

Draft Personnel Overview Statement

Introduction

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

As Secretary Rumsfeld recently testified, “if we are to win the war on terror, and prepare for the wars of tomorrow, we must take care of the Department’s greatest asset: our men and women in uniform. ‘Smart weapons’ are worthless to us unless they are in the hands of smart soldiers, sailors, airmen and marines.” The Department of Defense is competing with the private sector for the best young people our nation has to offer.

The Defense family has changed over the last decade. U.S. military and civilian personnel are more senior, educated, and diverse. More military spouses work, and they are better educated than they were ten years ago. DoD’s transformation of personnel policies and programs must address these changing demographics and the expectations of a 21st century military force. The Department must keep its “side of the bargain” by providing relevant programs and policies for the families who support members of the Armed Forces.

DoD has embarked on a strategic approach to managing its military (Active and Reserve) and civilian force. Today, I would like to outline these initiatives, as well as discuss the challenges we face.

MILITARY PERSONNEL

America's military today is recognized as the most capable ever fielded. As has been proven so vividly in recent months, our successes and sacrifices are key to providing a global environment in which the ideals of democracy and the global economy can flourish.

Recruiting and retention are cornerstones of military force capability and continue to be challenges for the department. We have fielded more recruiters than ever before, and added funds for recruiting and retention efforts than we ever have to keep us on track toward achieving our recruiting and retention goals. While we have had good results in recent years, and in Fiscal Year (FY) 2001 specifically, many challenges still lie ahead.

END STRENGTH

At the end of FY 2001, the Department of Defense as a whole exceeded its end strength target for the active force by almost 3,000 service members. All individual Service components met or exceeded their goals, except the Air Force, which fell short by about 3,500 personnel.

The requested active duty military end strength for Fiscal Year 2003, as reported in the Service budget submissions, show a net increase of 2,300 from the FY 2002 authorization. The Army continues at an end strength of 480,000; the Navy projects a slight decrease from 376,000 to 375,160; the Marine Corps increases from 172,600 to 175,000; and Air Force remains steady at 358,800. The Marine Corps' FY 2003 budget request included 2,400 spaces above the FY 2002 President's Budget. These forces are needed to stand up an Antiterrorism Marine Expeditionary Brigade—an active force responsibility.

In the aggregate, the Reserve Components experienced much success in achieving end strength in 2001. This success was due to excellent recruiting during a very challenging period

and excellent retention in all components. The individual components all finished the year within 1% of authorized levels. Increases in the recruiter force, expanded bonus programs, enhanced advertising campaigns, increased focus on retention resources, and increased use of the MGIB-SR kicker education benefit all contributed to this success.

ON REDUCING/ELIMINATING LOW DENSITY/HIGH DEMAND UNITS

As a result of our recent combat experiences in Afghanistan, I believe it is time we increase our support to Low Density/High Demand units so they may meet the demands placed upon them. For years, the Department has been accepting risk in these weapon systems and it is time we resolved this issue. It is imperative that we commit the necessary resources to address these critical shortfalls as soon as possible.

STOP LOSS

Stop Loss, which refers to the involuntary extension on active duty of service members in times of war or national emergency when the need arises to maintain the trained manpower resident in the military departments, has been implemented somewhat differently by each Service, based on specific requirements.

For officers, the Army instituted a limited program impacting only pilots and special operations officers. Affected Navy officers include the special operations community, limited duty security officers, physicians in certain specialties and the nurse corps. The Marine Corps' implementation applies to C-130 aviators and infantry officers. The Air Force's initial program applied Stop Loss restrictions to all officer skills; it is now releasing many career fields and tailoring the list of affected specialties.

For the enlisted forces, the Army implemented its program in increments. The initial increment included soldiers primarily assigned in Special Forces specialties; the second increment expanded the program to include Army Guard and Army Reserve personnel in the same specialties already stopped in the active force and added three additional specialties (enlisted and officer psychological operations, and enlisted supply and services) to the program. The Army is currently working on the details of a third increment for immediate implementation.

The Navy enlisted program affected sailors in 10 different specialties deemed critical to current operations, including SEALs, special warfare combatant craft crewman, explosive ordnance disposal specialists, and linguists who speak Hebrew, Russian, Serbian, Albanian, Arabic, and other Arabic dialects.

The Marine Corps implemented an incremental program that coincided with current operations that the Marine Corps was tasked to support. The first increment addressed Marines assigned to Marine Forces Atlantic, as they were needed to staff the newly formed anti-terrorism brigade. The second increment included Marines assigned to C-130 aircrew positions across the Corps. The initial Air Force program applied to all enlisted skills. As with its officer program, the Air Force is currently releasing many enlisted specialties from the program.

RECRUITING

Our success in maintaining a military second to none depends on attracting and retaining people with the necessary talent, character, and commitment to become leaders and warriors in the nation's Armed Forces. An asset is that the military ranks first as the most respected American institution. However, while the quality, dedication and professionalism of the men

and women in uniform command such respect from all Americans, this respect currently does not translate to an increased willingness to enlist or to encourage others to serve.

It is essential that public and private sector leaders at every level step up to the challenge of generating awareness of telling our young people the important role they can play by serving in the military.

FISCAL YEAR 2001 ENLISTED RECRUITING RESULTS

During FY 2001, the Military Services recruited 257,882 first-term enlistees and an additional 79,496 individuals with previous military service for a total of 337,378 recruits, attaining 101 percent of the DoD goal of 334,540 accessions. All Active and Reserve Components, except the Air National Guard, achieved their numeric goals.

The FY 2001 recruiting success did not come easily; rather, it can be attributed to an extraordinary investment of time, talent and money. In FY 2001, the cost-per-recruit increased again—reaching an all time high of \$11,652. The number of field recruiters remained at its highest point in the last decade with just over 15,000 production recruiters. The Services continue to offer bonuses in more skills and have implemented several test programs in an effort to expand the recruiting market.

In addition to monitoring our overall numerical goals, we continue to keep a close watch on the quality of new Service members. Years of research and experience tell us that recruits with a high school diploma are more likely to complete their initial term of service. Additionally, research shows a strong correlation between above average scores on the enlistment test and on-the-job performance.

The quality of new recruits remained high in FY 2001, although the Army National Guard and Naval Reserve fell short of the desired high school diploma graduate (HSDG) rate. DoD-wide, 91 percent of new recruits were high school diploma graduates (against a goal of 90 percent) and 66 percent scored above average on the Armed Forces Qualification Test (versus a desired minimum of 60 percent). The following table provides details.

