

Prepared Statement

of

**The Honorable David S. C. Chu
Under Secretary of Defense (Personnel and Readiness)**

**The Honorable Thomas F. Hall
Assistant Secretary of Defense (Reserve Affairs)**

**Dr. Stephen L. Jones, DHA
Principal Deputy Assistant Secretary of Defense (Health Affairs)**

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INTRODUCTION

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

We are now in the sixth year of a "Long War." A necessary condition for success is the continued viability of our All Volunteer Force. We all agree that the dedication and superb performance of active and reserve Service members and DOD civilians – our Total Force – are beyond dispute.

To that Total Force we must also add the families of those who serve. Without their strong support and willingness to sacrifice, we could not sustain adequate numbers of high-performing Soldiers, Sailors, Airmen, and Marines. These men and women must go into harm's way confident that the welfare of those they hold dear is protected.

We face two fundamental, and related, challenges. First, we must continue to attract and retain high quality, motivated individuals for Active and Reserve military service and we must maintain an enthusiastic and skilled civilian workforce.

Second, we must make hard choices, weighing sufficiency against the risks of an uncertain future. As we invest in our human capital, we must do so judiciously. While our future challenges may often seem without bounds, our resources are not. We must choose wisely.

THE ALL VOLUNTEER FORCE

Shaping the Force. We will balance our end strength needs –increasing where we must, decreasing where it makes sense. To that end, we propose to permanently increase the end

strength of the Army and Marine Corps, focusing on combat capability. However, planned reductions resulting from transformation efforts in the Active Air Force and Navy manpower programs, and the Navy Reserve, as stated in our FY 2008 President's budget request, balance risk with fiscally responsible manpower program decisions.

To support these programmed strength reductions, we have developed an integrated package of voluntary separation incentives. We want to recognize the enhancement to the targeted incentive authority that you provided us, which allows us to offer monetary incentives to shape the military Services by offering these incentives to non-retirement eligible officer and enlisted personnel in specific grade, skill and year service cohorts. Voluntary incentive tools like this are of particular importance when the Air Force and Navy are decreasing in size while the Army and Marine Corps are increasing operating strength. Our goal is to use these tools sparingly to make sure our forces are sized and shaped to be the most effective, flexible and lethal. Only if voluntary separations do not suffice would the military departments, as a last resort, implement involuntary separation measures such as Early Discharge Authority or Selective Early Retirement.

Military-to-civilian conversions help alleviate stress on the force and reduce workforce costs. This initiative replaces uniformed Service members in activities that are not "military essential" with DOD civilians or private sector contractors. By the end of FY 2007, the number of conversions should exceed 31,000. When conversions programmed through FY 2013 are completed, the total number of conversions should exceed 55,500. In addition, DOD Components have established goals that could eventually raise this number to over 62,000.

When the Navy and the Air Force convert military billets to DOD civilian or private sector performance, they reduce their military end strength without any loss of combat

capability. Because the average costs of civilians are less than the average costs of military, there are net savings that are used for force modernization, recapitalization, and other compelling needs.

When the Army and Marine Corps convert military billets, both Services retain the military end strength so it can be reallocated to operating units to increase force capability, thereby reducing the pressure on recruiting. Military-to-civilian conversions likewise offer both Services a way to man units more quickly at the mid-grade level. Because civilians cost less on average than their military counterparts, military conversions provide a less expensive way of increasing the size of the operating force than an increase to military end strength would provide.

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

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

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

(Categories IIIB-IV). These category groupings describe a range¹ of percentiles, with Category I-III A describing the top half of American youth in math and verbal aptitudes.

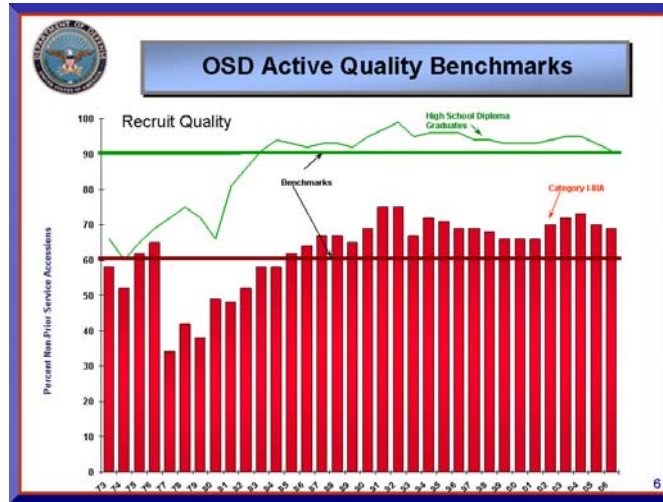
We also value recruits with a high school diploma because they are more likely to complete their initial three years of service. About 80% of recruits who have received a traditional high school diploma complete their first three years, yet only about 50% of those who have not completed high school will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

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

¹ AFQT (Math-Verbal) Percentile: I (93-99); II (65-92); III A (50-64); IIIB (31-49); IV (10-30)

For over twenty years, the military Services have met or exceeded the Department's benchmarks for quality Active duty recruits (Figure 1). The quality of new Active duty recruits

Figure 1. DoD Quality 1973-2006



remained high in FY 2006. DOD-wide, 91% of new Active duty recruits were high school diploma graduates (against the goal of 90%). This compares favorably to the national average in which only about 80% graduate from high school. On the Armed Forces Qualification Test, 69% are drawn from the top half of America's youth (versus a desired minimum of 60%).

Through January, all Services have met or exceeded numerical recruiting objectives for the active force. Army achieved 28,407 of its 26,350 recruiting goal, for a 108% year-to-date accomplishment (Table 1). The active Army did fall short of recruits with a High School Diploma (80% versus the desired 90%). Although the Army is slightly below the desired number of recruits scoring at or above the 50th percentile on the AFQT, we look for the Army to achieve the DOD benchmark by the end of FY 2007.

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

	Quantity			Quality	
	Accessions	Goal	% of Goal	% High School Diploma Graduate (HSDG); <i>DOD Benchmark = 90%</i>	% Scoring at / above 50th Percentile on AFQT (Categories I-III A); <i>DOD Benchmark = 60%</i>
Army	28,407	26,350	107,8%	80%	59%
Navy	13,001	13,001	100.0%	93%	73%
Marine Corps	11,694	11,357	103,0%	95%	67%
Air Force	11,315	11,315	100.0%	98%	79%
Total	64,417	62,023	103.9%	90%	68%

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

For FY 2007, Active duty retention continues on track (Table 2). The Army, Air Force and Marine Corps met or exceeded their overall Active duty retention missions, although Army lags in the Mid-Career category. Historically, Army begins the year slowly and finishes strong; thus we are predicting that Army will meet its reenlistment goals in all categories, including Mid-Career, for FY 2007.

While Navy numbers remain below monthly goals in Zone A and Zone B, they should meet their Zones B and C goals at the end of the fiscal year, but will be challenged to meet their

Zone A target. Navy will take necessary actions to influence reenlistment decisions and meet reenlistment goals.

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

	Reenlisted Through Feb 2007	Mission
Army		
- Initial	12,442	10,384
- Mid Career	8,203	8,881
- Career	6,188	6,163
Navy		
- Zone A	5,079	6,405
- Zone B	3,977	4,432
- Zone C	2,279	2,163
Air Force		
- Zone A	7,467	7,500
- Zone B	4,347	4,583
- Zone C	2,664	2,767
Marine Corps		
- First	5,504	3,458
- Subsequent	3,389	3,250

Of course, our retention efforts ultimately support the delivery of seasoned performers to higher ranks. In recent years, the grade proportions have shifted upward slightly as we continue to field weapon systems and units with fewer lower-grade positions. This will require legislative change to adjust some of our grade structures.

