months or less, exceeding a congressional mandate to complete 50% of boarded cases within 10 months and all cases within 18 months. This accomplishment meets FY10 Congressional requirements today.

The Army Discharge Review Board (ADRB) eliminated the 1996 backlog of over 5,000 cases. Today, when an application arrives with its records, we can review and decide an application within a week. Average processing-time is less than 90 days. We continue traveling around the country to provide applicants desiring personal appearances, but who cannot travel to Washington, an opportunity to present their case.

Our success has not been without cost. We spent over \$3 million on information technology, including a web page to accelerate and simplify the application process. To ensure fair and timely consideration of cases, we shielded the boards from personnel cuts, as directed, through FY01.

In sum, what we have achieved is testimony to what leadership, management, and accountability, coupled with people, money, and time, can accomplish. We appreciate your continued support, and we will continue to improve our service to our soldiers, past and present.

WELL-BEING

A significant part of Army Transformation is Army Well-Being. Army Well-Being is the driving force for a successful transformation because it directly impacts the human dimension of the force. Army Well-Being is the personal – physical, material, mental, and spiritual – state of Soldiers, retirees, veterans, Army civilians, and their families that contribute to their preparedness to perform and support the Army's mission. Army Well-Being encompasses and expands upon Quality of Life successes by providing a standardized, integrated holistic approach to programs at the Soldier, community/installation and senior-leadership level. Well-Being provides a clear linkage between quality of life and Army institutional outcomes such as performance, readiness, retention, and recruiting – outcomes that are strategically critical to sustaining a healthy Army into the future.

The motivating force of Army Well-Being is ensuring we consistently and adequately provide for the people of The Army while improving readiness. Helping individuals connect to the Army, feel part of the team and derive a sense of belonging is inextricably linked to readiness. Well-Being pursues an adequate standard of living for Soldiers and Army civilians and their families. Well-Being connects Soldiers, civilians,

retirees, veterans and families to The Army by fostering an intense pride and sense of belonging. Well-Being encourages members to grow by providing meaningful and supportive personal enrichment programs.

Well-Being seeks to enhance morale, recruiting, and retention by incorporating all Well-Being related programs such as command programs, pay and compensation, health care, housing and workplace environment, education, family programs, and recreational services into an integrated approach that succinctly communicates to Soldiers, civilians, retirees, family members, veterans and leaders the various programs and resources provided by the military. It gives members of the Army a holistic view that the Army is pursuing fair, balanced, and equitable compensation benefits; consistently providing safe, affordable, excellent housing; ensuring quality health care; enhancing community programs; and expanding on educational and retirement benefits by developing universal standards and metrics to evaluate and deliver these programs.

Well-Being will continue to be linked to the capabilities, readiness, and preparedness of The Army as we transform to the Objective Force. Well-Being means predictability in the lives of Soldiers and their families, access to excellent schools and medical facilities, educational opportunities, housing, and recreation. Well-Being means soldiers and civilians will not be put in the position of choosing between the profession they love and the families they cherish.

MILITARY COMPENSATION AND BENEFITS

The purpose of the military compensation system is to attract, retain, and motivate people. In order to man the Army with quality volunteers, we must compete directly with the private sector, and in today's environment, compensation is a key to competitiveness. An effective military compensation system must be flexible and competitive in order to attract young men and women to military service and to retain them throughout a demanding career. This year's budget contains a 4.1% pay raise, which is 0.5% above the Employment Cost Index. Providing pay raises at 0.5% above the Employment Cost Index this year and through FY06 will greatly enhance the well-being of our soldiers and improve the competitiveness of the military compensation package. We appreciate your commitment in this regard.

We strongly support the plan to eliminate out-of-pocket housing costs by the year 2005. This initiative will improve the well-being of our soldiers and their families, and contribute to a ready force by enhancing morale and retention. The FY03 President's Budget continues this initiative, which will reduce out-of-pocket costs from 11.3% today to 7.5% in 2003 - putting us on track to eliminate the out-of-pocket housing cost for the men and women in uniform by 2005. We will continue to endorse fair and equitable compensation and benefits for our Soldiers and their families and thank you for continued support for the men and women of the Army.

MILITARY RETIREES

Army retirees have served our Nation honorably and selflessly, affording American citizens a way of life that is unknown in many other countries. This Nation is eternally indebted to these gallant men and women. Even though they have taken off the uniform, many continue to serve in various ways in their civilian and military communities. For many, "US Army Retired--Still Serving" is not a slogan; it's a way of life.

We greatly appreciate your commitment to provide our military retirees with health care that addressed one of their major concerns – access. The TRICARE for Life medical coverage provides military retirees with the most comprehensive medical coverage and access that includes a robust pharmacy benefit with very little out of pocket cost. This benefit enhancement maintains the promise, demonstrates our Nation's thanks for their service, and improves our ability to recruit and retain professional soldiers.

Prior to this change, retirees and family members perceive the limited access to health care as a breach of contract – one that reduced their standard of living. The generous modifications by Congress with TRICARE for Life, robust pharmacy benefits, and elimination of co-payments for active duty military members and their families were pieces of legislation that addressed these retiree concerns. We thank you for such robust support and ask for continued sufficient funding to provide the health care promise to retirees.

CLOSING

We know the Army offers tremendous opportunities to America's youth. Our soldiers return to America's communities better educated, more mature and with the skills and resources to prepare them for a productive and prosperous life. They make valuable contributions to their communities.

Our recruiting mission continues to be a challenge. The success of our retention program continues to rest on the shoulders of unit commanders, leaders and our retention professionals throughout the Army. Our concerns for the remainder of FY02 and beyond center around the momentum that was initiated by the Administration and the Congress last year to improve the lives of our soldiers through improved pay initiatives.

I am hopeful that your support and assistance will continue as we demonstrate our collective commitment to fulfilling the manpower and welfare needs of the Army, active, reserve, civilian and retired.

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