FY 2001 Numeric Results					
	Goal	Achieve	Percent	Percent	Percent
				HSDG	Cat I-III A
Army	75,800	75,855	100%	90%	63%
Navy	53,520	53,690	100%	90%	63%
Marine Corps	31,404	31,429	100%	96%	64%
Air Force	34,600	35,381	102%	99%	75%
Active Total	195,324	196,355	101%	93%	66%
Army National Guard	60,252	61,956	101%	86%	60%
Army Reserve	34,910	35,522	102%	90%	66%
Naval Reserve	15,250	15,344	101%	89%	73%
Marine Corps Reserve	8,945	9,117	102%	96%	76%
Air National Guard	11,808	10,258	87%	96%	79%
Air Force Reserve	8,051	8,826	110%	93%	73%
Reserve Total	139,216	141,023	101%	89%	66%
DoD Total	334,540	337,378	101%	91%	66%

RESERVE COMPONENT RECRUITING

For 2002, all Reserve Components are focusing continued efforts on managing departures in addition to maintaining aggressive enlistment programs by targeting both enlistment and re-enlistment incentives on critical skill areas. Each of the components has implemented several recruiting incentives and developed initiatives to make National Guard and Reserve service attractive. This is critical to retaining trained, experienced personnel which is increasingly important in this difficult recruiting environment. Although limited Stop Loss will assist in managing departures, the Reserve Components will continue to optimize use of retention incentives while expanding their recruiting efforts, particularly in the prior service market.

As one example of Reserve Component recruiting initiatives, we are seeking an increase in the time we can retain an individual in the Reserve delayed training program. Increasing the delayed training program from 270 days to 365 days will enable Reserve recruiters to begin working the high school and college markets earlier.

FY 2002 YEAR-TO-DATE RESULTS

Through the first quarter of this fiscal year (October to December 2001), the Services achieved 105 percent of their shipping mission, enlisting 74,965 young men and women. All Active and Reserve Components, except the Naval Reserve, met or exceeded their first quarter goals. The Naval Reserve has achieved 93 percent of its goal-to-date. All Service components expect to achieve their recruiting goals this fiscal year, with the possible exception of the Air National Guard. Overall, recruit quality in both the Active and Reserve Components remains high.

Many people have asked if the terrorist attacks of September 11 resulted in an easier recruiting environment. To date, we have not seen a change in enlistment contracts signed.

Initial survey results, including our most recent youth poll administered in October 2001, did indicate that more young people considered joining the military after the terrorist attacks of September 11, 2001. The results also show an increase in propensity levels (the percent of young people who report they “definitely” or “probably” will serve in the military). In addition, Services reported an increase in the volume of enlistment leads generated. However, many of the people who expressed an interest in the military were not qualified for service. Despite the high levels of patriotism, there is no data to indicate that these perceptions have translated into an easier recruiting environment.

OFFICER PROGRAMS

Active duty officers come from Service academies, Reserve Officer Training Corps (ROTC) programs at colleges and universities, Officer Candidate School/Officer Training School (OCS/OTS) as run by each Service, and via direct appointment for physicians and other medical specialists, attorneys, and chaplains. The Army and Air Force met their numerical commissioning requirements in FY 2001, while the Navy was at 96 percent of goal and the Marine Corps was short 20 officers (99 percent of goal). However, both the Navy and Air Force continued to experience shortfalls in certain specialties, usually those that require a specific educational background. The Navy missed its goals in pilots, naval flight officers, civil engineers, chaplains, and most medical and medical support specialties. The Air Force was short navigators, intelligence officers, weather officers, physicists, and engineers. Both Services have faced this problem for the past several years and the Department is appreciative to the

Committee for the recently authorized officer critical skills accession bonus. All Services currently are determining the most effective way to use this bonus.

During FY 2001, the Reserve Components essentially achieved their officer accession goals despite the challenging recruiting climate. The Army National Guard, the Army Reserve, and the Marine Corps Reserve made their stated goals within a few officers, and the Naval Reserve over-produced by 154 officers. The Air Force Reserve missed its stated officer gains goal by 196 officers. (The Air National Guard has had data processing problems since June 2001; therefore, its officer gains data are not complete at this time.)

Active duty officer accessions are on track in all Services for numerical success this year, but the Navy and Air Force continue to be concerned about the specialty mix even as they implement the accession bonus to address the problem in the long term.

The struggle for sufficient reserve officer opportunities will continue. Several challenging factors include Active Component use of Stop Loss during the first part of the fiscal year, limited opportunity for further short-term expansion of internal OCS programs, and increased officer commissioning goals. When Active Component goals increase, there frequently is a corresponding decrease in the number of gains to the Reserves. It will take a coordinated effort by both Active and Reserve Components to achieve future reserve officer appointment goals.

EXPANDING THE TARGET MARKET

The Department is continuing to work to identify ways to expand our target market. Today, nearly two-thirds of high school seniors enroll in college immediately after graduation.

Enlistment often is viewed as an impediment to further education. High-quality youth (high school graduates with above average aptitude) are increasingly interested in attending college.

In February 2000, the Army launched its “College First” pilot test which is designed to identify better ways to penetrate the college-oriented market. At the end of FY 2001, the Army had almost 700 program participants. We appreciate Congressional support of “College First” as recent increases in the stipend should make this program more viable, and we hope that Congress will remain open to further changes that will enhance the program’s chance of success.

Other current policies are designed to attract high school graduates using post-service college incentives (e.g., Montgomery GI Bill, college fund “kickers”) as well as enlistment bonuses and loan repayment programs. In addition, Services enlist those with college experience at higher grades than high school seniors. Our future strategies must communicate that the military facilitates future education by providing discipline, drive, and financial means as well as exploit opportunities to pursue college-level course work.

In addition to targeting the college market, we have several on-going pilot programs designed to tap the high aptitude, non-high school diploma graduate market. The National Defense Authorization Act for FY 1999 directed a five-year project to attract more home schooled graduates and ChalleNGe-GED holders to the military by treating them as high school diploma graduates for enlistment purposes.

Early analysis indicates that results in those experiments are mixed. Twelve month attrition rates for ChalleNGe-GED holders appear to be similar to those of high school diploma graduates for Army and Marine Corps enlistees, but considerably higher for Navy and Air Force enlistees. The 12-month attrition rates of home schooled youth are similar to those of high school diploma graduates in all Services, except for Navy and Marine Corps home schooled

enlistees with below average aptitude scores; their attrition rates are quite high (20-26 percent). As the sample size continues to increase throughout the pilot test, we will assess the military performance and attrition behavior of the home schooled and ChalleNGe recruits to determine their appropriate enlistment priority.

We have also examined the enlistment propensity of home schooled youth and ChalleNGe participants. We find that home schooled youth have lower enlistment propensity (for any Service) and are less likely to have parents who support military enlistment for their child. We have provided the Services with suggestions for ways to contact home schooled youth. On the other hand, youth in the ChalleNGe program have high enlistment propensity. We continue to monitor these programs.

In addition to these pilot programs, the Army also launched a four-year pilot test called GED Plus in February 2000. This program provides individuals who left high school before obtaining their diploma with an opportunity to earn a GED and enlist in the military. Since GED Plus graduates are required to have above average enlistment test scores, job performance should not be adversely affected. The Army currently is evaluating interim results of this program.

An important component of recruiting centers on early and accurate identification of individuals with criminal arrest histories. We are exploring ways to improve access to offense records, including juvenile offense records, at the least cost.

The events of September 11, 2001, have shown that there is enormous interest by Americans wanting to serve the country in some capacity. Many proposals on various ways for people to serve through national or community service are now surfacing, including proposals for men and women to join the military for short-term periods. In particular, a bill entitled the "Call to Service Act of 2001" focuses on a myriad of programs designed to promote and expand

service to country. One section of the bill would offer an \$18,000 bonus to young people who serve 18 months on active duty followed by 18 months in the Selected Reserve.