The Army is the only Service currently using Stop Loss. As of January 2007, the Army

Stop Loss program affected less than half of one percent of the total force (7,148 Active component, 1,537 Reserve, and 2,053 National Guard soldiers). The active Army Unit Stop Loss program takes effect 90 days prior to unit deployment or with official deployment order notification, if earlier, and remains in effect through the date of redeployment to permanent duty stations, plus a maximum of 90 days. Reserve component Unit Stop Loss begins 90 days prior to mobilization or with official mobilization alert deployment order notification, if later, and continues through mobilization, and for a period up to 90 days following unit demobilization. The Secretary has directed that we minimize the use of Stop Loss.

Purpose, Missions, and Policies of the Reserve Components. The Department's use of the Reserve components has changed significantly since 1990, and a mission-ready National Guard and Reserve force has become a critical element in implementing our national security strategy. The National Guard also remains integral to homeland defense missions and will remain a dual-missioned force, performing Federal and State missions, exemplified by numerous National Guard members who responded to hurricanes, floods, blizzards and wildfires.

The Reserve components support day-to-day defense requirements, and portions of the Reserve have served as an operational force since Operation Desert Shield/Operation Desert Storm. This force is no longer just a strategic reserve. Since September 11, 2001, an annual average of about 60 million duty days have been provided by Reserve component members – the equivalent of adding over 164,000 personnel to the active strength each year.

The Reserve components support the full spectrum of operational missions and are currently furnishing about 18% of the troops in the Central Command (CENTCOM) theater of operations. The Reserve components perform a variety of non-traditional missions in support of the Global War on Terror (GWOT), including providing advisory support teams in support of the

training that will allow Iraqi and Afghan forces to assume a greater role in securing their own countries.

To assist in this transformation of the Reserve components, the Department initiated a “Continuum of Service” paradigm aimed to provide more flexibility in creating needed capabilities and to ensure seamless and cost-effective management of military forces. It prescribes both organizational and systemic change in order to more effectively manage individuals throughout their military career, while meeting the full spectrum of military requirements in peacetime and wartime with greater efficiency and economy of resources. The continuum of service enhances the spirit of volunteerism by providing more ways in which military service can be performed to support DOD missions. The continuum provides more extensive opportunities for the part-time force to volunteer for extended service. Facilitating transitions between levels of participation and reflects the convergence of two goals: that of an operationally integrated total force and that of a seamless force – one where members can easily move between full- and part-time status. Facilitating these goals was the creation of the “Operational Support” strength accounting category authorized by Congress in the FY 2005 National Defense Authorization Act (NDAA), which makes it easier and less disruptive for Reserve component members to volunteer to perform operational missions.

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

benefits.

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

Reserve and National Guard Utilization. There continues to be considerable discussion about the stress that the GWOT places on the force. Recent guidance from the Secretary of Defense established new tenets of Reserve mobilization to support our members, their families, and their employers better while continuing to meet mission requirements. These principles include limiting involuntary unit mobilizations to no more than 12 months, followed by a five year dwell of no involuntary mobilizations; minimizing the use of Stop Loss; managing mobilization of ground forces on a unit basis; and emphasizing use of our hardship waiver programs. These principles will provide for increased predictability and unit integrity; focus on the extreme circumstances facing certain families; and, ensure force availability.

Almost 565,000 Reserve component members have served in support of the current contingency since September 11, 2001 and more than 127,000 have served more than once — with almost all (99%) of those 127,000 volunteering for those tours. Of the current Selected Reserve force of about 831,000 today, slightly more than 47% have been mobilized. We are monitoring the effects of this usage using the metrics of strength achievement, recruiting rates, attrition rates, and employer relations through the number of alleged employer mistreatment discussed below.

Although end strength achievement in FY 2006 was less than 100% (97.1%) the

downward trend of the previous two years was reversed. The shortfall was primarily in the Army National Guard and the Navy Reserve. Fiscal Year 2007 projections, based partially on first quarter FY 2007 data, indicate we will see continued improvement in end strength achievement.

Department of Labor cases involving Reserve component member claims of mistreatment by civilian employers have risen from 724 in FY 2001 to 1,366 in FY 2006. This is not surprising considering the mobilization of nearly a half million Reserve personnel, and a usage rate of Reserve component members in 2006 five times higher than in 2001 (approximately 60 million man-days in 2006 compared to 12.7 million man-days in 2001). When normalized for usage, the rate of cases is consistent. DOD and Department of Labor have established a Memorandum of Understanding that enhances communication and information sharing and mobilizes all available government resources for Reserve component members.

Reserve Component Recruiting. In a challenging recruiting environment, the DOD Reserve components reversed the downward trend of the preceding three years and, cumulatively, achieved 97% of their FY 2006 recruiting objectives – a significant increase over the 85% achievement in FY 2005. Two of the six DOD Reserve components exceeded their recruiting objectives – the Marine Corps Reserve and the Air Force Reserve. The Army National Guard and Air National Guard came close to making their goals, achieving 98% and 97%, respectively. The Army Reserve fell short by 1,653 (achieving 95%), and the Navy Reserve fell short by 1,458 (achieving 87%). The improved recruiting results, coupled with low attrition, have helped the Reserve components achieve better end strength posture.

Through February of FY 2007, four of the six DOD Reserve components are exceeding their recruiting objectives (Table 3).

Table 3. Reserve Component Recruiting Performance through February 2007

Reserve Enlisted Recruiting, FY07 Through February	Goal	Accessions	% of Goal	% High School Diploma Graduate (HSDG)	% Scoring at or above 50th Percentile on Armed Forces Qualification Test (Cat I-III)
Army National Guard	25,470	26,703	105%	93%	58%
Army Reserve	11,600	10,926	94%	92%	57%
Naval Reserve	4,018	3,598	90%	92%	72%
Marine Corps Reserve	3,015	3,128	104%	95%	70%
Air National Guard	3,724	3,935	106%	98%	74%
Air Force Reserve	2,744	2,811	102%	99%	70%

Quality marks continue to show improvement throughout the Reserve components with only a slight shortfall in AFQT levels for the Army National Guard (ARNG) and U.S. Army Reserve (USAR). The young men and women being recruited today are among America's finest.

The Army is aggressively pursuing Reserve component recruiting through three avenues: (1) extension of the quick ship bonus and improvements in the Reserve Partnership Councils; (2) stronger incentives, with increased enlistment bonuses for both prior service and non-prior service recruits; and (3) increased advertising expenditures, including targeted advertising to parents and others who influence the decisions of young Americans. Your support of these efforts is essential.

Reserve Retention. The percentage of reenlistment goal achieved increased in FY 2006 to 104%, up from 100.1% in FY 2005. This increase, for the fifth straight year, reflects the positive trend that we believe will continue in FY 2007, if we maintain the course of judicious and prudent use.

Measuring all losses from the Reserve components, regardless of reason, indicates that enlisted attrition remained below established ceilings for FY 2006, a very positive trend. The composite (officer + enlisted) attrition rate of 18.4% was the lowest it has been since FY 1991. In FY 2007, through January 2007, enlisted attrition is on track to remain below ceilings established by each Reserve component. We are closely monitoring retention/attrition, particularly for those members who have been mobilized and deployed to support operations in Iraq and Afghanistan.