While we applaud the idea of giving more Americans the opportunity for military service, we must balance the effect of this kind of program with other enlistment incentives and the needs of the Services. For example, some new recruits receive enlistment bonuses because they possess critical skills needed in the military. Typically, these bonuses average about \$6,000. A few enlistees will receive bonuses approaching \$18,000, but only if they enlist in critical skills for at least four, but normally six years. I hope the Committee will carefully consider any short-term enlistment proposals in the context of overall manning policy, lest they undercut the continuing success of the volunteer force.

RECRUITER ACCESS TO HIGH SCHOOLS

As the Services reduced their size by one-third over the past decade, fewer citizens were exposed to the military; therefore, many of those best able to advise youth about post-high school options—teachers, counselors, coaches, parents—have little first-hand experience with today’s military. Those adult influencers may underestimate the military’s value as a powerful foundation for success in any endeavor. This reinforces the need for access to high school campuses and student directory information by professional military recruiters. This Committee has recently urged greater cooperation between those high schools and military recruiters, for which we are grateful.

As you know, the National Defense Authorization Act for FY 2000 requires that high schools allow military recruiters the same degree of access to students that is provided to universities generally, or to other employers. Failing such cooperation, the law asks that a senior

officer (e.g., colonel or Navy captain) visit the school. If the problem is not resolved within two months, the Department notifies the State Governor, and for problems unresolved within one year, the Department notifies Congress of any schools which continue to deny campus access or directory information to at least two Services. The expectation is that each public official learning of a problem would work with the offending school to resolve it.

In the National Defense Authorization Act for FY 2002, Congress further strengthened the language requiring schools to provide access to students equal to that afforded other potential employers, and mandated that schools provide student directory information to military recruiters unless the parent or student has denied such release in writing. We appreciate this clarifying language, and believe it will significantly improve our ability to work with many of the schools which currently deny access.

Shortly following enactment of the October 2000 statute, the Department began development of a national database that allows military recruiters to document the recruiter access policies of local high schools. Preliminary data suggest that between 2,000 and 3,000 secondary schools nationwide (about 10 to 15 percent of all high schools) ultimately will be identified as “problem” schools under the definitions set forth in current law.

The Services now are preparing to undertake visits by the colonels and captains, and look forward to productive discussions with local educators to identify ways to meet the expectations set forth by Congress. However, given the large number of schools which we expect may continue to deny appropriate access, the Services are concerned about their ability to make a sufficient number of such senior officers available within the specified time frame. We are considering a request for the FY 2004 legislative cycle which would reduce the rank of the visiting officer to a field grade (i.e. major, lieutenant commander or above) so that the Services

could carry out the spirit of this legislation in a more timely manner, with less burden on their limited recruiting resources.

RECRUITING OUTLOOK

We do not expect the competitive recruiting market to ease. We must equip recruiters to succeed in the challenging and changing market which includes fewer influencers familiar with the military, and more college-oriented students.

RETENTION

While bringing quality people into the force is the essential first step, equally important in maintaining a healthy military is retaining the appropriate numbers of people in the right skill areas. As with the recruiting environment, retention in recent years has been extremely challenging. However, the Congress' and the Department's investment in retaining quality people yielded promising results in FY 2001.

For the enlisted force, the Army, Navy, and Marine Corps all achieved desired levels of aggregate retention. The Air Force missed its aggregate retention goal by approximately 1,700 airmen; however, it did meet first term retention goals for the first time in three years and held steady on second term retention. The improved result for all Services are due in large part to strong Service retention programs, including monetary and non-monetary incentives to encourage enlisted members to stay in the force.

The enlisted retention outlook for FY 2002 is promising. The Army, Navy, and the Marine Corps exceed or are close to their specific retention goals and will likely achieve aggregate annual retention goals. Air Force retention data are not available at this time, but the

Air Force has robust monetary and non-monetary retention programs in place and expects to see improved retention this fiscal year.

Overall enlisted retention trends are promising, but despite success in meeting the numeric goals, shortages in a number of technical enlisted specialties persist in all Services. Shortage skills include communications/computer specialists, aviation maintainers, information technology specialists, electronics technicians, intelligence linguists, and air traffic controllers.

Retention challenges exist within the officer ranks as well. Officer retention challenges from FY 2001 that are expected to continue into FY 2002 include primarily those career fields whose technical and scientific skills are easily transferable to the private sector. We are hopeful that the Critical Skills Retention Bonus (CSRB) Program, enacted by the Congress in the FY 2001 Defense Authorization Act, will improve retention in targeted critical skills. The first Service to submit a proposed CSRB program for approval is the Air Force. It has identified officers holding skills as Developmental Engineers, Scientific/Research Specialists, Acquisition Program Managers, Communication-Information Systems Officers, and Civil Engineers as those who would be eligible for retention bonuses upon completion of their initial active duty service obligations.

EDUCATION BENEFITS

In the FY 2002 NDAA, Congress authorized two new programs designed to promote reenlistments and extensions in critical specialties—Montgomery GI Bill (MGIB) Transferability and an education savings bond plan. Neither of these programs came with additional appropriations nor are funds included in current Service budgets or programs. Nonetheless, we welcome the opportunity to explore the viability and usefulness of the programs and are currently discussing how best to implement them.

COMPENSATION

While bonuses and benefits are necessary tools, competitive pay for all personnel continues to be among the key components in our efforts to attract and retain top quality, highly skilled men and women. In addition to basic pay, compensation includes all pays and allowances, such as housing and subsistence allowances, and special and incentive pays. We are grateful to the Congress for its work in improving each of these areas, especially during the last fiscal year. The largest military pay raise in 20 years and significant progress in reducing out-of-pocket housing costs for Service members and their families send a clear signal that our nation values the courage and sacrifice required of military service.

Over half of today's service members in grades E-5 and above have at least some college, while over 20 percent of personnel in grades E-8 and above have college degrees, based on a DoD survey. Private sector pay for individuals with some college falls above military pay scales at many points. We therefore applaud the Congress' direction on the FY 2002 pay raise to target additional raises for NCOs, as well as mid-level officers, greater than required by law.

In addition to maintaining efforts to achieve competitive pay tables, the Department recommend continuing to increase military housing allowances significantly, with the goal of eliminating average out-of-pocket costs by 2005. Building on the current year's increases, the FY 2003 budget requests further improvements in the allowance, reducing the average out-of-pocket costs from 11.3 percent to 7.5 percent. Understandably, Service members view the housing allowance as one of the key elements of their total compensation package. Therefore, the Department has worked tirelessly to improve its data collection to ensure the allowance accurately reflects the housing markets where Service members and their families reside.

In concert with Congress' effort to address the issue of Service members on food stamps, the Department is continuing to monitor aggressively the Family Subsistence Supplemental Allowance (FSSA) program, which was implemented in May 2001. The number of military personnel on food stamps has steadily decreased from 19,400 (9 tenths of 1 percent of the force) in 1991 to an estimated 4,200 (3 tenths of 1 percent of the force) in 2001. In 2002, with FSSA in place, we anticipate the number of members on food stamps will be reduced to 2,100 (1.5 tenths of 1 percent of the force). We expect this reduction to occur both because of the large FY 2002 pay raise, and also because most FSSA-eligible members will choose to take the allowance. Currently, approximately 2,500 Service members are FSSA eligible.

Although it would be ideal if no Service member had to rely on the use of food stamps, 100 percent participation by those individuals in FSSA may not be achievable. FSSA participation has a detrimental effect on eligibility for other income-based social aid programs. For example, when a member starts receiving FSSA, the additional monthly income may render the family's children ineligible for the Free and Reduced School Lunch Program. Additionally, for some, there remains a stigma attached to admitting to the chain of command the need for more money. A FSSA website has been established to educate personnel and address their concerns, and each Service has trained personnel available to offer personal assistance.

Since Operation ENDURING FREEDOM resulted in Service members moving into new operational areas and settings, the Department has been aggressively addressing their compensation needs. Military personnel in Afghanistan, Kyrgyzstan, Jordan, Pakistan, Tajikistan, Uzbekistan, and those serving at Incirlik AB, Turkey in direct support of operations in Afghanistan receive Combat Zone Tax Benefits. Members in these countries also receive \$150 per month in Imminent Danger Pay. Additionally, these individuals qualify for Hardship

Duty Pay-Location at the rate of \$50 or \$100 per month, depending on conditions in their particular location. Deployed members are housed in government-provided quarters and generally continue to receive the housing allowance applicable to their home station. Their food is paid for out of the subsistence portion of their per diem allowance, so they retain their full Basic Allowance for Subsistence. As an example, a typical E-6, married with 2 children, serving in Afghanistan will see a positive difference of nearly \$600 per month compared with a CONUS station. The Department is committed to ensuring Service members and their families are cared for through appropriate compensation while the members are deployed serving their country in dangerous locations.

Like Congress, the Department is concerned with the cost effectiveness of multiple entitlement systems to compensate former members who incur disabilities while serving in the Armed Forces. At a minimum, there are some issues of consistency among selected individuals in different circumstances relative to their post-military employment. Therefore, the Department intends to review the issues and report to Congress as to whether changes are appropriate.

In FY 2002, in addition to the pay and allowance increases, the Department implemented a new authority provided by Congress to allow the uniformed forces to participate in the Thrift Savings Plan (TSP). This opportunity represents a major initiative to improve the quality of life for our Service members and their families, as well as becoming an important tool in our retention efforts. In its first three months of operation, TSP attracted nearly 133,000 enrollees. The Department estimated that 10 percent of Service members would enroll in the first year. Given the initial success, we now expect to exceed those figures.

Overall, military compensation has made great strides in the last year, with several continued improvements on the way. We appreciate these significant actions by Congress, acknowledging the sacrifices and dedication of our uniformed personnel.

HUMAN RESOURCE STRATEGY

The continuing challenges in recruiting and retention underscore the need to reexamine virtually every aspect of personnel management policies. In its transformation, the Department is developing a comprehensive mix of policies, programs, and legislation to ensure that the right number of personnel have the requisite skills and abilities to execute assigned missions effectively.

The theme evident in my comments here today is the tremendous and continuing challenge the Department of Defense faces in maintaining the military force necessary to meet the demands of our nation's defense. The Department of Defense must recruit, train, and retain people with the broad skills and good judgment needed to address the dynamic challenges of the 21st century, and we must do this in a competitive human capital environment. Last year, the Secretary of Defense called for a comprehensive human resources strategic plan that will recommend the best mix of policies, programs, and legislation to ensure that the right number of military personnel have the requisite skills and abilities to execute assigned missions effectively and efficiently.

The need for a military human resource strategy has never been stronger. Our military personnel human resource strategic plan sets the military personnel legislative and policy priorities for the Department of Defense for the next several years. The plan details objectives, supporting actions, and measures of effectiveness within defined lines of operation. It assigns

tasks, establishes milestones, identifies resource requirements and facilitates synergy of a wide range of military personnel issues. This plan is a living document intended to serve as a planning reference and management tool for Department of Defense military human resource managers. Under continuous assessment and refinement, this plan will serve as the focal point for all ongoing and future military personnel legislative and policy efforts.

Our military human resource strategic plan has five focus areas: (1) increasing America's understanding of the mission of today's military and its importance to the nation; (2) recruiting the right number and quality of people; (3) developing, sustaining and retaining the force; (4) transitioning members from active service; and (5) sustaining the strategic development process to keep the plan current and viable.

The plan will examine some challenging matters, including possibilities such as removing the cap on career length, expanding entry programs, and enabling a seamless flow from Reserve components to active duty and return. These initiatives and others like them will provide the Department of Defense the flexibility to more efficiently manage our personnel assets.

While our armed forces have long protected our country's interests abroad from installations around the globe, we now face an increased requirement to support the national defense from within our own borders. As we adapt our operations to this changing environment, so must we prepare our people to adapt for new missions. Toward that end, our human resource strategic plan will prove to be our guide.

TRAINING TRANSFORMATION

Our military Services have long been recognized as world-class trainers – arguably one of the United States' greatest advantages over potential adversaries. It is our goal to maintain

that advantage in the future. Present training methods and capabilities, however, are built around cold war strategies.

The 2001 Quadrennial Defense Review recognized that training transformation would be the key enabler to achieving the operational goals of the overarching transformation of the Department of Defense. Among the principal determinants of that transformation are a new and continuously changing threat environment, the need for improved and expanded “jointness,” and the opportunities offered by advanced technologies. As Secretary Rumsfeld has noted, “achieving jointness in wartime requires building that jointness in peacetime. We need to train like we fight and fight like we train and, too often, we don't.”

MANAGING TIME AWAY FROM HOME (PERSONNEL TEMPO)

Deployments are part of military life and could well increase as the war on terrorism unfolds. We are fully aware, however, of the effects of excessive time away from home on the morale, quality of life and ultimately, the readiness of Service Members. Consequently, we have implemented revised personnel tempo (PERSTEMPO) guidance and we are working to control explicitly the amount of time DoD personnel are deployed away from home station or stationed outside the U.S. The Services began collecting data under the revised PERSTEMPO system in FY 2001. This new system, and the data collected, is undergoing a validation and verification process by the Services, and it is anticipated that the new system will be fully implemented by the end of FY 2002. The new system will standardize definitions requiring that PERSTEMPO be measured at the individual level and that a “deployed day” be a day when, in the performance of official duties (training, operations, or Temporary Additional Duty) an individual does not return to his or her regular billeting area at his or her permanent duty station. This new system

will contribute significantly to the Department's efforts to assess and mitigate force management risk.

QUALITY OF LIFE

President Bush, in one of his first actions last year, issued a National Security Presidential Directive to improve military quality of life. Secretary Rumsfeld reiterated the President's commitment, stating that the Department must forge a new social compact with its warfighters and those who support them – one that honors their service, understands their needs, and encourages them to make national defense a lifelong career. The demographic changes in today's military – 60 percent of troops have family responsibilities – foster the need for such a new social contract that promotes a strong military community and culture. The Department has undertaken a comprehensive and systematic review of quality of life programs, and charted a course for the future.