Table 4. Reserve Component Attrition through January 2007

Selected Reserve Enlisted Attrition Rate (in percent)	2000 YTD (Jan 00)	FY 2006 YTD (Jan 06)	FY 2007 YTD (Jan 07)	FY 2007 Target (Ceiling)
Army National Guard	6.90	5.99	6.59	19.5
Army Reserve	8.97	6.54	7.29	28.6
Navy Reserve	10.36	11.56	10.13	36.0
Marine Corps Reserve	9.69	7.72	9.01	30.0
Air National Guard	4.36	3.61	3.47	12.0
Air Force Reserve	6.94	4.65	5.60	18.0
DOD	7.51	6.24	6.64	NA

Of all the strategies to help reduce the stress on the force, still the first and perhaps most important is rebalancing. Rebalancing improves responsiveness and eases stress on units and individuals by building capabilities in high-demand units and skills. In 2003, rebalancing was defined to include low demand structure to high demand structure as well as multiple initiatives

such as military-to-military conversions, technology insertions and organization of forces. In FY 2006 (post Quadrennial Defense Review), the definition of rebalancing was refined and updated to reflect solely the addition of structure (spaces) from low demand to high demand on “stressed” capability areas. Rebalancing can occur by adding force structure to stressed capability areas in the Active component, the Reserve component (Guard or Reserve), or any combination thereof.

The Services continued to improve their Active/Reserve component mix by rebalancing approximately 19,000 spaces in FY 2006, for a total of about 89,000 spaces to date. The Services have planned and programmed an additional 37,000 spaces for rebalancing between FY 2007 and 2012. The amount and type of rebalancing varies by Service. By 2012, we expect to have rebalanced about 126,000 spaces. Rebalancing is a continuous and iterative process. The Department will continue to work closely with the Services as they review and modify their rebalancing plans to achieve the right mix of capabilities and alignment of force structure.

The mission of the National Committee for Employer Support of the Guard and Reserve (ESGR) is directly related to retention of the Guard and Reserve force. ESGR’s mission is to “gain and maintain support from all public and private employers for the men and women of the National Guard and Reserve as defined by demonstrated employer commitment to employee military service.” Employer support for employee service in the National Guard and Reserve is an area of emphasis, considering the continuing demand the GWOT has placed on the Nation’s Reserve components. The broad-based, nationwide support for our troops by employers continues to be superb.

Through its locally-based network of 3,500 volunteers and its full-time national staff, ESGR reaches out to both employers and Service members to help ensure the requirements of

the Uniformed Services Employment and Reemployment Rights Act (USERRA), 38 U.S.C., (sections 4301-4334) are understood and applied. Service members and employers may resolve USERRA conflicts by utilizing the free mediation and ombudsman services provided by ESGR. ESGR's aggressive outreach efforts have resulted in a 50% reduction in the number of ombudsman cases from 2004 to 2005. ESGR continually increases the percentage of cases resolved through informal mediation.

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

COMPENSATION AND MANAGEMENT

Compensation. The men and women of today's Armed Forces are highly motivated, of superior quality, and extremely capable of meeting the national security objectives associated with the GWOT and other operational engagements. To sustain this highly skilled all-volunteer force, we must continue to work together to ensure a robust and competitive compensation package for our wartime professionals. We are grateful to the Congress for its commitment to improving basic pay, housing and subsistence allowances, bonuses, special and incentive pay and other key benefits over the past several years. These enhancements have been extremely beneficial to the well-being of the members of our Armed Forces and their families.

Since September 11, 2001, the Department and the Congress have worked together to increase military basic pay by approximately 28%. We are appreciative of the Congress' support in the FY 2007 NDAA to increase pay for higher ranking enlisted personnel and Warrant Officers as well as extend the pay table to encourage longer service. We have achieved our goal of pay equal to or greater than the 70th percentile of private sector pay for those with comparable levels of age, education and experience. We continue our strong commitment to provide a secure standard of living for those who serve in uniform by requesting a 3% increase in military pay for all Service members in the FY 2008 budget. This increase is equal to earnings increases in the private sector as measured by the Employment Cost Index.

Service members must be confident that they can afford adequate housing when they move in the service of their country. Therefore, the housing allowance is one of the key elements of a competitive compensation package. The Basic Allowance for Housing (BAH) increased almost 80% since 2001, as a direct result of the close cooperation between the Department and the Congress. To ensure the allowance accurately reflects the current housing markets where Service members and their families reside, the Department will continue its efforts to improve our data collection.

A top priority for the Department is ensuring Service members and their families receive appropriate compensation while members are deployed and serving their country in dangerous locations around the world. Military personnel serving in Operation Enduring Freedom and Operation Iraqi Freedom (OEF/OIF) in a designated combat zone, as well as members serving in direct support of these operations, receive combat zone tax relief benefits that exclude all pay of our enlisted members and most of officers' pay from Federal income tax. These Service members also receive \$225 per month in Hostile Fire/Imminent Danger Pay, and those who have

dependents receive an additional \$250 per month in Family Separation Allowance. Additionally, members assigned in Iraq and Afghanistan qualify for Hardship Duty Pay (HDP)-Location at the rate of \$100 per month, and \$105 per month in incidental expense allowance.

The Department is grateful to the Congress for its continued support of Assignment Incentive Pay (AIP) as a flexible and responsive means for Services to appropriately compensate members who are called on to extend their service in demanding assignments. Continuing our commitment to ensuring appropriate compensation for our combat warriors, we urge the Congress to support the Department's request for more flexible tools with which to manage the deployment of Service members. We request authorization to modify the definition of deployment, eliminate statutory thresholds and management oversight mechanisms, repeal a currently-suspended requirement to pay High Deployment Allowance (HDA) and replace it with compensation from HDP, and increase the maximum allowed rate for HDP from \$750 to \$1,500.

As follow-on to a 2001 comprehensive report to Congress on the Uniformed Services Former Spouses Protection Act (USFSPA), the Department is requesting Congress' support for a balanced package of proposed improvements for both military members and former spouses. Our USFSPA proposals are grouped into four major areas: retirement pay; Defense Finance and Accounting Service (DFAS) improvements; procedural improvements; and Survivor Benefit Plan (SBP). Proposals include initiatives to prohibit court-ordered payment of retired pay prior to retirement; compute divisible retired pay based on rank and years of service at divorce; allow direct payments from DFAS in all cases (not just cases with more than 10 years of marriage); and allow split of SBP between former and current spouses.

We must continue to work together to ensure we honor our Active and Reserve members with a competitive compensation package. Successful execution of the GWOT demands no less.

Therefore, the Department discourages the expansion of entitlements and the creation of new ones that do not improve recruiting, retention, or readiness in a manner commensurate with their cost.

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

The Tenth QRMC was tasked to pay particular attention to (1) the potential for consolidation of special pays and bonuses into fewer, broader, and more flexible authorities, and (2) the potential need for enactment of broader and more flexible authorities for recruitment and retention of uniformed services personnel. Currently, the large number of special and incentive (S&I) pays available dilutes the effectiveness of the pays to influence behavior, and makes the system unwieldy and difficult to administer and oversee. The degree of flexibility among the many different pays also varies. Most S&I pays are narrowly focused, with strict statutory limits on how they are disbursed. The QRMC is recommending a proposal which replaces the more than 60 pays that now address relatively narrow staffing issues with eight pay categories designed to cover a broad range of personnel needs.

Defense Travel Management Office. Since its establishment in February 2006, the Defense Travel Management Office (DTMO) has made major strides toward consolidating all DOD commercial travel services in one place – a first for the Department. The DTMO serves as the one authoritative, responsible agency for commercial travel within the DOD and as a "single

face" both within the Department and to industry. Primary functions are commercial travel management, travel policy and implementation, travel card program management, travel guidance and procedures, and functional oversight for the Defense Travel System.

Numerous benefits result from having one authoritative, responsible agency for commercial travel within the Department. DTMO implemented a change management process that includes governance boards to set and execute the vision for commercial travel and provide the Services and Defense Agencies with a forum for articulating their travel needs. This is a smart business approach, ensuring consistency and integration of focus, policy and implementation across the Department and in dealings with industry. We are confident that these efforts will enable us to provide the best service to the traveler while ensuring the best value for the government.

Sexual Assault Prevention. The Department's Sexual Assault Prevention and Response (SAPR) Program has made great progress during the past year. The DOD Sexual Assault Prevention and Response Office (SAPRO) has been established and is fully staffed with permanent government employees.

The Department's implementation instruction (DODI 6495.02) was published in June 2006. This instruction forms the framework of a comprehensive response structure and protocol that ensures a consistent level of care and support world-wide for military victims of sexual assault. Both the Directive, published in 2005, and Instruction implement a fundamental change in how the Department responds to sexual assault with a confidential reporting structure for victims of sexual assault. This removes a major barrier to reporting by enabling victims to receive medical care without necessarily initiating a criminal investigation. Confidential, or restricted, reporting has been available since June 2005. After our first full year of restricted

reporting, analysis indicates that the program is meeting our objective of increasing victim access to care and support.

The Department has an aggressive sexual assault prevention and response training and education program that ensures training is conducted throughout every Service member's career at both the unit level and at all professional military education programs. SAPRO conducted a worldwide Sexual Assault Response Coordinators (SARC) Conference in June 2006, training more than 350 SARCs from installations around the world. The military Services have implemented ambitious training programs to meet this requirement and to provide trained SARCs at all major installations. Overall, the Services have provided prevention training to over one million Active duty Service members. This aggressive training and outreach program, along with confidential reporting, will predictably result in an increase in the overall number of reported sexual assaults in DOD.

The Department's next steps in 2007 will focus on continued guidance to the Services and oversight of their implementation of the SAPR program. The Under Secretary of Defense for Personnel and Readiness [(USD(P&R)] will chair the DOD Sexual Assault Advisory Council in April, which is Sexual Assault Awareness Month. A Prevention Summit is scheduled for July 2007, which will result in a collaborative Service-wide prevention strategy for the Military Services. SAPRO will conduct site visits to Service programs at selected installations. We will use the Defense Task Force on Sexual Assault in the Military Services as another source to evaluate the effectiveness of the SAPR program.

READINESS

Readiness Assessment and Reporting. The Department must track the current status and capabilities of forces across the Department. Over the past year we have increased the

capabilities of our new Defense Readiness Reporting System (DRRS). DRRS contains near real time assessments of military capabilities in terms of the tasks or missions that units and organizations are currently able to perform. These assessments are informed by the availability of specific personnel and equipment. Over the past year, our partnerships with United States Northern Command, United States Joint Forces Command, United States Pacific Command, and United States Strategic Command have produced working, scalable versions of measurement, assessment and force management, and contingency sourcing tools. Of special interest this year is our work with the Department of Homeland Security to develop the National Preparedness System, which will provide increased situational awareness and assist the Department to integrate and coordinate our response to domestic crisis. Development of DRRS will continue through 2008.

Transforming DOD Training. With your steadfast support, we have achieved significant advances in joint training and education, but more progress is urgently needed to prepare for complex multinational and interagency operations in the future. Our forces must be capable of adapting to rapidly changing situations, ill-defined threats, and a growing need to operate across a broad spectrum of asymmetric missions, including stability, security, transition, reconstruction, joint urban, information operations, and disaster response. As a result of these and other changes, the motto for our Training Transformation program has evolved with our operational experience from "Training as We Fight" to "Train as We Operate."

Following the direction of the 2006 Strategic Planning Guidance, we conducted a Joint Training Program Review. The results of this first-ever Review focused on joint training were approved in September 2006 by the Deputy Secretary of Defense's Advisory Working Group which directed us to consolidate Joint Training Program resources into the Combatant Commanders

Exercise Engagement and Training Transformation (CE2T2) program. Although "new" in name, the CE2T2 account simply consolidates existing joint training resources. In the past, dollars, authorities, and responsibilities were spread over many different organizations.

Among the top objectives for this consolidated account is providing the Combatant Commanders with more direct control of their training and exercise funding. It is not new funding or program growth. We ask for your support of this account.

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

The Joint Knowledge Development and Distribution Capability (JKDDC) provides access to Service and DOD Agency learning management systems, anywhere and anytime. Populated with over 90 joint courses for Combatant Command (COCOM) staffs, training audiences in NATO, Partnership for Peace member nations, the Joint Force Headquarters States' Staff (National Guard Bureau staff) initiative, Individual Augmentee Training classes, and other programs, the JKDDC website addresses prioritized COCOM needs and fills individual joint knowledge gaps and seams. We have fully integrated JKDDC with Defense Knowledge On-line and existing U.S. Joint Forces Command Joint Warfighting Center programs, including the NATO School. Later this year we expect to extend the reach to new learning audiences through the Internet and other portals. Two representative courses we provide individuals are the Joint Planning Orientation and Joint Interagency Coordination Group.

Joint National Training Capability (JNTC) is providing realistic distributed joint context to the Services' and COCOMs' training sites and events. JNTC has already moved from discrete "throw-away after one use" events to a more persistent "stay-behind" capability and a supporting communications infrastructure. Service and COCOM training sites and training events are now being accredited to conduct specific Joint tasks and technically certified to Joint standards. Twenty-one Service and Combatant Commander training programs are accredited, 23 sites are certified, and more are scheduled for this fiscal year. We continue to decrease planning time for joint training and mission rehearsal exercises. We are distributing joint training over large distances to the right training audience for their specific mission needs. Jointness is moving from the strategic to the tactical level – all DOD operations in the GWOT are joint. We are creating a Live, Virtual, Constructive (LVC) environment that supports efficient participation of joint forces in appropriate training across the country and around the world. This year we are expanding this environment to include Australia's Defence Training and Experimentation Network. When not utilized for joint training, this LVC environment is being used by the Services to improve their own title 10 training capability. JNTC will also continue interoperability initiatives such as the Open Net-centric Interoperability Standards for Test and Training and state-of-the-art PC-enabled models and simulations.

Our Joint Assessment and Enabling Capability creates a performance assessment architecture and uses it as a starting point for the conduct of a block assessment and balanced scorecard assessment. Our first block assessment will serve as a baseline set of metrics to measure Training Transformation. Upon completion of these assessments and outcome measurements of Training Transformation missions and programs, we will adapt and revise our strategic guidance and programmatic.

Because of your support and these past investments in joint training capability, our deploying forces are now able to be trained for their upcoming assigned joint force missions prior to their employment in the joint operations areas. Such agility, immediately responsive to operational lessons learned from theater and changing mission taskings, would not have been achievable a few years ago.

Training Transformation also focuses on improving DOD's integrated operations with other U.S. Government Agencies, among levels of government, and with our multi-national partners. Integrating DOD capabilities better with those of other Federal entities, including the Departments of State and Homeland Security, leverages all the elements of national power to achieve national security objectives.

Our Advanced Distributed Learning (ADL) initiative is a key enabler of Training Transformation. The initiative is leading the way in developing interoperability standards for on-line learning. While the standards are now required within the DOD, they are also being adopted as a global standard in education and training. We have formed partnerships with other Federal Agencies as well as other countries at their request, to include Canada, the United Kingdom, Australia, Korea, and a consortium of 13 Latin American countries. ADL works to form a common framework for sharing education and training programs with interagency and international partners.