The partnership between the American people and our warfighters is built on the tacit agreement that families, as well as the member, contribute to the readiness and strength of the American military. Military members and their families make sacrifices in the service of our country and face special challenges. A new social compact must recognize the *reciprocal ties* that bind Service members, the military mission and families, and responds to their quality of life needs as individuals and as members of a larger community. The Department has made a renewed commitment to underwrite family support programs and to provide quality education and life-long learning opportunities. Affordable, available child care and youth activities, connections with family and friends, and spouse employment within the mobile military lifestyle must also be part of the equation.

FAMILY SUPPORT AND SPOUSE EMPLOYMENT

There is an integral link between military family readiness and total force readiness. We are re-focusing family support programs to address the two-thirds of active duty families who live off-base, and our Reserve families. We envision an outreach strategy that will explicitly articulate to Service members and their families just how important they are. To better underwrite our support to families, the President's Budget Request increases funding for family centers by 8.5% or \$17 million.

The DoD successfully demonstrated this strategy in the aftermath of the September 11 terrorist attack on the Pentagon. The entire Department joined efforts to establish a Pentagon Family Assistance Center (PFAC). We provided unprecedented outreach support to the families of the victims who were killed or injured in the attack. Personnel from DoD, joint Military Service staffs, and Government and non-Government agencies worked in concert to provide the necessary support services, information, and care to meet the immediate and long-term needs of the families. Over 2,400 staff and volunteers donated their time and services to the mission.

To support the families of military personnel involved in Operation Enduring Freedom, the Military Departments activated long-standing deployment support programs including information and referral, crisis intervention, and return and reunion programs. We paid particular attention to communications programs such as Air Force Crossroads, Navy LifeLines, Virtual Army Community Service, Hearts Apart, morale calls, e-mail, and Web-based streaming video. The Reserve components established toll-free numbers for family members of National Guard and Reserve units. In addition, the Air Force Reserve made child care available to reservists and their families.

An essential element of the quality of life framework is improving the financial stability of our military families. For this reason, we are embarking on a financial literacy campaign that includes improving personal and family financial training. As with most of America's young adults, those entering the military have little understanding of the basic tenants of personal financial management and little to no practical experience managing their own money. As a consequence, they often develop poor financial management habits and many become burdened with credit card debt. The military Services recognize the need to increase the amount of training and assistance provided to Service members and their families to ensure they can sustain a financially secure quality of life.

At the same time, DoD underscored its commitment to the financial well-being of military families through increased emphasis on spouse employment. The 2002 NDAA directed DoD to examine its spouse employment programs in the context of federal, state, and private sector programs. We welcome this instruction from Congress and the opportunity to create new benchmarks for our programs, while continuing to enhance the career options of military spouses through Inter-Department and private sector partnerships.

CHILD CARE AND YOUTH

Providing quality, affordable child care to the Total Force remains a high priority throughout the Department of Defense. The FY 2003 President Budget request increases the child care funding by \$27 million, or 7 percent. Although we have child development programs at over 300 locations with 800 child development centers and over 9,000 family child care homes, we still project a need for an additional 45,000 spaces. We continue to pursue an aggressive expansion program through a balanced delivery system that combines center

construction, an increased number of family child care homes, and partnerships with local communities. We are providing family child care both on and off the installation, encouraged by subsidies. Since 99.7 percent of DoD centers have been accredited, compared with less than 10 percent in the civilian sector, the military child development remains a model for the nation.

In support of the war effort, we expanded operating hours and developed innovative co-use practices among child development programs. Locations offered around-the-clock care, as necessary. Many reacted to the needs of geographically single parents by offering special operating hours and instituting projects for children to communicate with the absent parent.

Teens also feel the impact of the pressures of the war. In the youth centers, we have added staff with special counseling skills to work with young people whose parent might be deployed for the first time. Teens received mentoring when parents worked extremely long duty days.

The military community has made a strong commitment to provide positive activities and environments for youth. The computer centers, available in all youth programs, offer a means for young teens to communicate electronically with an absent parent. Tutors are available at the centers to help students complete school homework assignments in a supervised setting. This decreases the amount of unsupervised time, and increases the opportunities for relationships with caring adults.

EDUCATIONAL OPPORTUNITIES

With the support of Congress, last year DoD provided \$35 million to heavily impacted school districts serving military dependent students and an additional \$10.5 million in grants to be used for repair and renovation of school buildings.

The Department is actively working with public school districts and state education authorities to lessen the displacement and trauma experienced by children of military personnel who are forced to change schools frequently due to the reassignment of military members. Within the last two years we have brought together over 300 students, parents, military leaders, school personnel and state policy makers to help address and give visibility to these issues which affect about 600,000 children of active duty military personnel.

In the area of educational opportunities for our Service members, participation in the off-duty education program remains strong with enrollment in over 600,000 courses last year. Members were also awarded 30,000 higher education degrees by hundreds of colleges and universities. This is an important benefit that Service members say is part of their reason for joining. Tuition assistance policies are in place to increase support for off-duty education. Effective October 1, 2002, tuition assistance for Service members will increase to the point where virtually all of the cost of taking college courses will be borne by the Department. The Services have increased funding by \$69 million to implement the new authority.

TROOPS TO TEACHERS

The Troops-to-Teachers Program has successfully injected the talents, skills and experiences of military Service members into public education. The program was recently expanded to include Selected Reserve members with ten or more years of service as well as Reserve retirees with 20 or more years of service. Both the President and the First Lady have expressed support for Troops-to-Teachers and talked about the critical need for highly competent individuals to counter America's critical shortage of teachers. More than 4,000 participants have

been hired to teach throughout all 50 states, and 70 percent of teachers hired through the program are still in public education after five years. The Department has helped establish and financially support placement assistance offices in 25 states. The recent Congressional appropriation of \$18 million for this program will enable the Department to again award stipends to help former Service members offset the cost of becoming certified and employed as elementary and secondary school teachers. This injects the best military leadership qualities into the American school systems.

DEPARTMENT OF DEFENSE EDUCATION ACTIVITY

The Department has a school system to be proud of, and we continue to address quality issues in the areas of curriculum, staffing, facilities, safety, security and technology. Our dependent schools comprise two educational systems providing quality pre-kindergarten through 12th grade programs: the DoD Domestic Dependent Elementary and Secondary Schools (DDESS) for dependents in locations within the United States and its territories, possessions, and commonwealths, and the DoD Dependents Schools (DoDDS) for dependents residing overseas. Today approximately 8,800 teachers and other instructional personnel serve more than 111,000 students in 224 schools. They are located in 14 foreign countries, seven states, Guam, and Puerto Rico. Students include both military and civilian federal employee dependents.

The quality of DoD schools is measured in many ways, but most importantly, as in other school systems, by student performance. DoD students regularly score significantly above the national average in every subject area at every grade level on nationally standardized tests.