Training Transformation has created a capability to tailor distributed training to deploying forces. We have transformed our training by extensive use of rigorous and relevant mission rehearsal exercises based upon and tailored to the combat conditions the unit will experience once deployed in theater. Our priority for joint training is to establish mission rehearsal exercises for the deploying force. Exercise Unified Endeavor 07-1 this past fall

prepared Army's 82nd Airborne Division headquarters and staff for their current rotation in Afghanistan to head Combined Joint Task Force 76 (CJTF 76) in OEF operations. The exercise inserted near real-time lessons learned from the Afghan theater of operations to improve the relevancy and rigor of the training. Tailored, realistic joint training tasked members of the training audience to conduct joint operations while coordinating air, ground, and space forces with the ongoing ground campaign and all its related cultural exigencies. The CJTF 76 leadership also had to work with senior and staff-level representatives from NATO, coalition, Afghan, federal (i.e., Department of State, Drug Enforcement Agency, and others), private volunteer, and non-governmental organizations during each phase of the training and mission rehearsal exercise – many of whom deployed to the training venues from their in-theater bases. Few of these joint training and mission rehearsal capacities and capabilities were in practice pre-Training Transformation just four years ago.

Defense Mishap Reduction Initiative. As a world class military, we do not tolerate preventable mishaps and injuries. The direct cost of mishaps is over \$3 billion per year, with estimates of total costs up to \$12 billion.

We have rededicated ourselves to achieve our 75% accident reduction goal and are aggressively working toward it. For example, the Marine Corps has reduced its civilian lost day rate by 62% and last fiscal year the Air Force achieved the best aviation class "A" mishap rate in its history.

To get to the next level in military and civilian injury reductions, safety is now a performance element under the new National Security Personnel System and in military evaluations. The Department is implementing Occupational Safety and Health Administration's Voluntary Protection Program (VPP) at over 80 installations and sites. This program brings

together management, unions, and employees to ensure safe working conditions. VPP and our other accountability programs have the highest visibility and support within the Department.

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

Range Sustainment. Continued and assured access to high-quality test and training ranges and operating areas plays a critically important role in sustaining force readiness. The ability to test and train effectively under realistic conditions, and to adapt our training to meet real-world contingencies, are fundamental requirements. Training transformation calls for significant advancements in the joint nature of training and a major change in the way we use our existing training infrastructure.

Ongoing reassignments based on the recent Base Realignment and Closure (BRAC) round, the return of forces to the U.S. from Europe and Korea, and anticipated increases in Army and Marine Corps total force end strength all point to growing demands on testing and training assets. Joint mission requirements also add to training complexity. However, the supply of land, air, and sea space and frequency spectrum we use to test and train effectively is not unlimited, and many other interests compete for use of these national resources. The confluence of these competing trends makes it clear that encroachment remains a powerful challenge to military readiness, and requires a comprehensive and continuing response.

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

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

FOREIGN LANGUAGE INITIATIVES

Foreign Language and Regional Expertise Capabilities. To win the long war the Department must embrace and institutionalize foreign language and regional expertise into Department of Defense doctrine, planning, contingencies, organizational structure, and training, as the Quadrennial Defense Review (QDR) directs. The Defense Language Transformation Roadmap provides broad goals that will ensure a strong foundation in language and cultural

expertise, a capacity to surge, and a cadre of language professionals. We are taking deliberate steps to incorporate language and regional expertise as core competencies into the Total Force. Policies, practices and funding will ensure a base of officers possessing skills in strategic languages, such as Arabic, Chinese, Persian/Farsi, and Urdu.

FY 2007 Current Capabilities. Through guidance in the Roadmap, we are close to completing self-reported screening of military personnel. The Department learned that it had a significant in-house capability not apparent to our management systems. Even though our assessment is not yet complete, as of the beginning of 2007, the Department had 140,653 Active component; 76,843 Reserve component; and 24,193 civilian members of the Total Force who professed foreign language skills. Of those 8,630 are Arabic speakers, 6,929 are Chinese speakers and 7,282 are Korean speakers. Until we undertook this assessment, the Department did not have any way to identify this capability.

The Defense Language Institute Foreign Language Center (DLIFLC) currently enrolls 4,000 students a year in 24 language programs. DLIFLC's budget climbed from \$77 million in FY 2001 to \$203 million in FY 2007. One of the major DLIFLC programs, launched in FY 2006, is the Proficiency Enhancement Program (PEP). PEP changed the basic foreign language course by reducing the student to instructor ratio, increasing the number of classrooms, creating improved and expanded curricula, and expanding overseas immersion opportunities. PEP is designed to graduate students at increased proficiency levels.

Since 2001, the DLIFLC dispatched 300 Mobile Training Teams to provide targeted training to more than 32,000 personnel. Deployed and deploying units received over 200,000 Language Survival Kits (mostly Iraqi, Dari, and Pashto). Field support modules outlining the geo-political situation, cultural facts, and fundamental language skills, key phrases and

commands are available for 21 countries on the DLIFLC website. There are 127 on-line basic and specialized language survival courses. Computer-based sustainment training is available as well via the Global Language On-line Support System (gloss.lingnet.org) which supports 12 languages and 6 more language sustainment courses are available on the DLIFLC LingNet website (www.lingnet.org).

Quadrennial Defense Review. The QDR provides approximately \$430 million through the Future Years Defense Program for initiatives to strengthen and expand our Defense Language Program. These initiatives include technology, training and education, and recruitment. The QDR targets officer candidates for foreign language training, with regional and cultural training to be embedded in follow-on professional military education. It funds the enhancement of the three Service Academies' language training of cadets and midshipmen in the strategic languages; grants to colleges and universities with ROTC programs to incentivize teaching of languages of strategic interest to the Department; increased grants to expand the National Security Education Program (NSEP), which provides civilians scholarships and fellowships to undergraduate and graduate students in critical languages to national security; and expansion and continuation of the Army's successful 09L Interpreter/Translator recruiting program. The QDR also directed funding for the development of a pilot Civilian Linguist Reserve Corps, now renamed The Language Corps; increased foreign language proficiency pay based on language in the FY 2005 and FY 2006 NDAA; enhanced technology at the DLIFLC; and centralized accession screening to identify personnel with language aptitude.

Pre-accession Language Programs. Pre-accession language training will focus the Department's effort on building language skills in future officers prior to commissioning. The three Service Academies expanded study abroad, summer immersion and foreign academy

exchange opportunities; and added instructor staff for strategic languages. The United States Military Academy and the United States Air Force Academy now require all cadets to complete two semesters of language study; the United States Naval Academy requires its non-technical degree-seeking midshipmen to take four semesters of language study. The United States Military Academy and the United States Air Force Academy also established two new language majors of strategic interest in Arabic and Chinese. The United States Naval Academy, for the first time in history, will offer midshipmen the opportunity to major in a foreign language. In FY 2007, Service Academies received \$25.57 million to develop and implement their language programs, including curriculum development and hiring of staff and faculty to teach more strategic languages.

The academies are aggressively pursuing increased opportunities for their cadets and midshipmen to study abroad and currently have programs available in 40 countries. Four-week summer language immersion programs are offered as well as semester exchanges with foreign military academies. This program has also expanded to semester abroad study programs at foreign universities. The FY 2007 NDAA allows the Academies to expand foreign academy exchanges from 24 exchanges to 100 exchanges per academy per year, and this Congressional support is greatly appreciated.

Reserve Officers' Training Corps (ROTC) cadets and midshipmen also have expanded opportunities to learn a foreign language. The Air Force and Navy often have ROTC students participating along with their academy counterparts during familiarization and orientation travel opportunities.

Of the 1,321 colleges and universities with ROTC programs, 1,148 offer languages. Significantly, many of the languages we need for current operations are not widely offered at this

time. We are beginning a pilot program to provide grants to select colleges and universities with ROTC programs to incentivize them to offer foreign language courses in languages of strategic interest to the Department and the national security community. Increasing the number of less commonly taught languages in college curricula remains a challenge in which our Senior Language Authority is actively engaged.

Army Interpreter/Translator (09L). The Army's 09L Interpreter/Translator program is a true success story. The program started as a pilot but was so successful in generating over 500 Arabic and Afghani speaking United States soldiers that the Army made it permanent. In 2006, the Army formally established the 09L Interpreter/Translator as a military occupational specialty that will have a career path from recruit through sergeant major. More than 317 heritage speakers have successfully graduated and deployed; an additional 175 personnel are in the training pipeline. The Army continues to expand and develop the program in response to the positive feedback from the commanders in the field. The QDR provides \$50 million over a five year period, from FY 2007 to FY 2011, to further expand this program.

Foreign Area Officers. The Department has spent a great deal of effort in managing its regional expert cadre—the Foreign Area Officers. Department of Defense Directive 1315.17, Foreign Area Officer (FAO) Programs, updated in April 2005, established a common set of standards for FAOs. Most important, the new policies require all of the Services to establish FAO programs that both meet the unique demands of the Services and adhere to a common, joint set of standards to support joint operations. FAOs shall be commissioned officers with a broad range of military skills and experiences; have knowledge of political-military affairs; have familiarity with the political, cultural, sociological, economic, and geographical factors of the countries and regions in which they are stationed; and have professional proficiency in one or

more of the dominant languages in their regions of expertise. In FY2007, over 150 new Foreign Area Officers are scheduled to be developed and in the next five years over 800 new FAOs will meet a common set of training guidelines, developmental experiences, and language and regional expertise standards.

Bonus Pay. In order to encourage Service members to identify, improve, and sustain language capability we implemented a new Foreign Language Proficiency Bonus (FLPB) policy, and, with the support of Congress, increased the proficiency bonus from \$300 maximum per month, up to \$1,000 maximum per month for uniformed members. We are currently completing the Department of Defense Foreign Language Proficiency Bonus policy to align payment for Reserve and Active components by increasing Reserve proficiency pay ceiling from \$6,000 to \$12,000, consistent with Section 639 of the FY 2006 NDAA. The maximum FLPB rate increased from \$150 to \$500 per pay period for eligible Department of Defense civilian employees performing intelligence duties. Department of Defense policy allows payments of up to 5% of a civilian employee's salary for those civilians who are assigned to non-intelligence duties requiring proficiency and who are certified as proficient in languages identified as necessary to meet national security interests.

National Security Language Initiative. At the national level, we were proud to be part of the team for the President's announcement of the National Security Language Initiative (NSLI). The NSLI has three broad goals: expand the number of Americans mastering critical languages at a younger age, increase the number of advance-level speakers of foreign languages, and increase the number of foreign language teachers and their resources. The Department of Defense will support NSLI through our National Security Education Program by adding fellowships to increase the number of graduates with proficiency in Arabic, Chinese, Persian,

Hindi and central Asian languages. The National Flagship Language Initiative (NFLI) serves as an example of how NSLI links Federal programs and resources across agencies to enhance the scope of the Federal government's efforts in foreign language education. For example, the NFLI is leading the way in developing model kindergarten-through-college (K-16) program that creates a language pipeline for students to achieve higher levels of language proficiency in our education system. We launched a Chinese K-16 pipeline with the University of Oregon/Portland Public Schools in September, 2005. We have also awarded a grant to Ohio State University to implement a State-wide system of Chinese K-16 programs. And, finally, we awarded a grant to Michigan State University to develop an Arabic K-16 pipeline project with the Dearborn, Michigan school district.

We are also implementing The Language Corps, which will organize a cadre of individuals with high levels of language proficiency in less commonly taught languages, who agree to be available when needed by the Nation. A three year pilot has been initiated with a major marketing and recruitment plan as we seek to meet our goal of 1,000 Language Corps members.

THE DEFENSE HUMAN CAPITAL STRATEGY

Pursuant to the recommendations in QDR 2006, the USD(P&R) appointed a Program Executive Officer for the Human Capital Strategy (PEO/DHCS) in June 2006. The PEO/DHCS is responsible for developing strategies for how to manage the entire workforce (Active and Reserve military, civilian, and contractor) of the DOD for the long term. This governing structure begins with an Overarching Integrated Product Team (OIPT), works through the Defense Human Resources Board (DHRB), and reports to the Deputy's Advisory Working

Group (DAWG). The USD(P&R) chairs the OIPT; membership includes others from within P&R, Military Department Assistant Secretaries for Manpower and Reserve Affairs, as well as the J-1 from the Joint Staff.

The most essential element of all human capital strategies is inventory management.

Effective inventory management requires several critical steps:

- Determination of the desired age/skill/experience mix (career structure) that is most conducive to performing the organization's tasks now and in the future;
- Appropriate Force Generation to attract the right personnel to execute the organization's strategies;
- Executing Force Development with a functioning education strategy that combines education, formal training, and on-the-job learning, with the right instructors, trainers and mentors;
- Effective Force Management with fair and workable sorting tools that allow for the identification and proactive management of the three most important components of the workforce: the main body of future workers who will carry most of the responsibility for producing the essential services of the organization; that group of lower performers who will not meet the organization's standards but which much be selected out at the earliest possible point in their careers; and that essential minority which shows potential for senior leadership and which must be selected and groomed through special career management and training;
- Career paths and promotion systems that are fair and balanced while also allowing the critical sorting functions to be properly incentivized and performed on a timely basis;
- A compensation and benefit structure that allows the organization to attract and retain a critical mass of productive personnel in a cost-effective manner, which means being responsive to the demands and desires of the workforce;
- A retirement package that aligns incentives for individuals with outcomes that are most cost-efficient and strategically effective for the organization while being compatible with the known preferences of the workforce;
- The ability to shape the workforce rapidly and flexibly when demands for the organization's services are variable, either due to short term exigencies or longer term structural changes in demand, organizational strategies, technologies, workforce's preferences, or competitive pressures in the labor market.

DOD's workforce is quite complex, consisting of several complementary and sometimes overlapping elements. Active duty military must work with Reserve component military, and with civilians and contractors.

On the Active duty side, experience has shown that the tools we have to shape the force through recruiting, training, assignments, promotions, compensation, benefits, and retirement are all adequate in a steady-state, peace-time setting. However, it is a management system with limited flexibility, built on notions of perceived fairness and equity, that is not readily adaptable to the realities of military inventory requirements: the system is very cumbersome when we must grow or decrease total authorizations in any significant numbers, and the force needs to be made more robust and cost effective in meeting short term contingency demands that are likely to continue during the present long war. For the future, changing and variable demands will continue, and technological changes, along with severe pressure from an ever more competitive labor market, will require imaginative rethinking and restructuring of many military occupations.

This future will demand careers of different lengths, different career patterns, different grade structures, different training strategies – and therefore considerably more flexibility across Services and occupations in how to apply and use force shaping tools to construct effective and cost-efficient Active duty forces that attract and retain the best qualified personnel. Similar changes will be required on the Reserve side.

For DOD civilians, the National Security Personnel System allows managers to take constructive steps to match the workforce to the demands of the workplace. Equally important, we must develop methods for selecting and grooming young civilians for future senior leadership positions. DOD needs to design attractive career paths that allow personnel to plan their futures

better, and not just think of a career as a succession of different jobs that happen to become available at random intervals – as is presently the case for many civilian workers.

THE DOD CIVILIAN FORCE

Human Capital Planning. Department of Defense civilian employees have supported the GWOT here and on the front-line of battle and helped build democracies in Afghanistan and Iraq. They are a critical component as DOD works with the Department of State to place expanded Provincial Reconstruction Teams in Iraq. Just as agile military forces are needed to meet a mission characterized by irregular, catastrophic and disruptive challenges, the Department needs agile and decisive support from our DOD civilians. It is only through the integration of DOD civilian employees that we can realize the potential of a Total Force. At the same time, it is important to ensure that benefits remain balanced and commensurate with the commitments we are requesting our DOD civilians to make.