In addition, students participate in the National Assessment of Educational Process (NAEP) tests. NAEP is known as “the Nation’s Report Card” because it is the only instrument

that permits a direct comparison of student performance between student groups across the country. DoDEA students, and in particular its African-American and Hispanic students, score exceptionally well on this test, often achieving a first or second place national rank. This outstanding performance led the National Education Goals Panel to commission Vanderbilt University to study the instructional program, teaching, and other aspects of DoDEA schooling to identify the variables that contribute to the students' success. The findings, which were published in October 2001, received extensive national coverage.

DoDEA's 2001 graduates were awarded nearly \$28 million in scholarship and grant monies; 29% was for attendance at military academies and 31% for ROTC scholarships. Graduates in 2001 reported plans to attend 762 different colleges and universities worldwide.

To meet the challenge of the increasing competition for teachers, DoD has an aggressive U.S. recruitment program. The program emphasizes diversity and quality, and focuses on placing eligible military family members as teachers in its schools.

DOMESTIC VIOLENCE

I am pleased to report that the Department continues to make significant progress in dealing with the issue of domestic violence in our military communities. The Department reviewed the first report and strategic plan of the Defense Task Force on Domestic Violence and anticipates receipt of the task force's second report. The Department fully supports the majority of the task force's recommendations. We are revising DoD policy to incorporate these recommendations.

The task force's primary recommendation was that the Department issue a memorandum challenging DoD senior leadership to ensure that DoD does not tolerate domestic violence and to address this national social problem more aggressively. We have issued such a memorandum.

We have also established the basis for a central data base that tracks incidents of domestic violence in the military community and commanders' actions when the offender is a Service member. We continue to refine the data base.

We are confident that, working together with the task force, we will continue to make significant progress in our prevention of and response to domestic violence in the military.

MORALE, WELFARE, AND RECREATION (MWR)

Morale, Welfare, and Recreation programs are proven to be important to military communities, providing fitness and recreational opportunities for Service members and their families. The 469 fitness centers in DoD have the highest use rate of any MWR program, with 80 percent of active duty military using them at least once monthly, and 52 percent using them 6 times or more per month. The Department views improving fitness programs as a high priority, not only due to their popularity, but also because of their importance to the maintenance of a Service member's physical readiness. Physical fitness is critical to providing forces that are more resistant to illness, less prone to injury and the influence of stress, and better able to recover quickly should illness or injury occur. Our fitness specialists are working with health promotion and physical training specialists to make this vision a reality. To accomplish this, the fitness center infrastructure will require upgrade to bring them to acceptable standards.

COMMISSARIES AND MILITARY EXCHANGES

Military members and their families consider their commissary privilege to be one of their top two non-cash benefits, second only to health care. The Defense Commissary Agency (DeCA) operates the worldwide system of 281 commissaries. DeCA provides a 30 percent

savings on comparable market baskets in the private sector. Beginning in FY 2002, legislative authority permits funding of most DeCA operations from appropriations, thereby leaving the Surcharge Trust Fund available for capital investment. As a result of this change, the FY 2002 major construction program contains 10 commissary projects at a total surcharge cost of \$98 million -- a significant increase from prior years.

We are looking at various ways to reduce the appropriated fund subsidy to commissaries. We want to improve how the benefit is delivered, with the objective being to obtain the same benefit at reduced cost to the taxpayer. We will work closely with the congressional oversight committees as we explore this issue.

Military exchanges also form a significant portion of the community support program. They are the “home town store” for our Service members and families assigned stateside, overseas, in remote locations and to deployment sites around the world – including 16 tactical field exchanges supporting Operation Enduring Freedom. It is important to troops and families stationed around the globe to have American goods and services. Being a long way from home should not mean giving up what is familiar and what adds comfort to often difficult lifestyles. Today’s exchanges operate at 694 locations worldwide, with annual sales of \$10 billion.

Exchanges offer quality goods at significant savings, and then pass the majority of their profits back to the MWR program to support essential, morale-building programs and to make capital improvements. Our practice of using exchange earnings to support MWR programs is well established; the exchanges provide over \$330 million annually.

The Department is taking a very close look at the exchange business practices and organizations to maximize efficiencies and improve customer service and savings. We are

looking closely at the Services' plans to ensure that the alternatives pursued reduce costs while improving customer service, ensuring competitive pricing and continued support for MWR.

Finally, as part of the new social compact with Service members, we will better define, measure, and communicate the savings and services provided to DoD personnel by the commissaries and exchanges.

MILITARY FUNERAL HONORS

Since the signing of the National Defense Authorization Act for FY 2000, the Department has worked tirelessly to ensure that our Nation's veterans receive military funeral honors. It is our national obligation to demonstrate the Nation's gratitude to those who, in times of war and peace, have faithfully defended our country. The rendering of a final tribute and recognition to our Nation's veterans is an important tradition in the Department of Defense. Faced with one of the largest active and reserve military drawdowns in history, and the increasing numbers of World War II-era veterans' deaths, this has been a challenging mission, but one to which we remain committed.

Our recent policy directive clearly delineates the military Services' responsibility to provide military funeral honors upon request. Additionally, we distributed a military funeral honors kit to every funeral director in the country and activated a military funeral honors web site. Each has significantly enhanced the ability of the military Services to respond to requests.

Recently, we initiated another program called the Authorized Provider Partnership Program. This program allows us to partner with members of veterans service and other appropriate organizations to augment the funeral honor detail. The program will enhance our ability to provide additional elements to the funeral ceremony. The Authorized Provider

Partnership Program symbolizes the continuity of respect for deceased veterans for those who are serving and those who have served in the armed forces. Our overall and sustained goal remains the same: to render appropriate tribute to our Nation's veterans and honor those who serve.

TOTAL FORCE INTEGRATION

On September 11th, the response of our National Guard and Reserve men and women was both quick and complete. They volunteered and responded to the nation's needs without hesitation. Many reported to their armories and Reserve Centers without being asked. Before the fireball disappeared from above the Pentagon, Air National Guardsmen and Air Force, Navy, and Marine Reservists were patrolling the skies over Washington DC, New York, and several other American cities. At the same time New York Guardsmen were on the streets of lower Manhattan assisting New York emergency service workers. Maryland, Virginia, and District of Columbia Guardsmen were patrolling the hallways and exterior of the still burning Pentagon on September 11th. By the next morning over 6,000 Guardsmen and Reservist were on duty – all volunteers.

Today, we have over 85,000 National Guard and Reserve men and women supporting Operations Noble Eagle and Enduring Freedom. They are performing force protection and security duties here in the United States, flying refueling missions over central Asia, and are on the ground in Afghanistan. At the President's request, about 7,000 Army and Air National Guardsmen are protecting our airports.

The Total Force policy and our integration efforts of the past decade are paying great rewards today. On no notice, America's National Guard and Reserve were "ready to roll." Their enthusiasm for the mission remains high. They are in it for the long haul. We are judiciously managing the force to ensure fair and equitable treatment of our Reserve component members, but the bottom line is they are committed and capable warriors in the war on terrorism.

When we call upon the Guard and Reserve, we need to make sure their service is productive and meaningful, and that we make every effort to take care of them and their families.