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

Our HCSP is based upon the 2006 QDR. As noted earlier, the QDR calls for an updated, integrated human capital strategy for the development of talent that is more consistent with 21st Century demands. As a human capital strategy, it aims to ensure DOD has the right people, doing the right jobs, at the right time and place, and at the best value. The HCSP is delineated by

a DOD-wide set of human resources goals and objectives that focus on leadership and knowledge management, workforce capabilities, and a mission-focused, results-oriented, high-performing, diverse workforce. These goals and objectives incorporate a competency-based occupational system, a performance-based management system, and enhanced opportunities for personal and professional growth.

The National Security Personnel System (NSPS) provides the mechanism for implementation. This modern, flexible human resources management system improves the way DOD hires, compensates, and rewards its civilian employees, while preserving employee protections and benefits, veterans' preference, as well as the enduring core values of the civil service. NSPS provides a performance management system that aligns performance objectives with DOD's mission and strategic goals.

In April 2006, the Department began implementing the human resources provisions of NSPS and converted approximately 11,000 non-bargaining unit employees to the new system, followed by 66,000 in October 2006 through February 2007. This spring, an additional 35,500 will transition to NSPS, for a total of approximately 113,000 employees functioning in this results-oriented, performance-based system. The Department placed great emphasis on communication and training – both were critical to our transition plan. We wanted to ensure employees and supervisors were fully informed and ready. As of February 2007, more than a half million instances of training have occurred on the functional elements of NSPS, performance management, as well as behavioral skills necessary for an effective transition.

The initial 11,000 employees recently completed the first appraisal cycle under the performance management system. As a result of feedback we received from our workforce throughout the first cycle, we are already making some adjustments. For instance, both

supervisors and employees expressed the need for additional training on writing job objectives and self assessments. As a result, we expanded our training in both of these areas to facilitate these important aspects of the performance management system. To complement the immediate feedback we received, we are developing a comprehensive plan for assessment and longer term evaluation of the system.

While a lawsuit filed by some unions resulted in the labor relations, adverse actions, and appeals provisions being enjoined, the Department moved forward with implementing those elements of the human resources management system that were not enjoined (classification, compensation, performance management, staffing, and workforce shaping provisions). The Department elected to implement these provisions to non-bargaining unit employees until the litigation concerning the other parts of NSPS is resolved. We expect a decision on the appeal in early 2007.

We will continue to use a spiral approach to incrementally phase-in the rest of the eligible DOD workforce over the subsequent two to three years, upgrading and improving NSPS as we go forward. We are currently in the early stages of designing NSPS for our blue collar workforce and met with our unions to seek their input into the design. We will continue to collaborate with the unions as we move forward with NSPS design and implementation.

Acquiring, Developing, and Retaining Civilians. The Department's civilian workforce supports DOD's national security and military missions. Technological advances, contract oversight, and complex missions have generated the need for more employees with advanced education and more sophisticated technical skills. Additionally, there must be a very active campaign to recruit, train, and develop a diverse workforce. We take seriously the responsibility

to foster and promote an environment that is attractive to individuals from all segments of society.

In 2005, the Department launched the Hiring Heroes campaign to reach out to the injured and disabled men and women who fought and served on behalf of our nation. The Department offers over 700 diverse, challenging, and rewarding occupations for those veterans who want to continue to serve their country as DOD civilian employees. The Department is committed to providing disabled veterans who want to serve our country as a DOD or Federal civil servants the opportunity to do so. The Hiring Heroes campaign demonstrates this commitment. The Department has hosted eight Hiring Heroes career fairs at various major medical facilities, including Walter Reed and Brooke Army Medical Centers, with over 1,600 Service members and their spouses in attendance. Six additional events are planned for 2007. We also maintain the Defense website specifically designed for our disabled veterans—www.DoDVETS.com. This web portal serves as a resource of employment information for veterans, their spouses, and managers. Through our efforts, many Service members have been offered positions at various DOD and Federal agencies, but more important, they have been exposed to a network of both DOD and Federal recruiters dedicated to helping them transition back to productive employment where and when they are ready. We continue work with other Federal agencies, including the Department of Veterans Affairs (VA) and the Department of Labor, to provide job training, counseling, and reemployment services to seriously injured or wounded veterans.

We have dedicated an office within the Department to help us transform the way we attract and hire talented civilian employees. Under its lead, we have developed a comprehensive outreach program with colleges, universities and professional and heritage associations; reenergized our branding and marketing materials; and revamped our website to align with the

interests of those whom we are trying to attract. Our nationwide recruitment campaign takes us to college and university campuses where we personally invite talented individuals to serve the Department. Since the fourth quarter of FY 2006 through the end of February 2007, our DOD recruiters made 31 recruitment visits. An additional 26 visits are planned through FY 2007, budget permitting. In one of these visits alone, the Department made 60 job offers to engineering students, primarily of Hispanic origin. Efforts such as these will help ensure the Department has the diverse, talented workforce it needs to meet the challenges of the 21st Century.

The Department launched another innovative program in FY 2007, known as the DOD Student Training Academic Recruitment (STAR) program. Under this program, DOD hired two honors level students, located at the University of Puerto Rico Mayaguez and at Michigan Tech University. The students are responsible for developing and executing a marketing plan, through which students with DOD mission critical skills are made aware of and are encouraged to consider employment with the Department. We continue to leverage technology including, importantly, the Internet, to educate and interest talent from a variety of sources. We have recently updated our website with vignettes of current Department employees, who discuss their work and the satisfaction they realize from it, as well as the benefits of working for the Department. We believe these testimonials will further our efforts to have the Department viewed as an "Employer of Choice".

Under the Office of Personnel Management's new "Career Patterns" initiative, the Department has begun a comprehensive analysis of our workforce to identify the recruitment strategies that will enable the Department to recruit and retain the talent we need for the 21st Century. Focusing first on our mission critical occupations, we are analyzing the occupational

demographics and are developing recruitment, compensation and work life initiatives, which address the many dimensions of our applicant candidate pool. In direct support of this initiative, the Department has established policies on proficiency pay for positions requiring language, on new approaches to telework, and on new appointing authorities for scientists and mathematicians.

As the Chair of the Federal Chief Human Capital Officer's Subcommittee for Hiring and Succession Planning, the USD(P&R) personally works with a number of other Federal agencies and the Office of Personnel Management to streamline and improve the Federal hiring process. The Subcommittee has made a number of recommendations, the benefits of which we hope to see over the next several years.

Workforce planning takes on a special importance with the expected exodus of Federal employees over the next decade. Significant to this equation are DOD career Senior Executive Service (SES) members, 67% of whom are eligible to retire in 2008. Recently, P&R hosted a DOD Diversity Summit for key public and private sector personnel to discuss possible barriers to diversity in DOD executive development processes and to identify successful practices in other organizations that may have transferability to DOD. We also continue to conduct outreach programs in various parts of the country in an effort to inform students about our career opportunities and to encourage them to enter academic programs that will help prepare them for such careers.

Our HCSP ensures the continuity of world class, civilian leaders who are fully capable of leading DOD's efforts within a larger national security context. To meet this goal, the Department launched an initiative aimed at the deliberate identification, development, management, and sustainment of senior executive leadership for the Department's 21st Century

requirements. This effort will expand the current, enduring executive leadership competencies to include knowledge of joint matters and building an enterprise-wide perspective acquired through a portfolio of diverse experiences. The definition of "joint matters" expands beyond that prescribed in Goldwater-Nicholas Act to recognize the realities of today's multinational and interagency operating environment. Further, cultural awareness and regional expertise are part of the required core competencies. In the conflicts and wars faced by the Department, cultural awareness, language and regional expertise become key skills needed by every leader.