With the help of Congress, there have been many improvements in protections and benefits for mobilized Reservists and their families since the Persian Gulf War.

Yet there is more we can and need to do. The transition to a different healthcare system is sometimes not as smooth as we would like. To help ease that transition, the Department has undertaken a demonstration project that (1) waives the TRICARE deductible fees, (2) removes the requirement to obtain a non-availability statement before being treated outside military medical treatment facilities, and (3) authorizes healthcare payments up to 15 percent above the allowable charges for care provided for non-participating TRICARE providers.

We have also encouraged the Secretaries of the Military Departments to exempt the service performed by those who volunteer for duty in support of Operations Enduring Freedom and Noble Eagle from counting toward the Uniformed Services Employment and Reemployment Rights Act 5-year limit.

We also recognize that the process for employing Reserve Component members, given the wide array of different duty categories and statuses in which they can serve, is unnecessarily complex and confusing. We have undertaken a comprehensive review to determine if greater efficiencies and increased flexibilities are possible in the process of employing National Guard and Reserve units and individuals. Associated compensation and benefits are also being addressed to identify and eliminate disparities between the Active and Reserve Components.

The increased reliance on the Reserve Components to support national security directly affects the civilian employers of Guard and Reserve members. The reserve commitment is no longer one weekend a month and two weeks during the summer—which was the traditional training regimen for the Reserve Components. We have now established a new paradigm in which we call upon Reservists to leave their civilian jobs more frequently to perform military

duty. This comes at a time when businesses are streamlining their workforce and are relying on their Reservist-employees to be in the civilian workplace. This places a burden on civilian employers who must sustain their business operations with few employees, while their Reservist-employees are fulfilling their military obligation and performing their military duties. From an employer perspective, this affects their bottom line. Whether a for-profit company or not-for-profit organization, the affect of drawing on their employees to serve in uniform is essentially the same for all employers. The employer must make difficult decisions such as redistributing the workload among other employees (overtime), hiring temporary replacements (additional payroll expense) or reducing production or services (reduced profit or decreased services provided).

If the Department is to continue to call upon these shared human resources, we must determine what actions the Department can take to identify employers of Reserve Component members. We must increase our focus on employer support efforts, improve communications between the Department and employers, identify future actions that will provide some relief for employers when we call upon their Reservist-employees, and strengthen the relationship between the Department and employers that will enable us to continue to use our shared employees.

Finally, the Secretary's call for transformation of the Department has offered new opportunities to look for innovative uses for the Reserve Components. One area we are exploring is the growing shortage of cutting edge professionals in key areas such as biometrics and information technology that exists worldwide. One possibility might be to attract and retain individuals with cutting edge civilian skills in the Reserve Components. Civilian industry would keep their skill sharp, yet they would be available when we needed them—putting the right person with the right skill in the right place at the right time. This may require building on or expanding some existing programs to better capitalize on civilian acquired skills; encouraging

innovative forms of Reserve Component participation such as virtual duty or remote duty; creating new “critical specialty” categories of Reserves that are incubators for new and emerging talent pools rather than way stations where Reservists are managed; and identifying innovative ways to foster partnerships with leading edge firms in which we could share individuals with cutting-edge technology skills.

There is an increased awareness of Reserve Component equipment issues. The FY 2003 budget request includes \$2.34 billion in equipment procurement funding for the Reserve Components, representing an increase of \$680 million above the FY2002 President’s Budget. The FY 2003 budget demonstrates a concerted effort by the Department to apply more resources for the Reserve Components’ equipping needs and to buy down the increased repair costs caused by aging equipment currently in the inventory.

The FY 2003 military construction investment for all Reserve Components is \$297 million. The President’s Budget Request would provide new Armed Forces Reserve Centers, vehicle maintenance facilities, organizational maintenance shops, training and administrative facilities for the Reserve Components. These new facilities begin to address the needed replacement of the Reserve Components’ infrastructure. The FY 2003 budget provides a good start toward improving the quality of life for the Guard and Reserve by improving where they work and train.

CIVILIAN WORKFORCE

The work of defense civilians has never been more crucial than now in our war on terrorism. Civilians develop policy, provide intelligence, buy and maintain weapons, manage finances, and assure that we have the best people and technology to perform those tasks in

support of our national defense strategy. This frees Service members to focus on warfighting duties and homeland defense and assures them of close and complete support. A strategic and modernized approach to the management of civilians is the cornerstone of these efforts.

However, 12 years of downsizing and changes in the Department's mission have resulted in skill and age imbalances in the civilian workforce. Skills that were appropriate to yesterday's mission do not always support the demands of today. The average age of the civilian workforce has increased since 1998 from 41 years of age to 46. In that time, the percentage of employees in the 51-60 age group has increased by 31%. It's not surprising that 54% of the workforce will be eligible to retire in five years.

Some have expressed concern that the combination of the pending retirements and the need for ever more sophisticated skills will result in a shortfall in critical personnel, particularly scientists, engineers, health care professionals and acquisition employees. We view this not as a crisis but as an opportunity to restructure the workforce to support the Secretary's transformation of the Department.

The challenge is to manage the transition of civilians out of the workforce, to recruit the needed talent, and to develop, nurture and sustain the remaining workforce in a way that supports the transformational requirements of our defense strategy.

Despite the large number of employees eligible to retire soon, many are eligible only for early retirements that require management action. Of the remaining employees who will be eligible for optional retirement, recent trends indicate that many will not retire in the first few years of their eligibility. Therefore, we will continue to need flexibility to release some employees with skills we no longer need before they might otherwise choose to leave.

Recruiting employees with scarce technical skills puts us in direct competition with the private sector despite a softened economy. We acknowledge that in the recent past public service has not been attractive to the population we seek although we believe that there has been some change in that attitude since September 11th. We also recognize that the perception of government as a stable employer is not what it was before downsizing, and that the potential for future base closures affects the attitudes of applicants as well as current employees.

Sometimes the talent we need already exists in our workforce and we need to be willing to invest in the development, training, and even re-training, of our employees, while also providing them with a high quality of life that will encourage them to remain with us.

We have been aware for some time that the existing rules for managing the civilian workforce are not sufficient to meet the new challenges. The old rules were designed to provide necessary standardization and equity. Now we need to balance those with flexibility. During the difficult days following the terrorist attacks we were increasingly aware of the gap between the authorities we had and our need to respond quickly and decisively.

There have been successes in working within the current system. Demonstration projects have shown positive results from experiments outside the old rules. However, simply increasing the number of demonstration projects rather than addressing the rules themselves is not the answer.

Individual pieces of legislation enacted last year gave us some flexibility within the current system and legislation under consideration for next year could give us more. We intend to make good use of authority to expedite hiring, modernize compensation, pay for degrees, repay student loans, interact with industry, and provide scholarships for information technology.

We will also continue our executive development through a restructured Defense Leadership and Management Program.

To respond in a more comprehensive way, we have developed a strategic human resources plan that we believe will meet the challenges we face and will provide a unified framework for our efforts. This plan: promotes focused, well-funded recruiting to hire the best talent available; describes a human resources system that ensures the readiness of the integrated force structure; commits to promoting and sustaining an effective workforce that reflects the diversity of the American population; recommends investment in human capital; provides management systems and tools that support planning and informed decision-making; focuses the human resources community on the needs of its customers; and promotes work-life balance as an integral part of daily operations.

Additionally, DoD is continuing efforts to improve the academic quality and cost-effectiveness of the education and professional development provided to its civilian workforce. We are working towards obtaining accreditation for all DoD institutions teaching civilians. DoD anticipates that eight additional institutions will have gained initial accreditation by the end of next year. We are also working towards implementing academic quality standards and metrics developed last year, as well as a data collection system. These will provide our institutions a mechanism for performance benchmarking and will give decision-makers accurate and timely information on the quality and cost-effectiveness of DoD institutions teaching civilians.

HEALTH CARE

An essential element of the new social compact is a high-quality, affordable, convenient Military Health System. The 8.3 million military beneficiaries supported by the Military Health

System (MHS) want high quality, affordable and convenient healthcare. With the numerous authorizations you provided in the National Defense Authorization Act for last year, these beneficiaries have begun to receive that kind of healthcare. Today, military beneficiaries have a comprehensive and generous benefit, a benefit that comprises one more element of the social compact we have with our military community.

The MHS is far more than a benefit, however. This acknowledgement crystallized for all of us in the aftermath of the September 11th terrorist attacks and of the bioterrorist actions involving anthrax. The capabilities of this system and its personnel contributed indispensably to the care and treatment of survivors and families and in assisting other federal agencies in their responsibilities to identify remains as well as to identify and track anthrax samples. Some of these efforts continue even now.

MILITARY HEALTH SYSTEM FUNDING

As we experience a new sense of urgency within the MHS to ensure the ability to operate in a contaminated environment, to be alert to potential exposures, and to treat casualties, we have budgeted realistically for the Defense Health Program (DHP) for FY 2003. These funds will support key initiatives to enhance chemical and biological preparedness and deployment health support systems.

In the President's Budget Request for FY 2003, the DHP submission is based on realistic estimates of delivering healthcare. It includes assumptions for growth rates in both pharmacy (15%) and private sector health costs (12%). Still, we need flexibility to manage our resources. We need the ability to make wise decisions that result in effective performance. We seek your assistance in making permanent the contract management flexibility you provided in the National

Defense Authorization Act for FY 2002 and in alleviating the restrictions on moving resources across budget activity groups.

This budget request reflects implementation of accrual financing for the healthcare costs of Medicare-eligible beneficiaries, including their new TRICARE for Life benefits. This will entail both payments into the fund to cover the government's liability for future healthcare costs of current military personnel and receipts from the fund to pay for care provided to eligible beneficiaries. Our budget reflects an increase to the military services' Military Personnel accounts to cover the Department's annual contribution. This alignment ensures consistency with the accrual funding for the military retirement pension costs under Title 10, chapter 74. We ask your help in modifying the language of NDAA 2001 and 2002, which currently direct that the Defense Health Program make the annual contribution to the accrual fund. It is the Military Personnel accounts that should make these payments, and have received increases for this purpose in the FY 2003 Budget Request.

PRIORITIES FOR THE MILITARY HEALTH SYSTEM

Force Health Protection and Medical Readiness

Even before the events of September 11th, the Quadrennial Defense Review had concluded that both terrorism and chemical and biological weapons would transform the strategic landscape for the Department. The terrorist acts of last fall placed us on a war footing and escalated the urgency of our need for preparedness. The MHS has underway numerous activities to ensure that preparedness, including formation of a high-level working group with Department of Health and Human Services representatives to improve collaboration on defense against biological and chemical terrorism. Deliberations continue on the future of the anthrax vaccine immunization program now that we have confidence in an assured supply of FDA-

approved vaccine. The MHS has also placed renewed emphasis on training military healthcare personnel in recognizing symptoms of and refreshing treatment plans for exposure to chemical and biological agents.

TRICARE

This military health program benefit provides an essential and interdependent link between medical readiness and everyday healthcare delivery. Meeting the force health protection responsibilities of the MHS depends upon the success of TRICARE in providing both quality healthcare and challenging clinical experiences for military healthcare providers. Very important to this success is a stable financial environment. The President's fiscal year 2003 Budget Request for the DHP provides that stability.

TRICARE's success also relies on incorporating best business practices into our administration of the program, specifically in regard to how our managed care contracts operate. Our new generation of contracts will encourage best business practices by the contractors without over direction by us. We have listened to the advice on how to structure these contracts and we are confident that the design will help us to continue providing high quality care. We enter this new generation of contracts with a commitment to our beneficiaries to earn their satisfaction and to have the minimum disruption possible.

Implementation of TRICARE for Life has proceeded exceptionally well. As in all new program startups, we have experienced problems and setbacks. Nevertheless, we aggressively handle each one until we reach a satisfactory resolution. Since the October 1, 2001 start date, we have processed over four million claims and the overwhelming majority of anecdotal information we receive is that our beneficiaries are extremely satisfied with TRICARE for Life. They speak

very highly of the senior pharmacy program as well. This program began April 1, 2001, and in these first nine months of operation, 7.6 million prescriptions have been processed, accounting for over \$382 million in drug costs.

Coordination, Communication and Collaboration

The MHS has built many strong relationships among other federal agencies – including the Congress - professional organizations, contractors and beneficiary and military service associations. These relationships facilitated the MHS's ability to respond in the aftermath of the terrorist actions of last fall. The MHS role in the new homeland security responsibilities will span an array of federal, state and local agencies and will demand effective cooperation among all involved. Our close working relationship with beneficiary associations and our contractors can be credited for the smooth implementation of TRICARE for Life.

The MHS collaboration with the Department of Veterans Affairs dates back many years and much has been accomplished. Now it is time to refresh these collaborative efforts to maximize sharing of health resources, to increase efficiency, and to improve access for the beneficiaries of both departments. We will accomplish this through the VA-DoD Executive Council, where senior healthcare leaders proactively address potential areas for further collaboration and resolve obstacles to sharing. Healthcare sharing between these two departments became the subject of Presidential interest when he established a Task Force to improve care for the nation's veterans. Several subject matter experts from the MHS work with the Task Force and the Department to provide administrative support as well.

Military Medical Personnel

The Quadrennial Defense Review directs development of a strategic human resource plan to identify the tools necessary to size and shape the military force with adequate numbers of high-quality, skilled professionals. The MHS depends on clinically competent, highly qualified, professionally satisfied military medical personnel. In developing the MHS human resource plan, we have begun several initiatives to determine retention rates, reasons for staying or leaving the service, and what factors would convince one to remain in the military. The challenges of military service can be unique and tremendously rewarding personally and professionally.

As the MHS engages in the many initiatives outlined above, it will become a stronger, more clearly focused enterprise centered on its primary mission responsibilities and have world-renowned stature within its reach.

CONCLUSION

Mr. Chairman, this concludes my statement. I thank you and the members of this Subcommittee for your outstanding and continuing support for the men and women of the Department of Defense. I look forward to working with you closely during the coming year.