To build a qualified and talented pipeline to sustain leadership continuity, the HCSP provides for the identification and closing of leadership competency gaps and strengthening of the talent pipeline to ensure continuity of diverse and capable leaders. To ensure the deliberate development of our current and future leaders, we are instituting a new joint civilian leader development system that will have at its core a future-focused framework of competencies based on the Office of Personnel Management Executive Core Qualifications, but strengthened with the DOD-unique requirements that will enable the Department to accomplish its national security mission in today's complex environment and beyond.

Our DOD joint civilian leader development framework is being designed to produce world-class leaders with an Enterprise-wide perspective for leadership positions across the continuum from entry to executive level. Building upon existing programs, the framework ultimately will include a series of DOD-sponsored courses, programs and other learning opportunities, designed to meet the specific competency requirements of the civilian Defense leader. These opportunities will serve as retention incentives for high performing DOD employees and will also support DOD initiatives to increase diversity in the senior ranks.

The Defense Leadership and Management Program (DLAMP) will be a key building block of the new leader development framework. Through a comprehensive program of Professional Military Education, formal graduate education, and courses in national security strategy and leadership, DLAMP ensures that the next generation of civilian leaders has the critical skills to provide strong leadership in a joint interagency and multinational environment. In the last few years, DLAMP has produced a pool of 435 individuals who have met program goals, thus creating a pipeline of well-qualified senior leaders for tomorrow's challenges.

All existing leader development programs, including DLAMP, are currently under review to ensure alignment with the new competency-based framework and related initiatives that are under way strengthen the Senior Executive Service corps. Following implementation of program changes planned for FY 2008, DLAMP will be renamed and its successor will become the senior-level program of the new joint leader development framework. We are confident that ensuring alignment of our programs with the DOD-wide competency model and best practices in private and public sector leader development will further position us for strong civilian leadership in the decades ahead.

The Department recently reviewed the foreign national (FN) human resources program, which covers over 70,000 workers in some 22 countries to ensure alignment with the Department's 21st Century requirements. The Department employs the FN workforce under various laws, treaties, and international agreements, host nation labor policies and labor union contracts. The current FN human resources policies have evolved over many decades. It has been over twenty years since there was a comprehensive review of the FN human resources program. To launch the review, the Department hosted a worldwide conference of U.S. and FN human resources personnel. They offered enlightened thinking and a set of recommendations to

help refine the current FN human resources program. The Department is considering these recommendations.

The Department also has been engaged in establishing Status of Forces Agreements (SOFAs) with new NATO partners, such as Romania, Poland, Bulgaria, and the Czech Republic. As part of these SOFAs, the Department has developed a new framework for FN employment which will ensure a ready, capable and agile FN workforce.

The Department has established and fully implemented the Pipeline Reemployment Program. The program enables partially recovered employees with job related injuries and illnesses to return to work. The program supports the President's Safety, Health, and Return-to-Employment (SHARE) initiatives by assisting each Department installation in reducing lost days resulting from injuries. Department of Defense organizations will have resources and funding to reemploy partially recovered injured employees for up to one year. Returning injured employees to suitable productive duty, as soon as they are able, improves that employee's sense of value to the organization while minimizing the cost of workers' compensation disability payments. To date, the Pipeline program has returned 400 employees to productive positions, and saved the Department approximately \$364 million in lifetime cost charges.

Civilian Force Shaping. A number of initiatives influence the size and shape of the Department's civilian workforce. The most significant are upcoming BRAC actions, global repositioning of deployed military and civilians, competitive sourcing, and military-to-civilian conversions. The Department of Defense is committed to providing comprehensive transition tools and programs to assist our valued employees and their families as these force shaping initiatives are implemented.

Since the first BRAC round in 1988, the Department has reduced the civilian workforce by more than 400,000, with less than 10% of that number involuntarily separated. To mitigate the impact of these force shaping initiatives on our civilians, the Department has aggressively sought and obtained authority for several essential transition tools assuring that drawdowns or reorganizations are handled in the most efficient and humane manner possible, while ensuring we have the talent needed to effectively continue Department operations. Employees adversely affected by BRAC may be offered the opportunity to separate voluntarily under the Voluntary Early Retirement Authority or the Voluntary Separation Incentive Payment program, or both. Involuntarily separated employees are also eligible for a number of post-separation benefits and entitlements, including: temporary continuation of health insurance for 18 months, with the Department paying the employer portion of the premium; severance pay, with a lump-sum payment option; and, unemployment compensation.

The Department will continue to seek regulatory and legislative changes to assist employees affected by these actions in transitioning to other positions, careers, or to private employment. We are continuing to establish and foster employment partnerships with Federal agencies, State, county and local governments, trade and professional organizations, local Chambers of Commerce, and private industry. For example, DOD is partnering with the Department of Labor to provide BRAC installations outplacement assistance under their Workforce Investment System (WIS). The WIS consists of over 3,000 State One-Stop Career Centers prepared to offer assistance such as retraining, career counseling, testing, and job placement assistance.

Emergency Planning. We have taken great strides this past year to ensure we have plans in place to continue our operations and safeguard our employees in times of crisis. Significant

planning has gone into Pandemic Influenza preparedness. We have developed a human resources practitioner guide for use by managers and human resource practitioners in planning for, and executing actions during emergencies, which include nuclear, chemical and biological attacks, natural disasters, as well as a resources practitioner guide for use during a pandemic crisis. We have supported this guide with exercise criteria to assess our plans and refine them as needed. We plan to have a series of exercises over the course of the next year to ensure we are prepared should an emergency occur, particularly a pandemic.

As the Chair of the Federal CHCO Emergency Preparedness Subcommittee, the USD(P&R) is able to leverage the expertise and best practices of other Federal Agencies and influence the Office of Personnel Management to ensure new policies will meet the Department's needs.

THE MILITARY HEALTH SYSTEM

Sustaining the Military Health Benefit. The Department is firmly committed to protecting the health of our Service members and to providing world-class healthcare to its more than 9 million beneficiaries.

The FY 2008 Defense Health Program funding request is \$20.7 billion for Operation and Maintenance, Procurement and Research, and Development, Test and Evaluation Appropriations to finance the Military Health System (MHS) mission. We project total military health expenditures, including personnel expenses, to be \$40.5 billion for FY 2008. This includes payment of \$10.9 billion to the Department of Defense Medicare Eligible Retiree Healthcare Fund.

As you know, the Department is challenged by the growing costs of the MHS. We need important changes in our well-regarded health benefit program, TRICARE, to sustain a superior

benefit for the long term. We need the help and support of Congress to achieve this goal. Our FY 2008 budget request assumes savings of \$1.9 billion from reform proposals (as projected last year for FY 2008); we await the interim report of the Department of Defense Task Force on the Future of Military Healthcare as a basis for dialogue with the Congress on how these should be shaped.

As the civil and military leaders of the Department have testified, we must place the health benefit program on a sound fiscal foundation or face adverse consequences. Costs have more than doubled in six years—from \$19 billion in FY 2001 to \$39 billion in FY 2007—despite MHS management actions to make the system more efficient. Our analysts project this program will cost taxpayers at least \$64 billion by 2015. Healthcare costs will continue to consume a growing slice of the Department's budget, reaching 12% of the budget by 2015 (versus 4.5% in 1990).

Over the last 13 years, the TRICARE benefit was enhanced through reductions in co-pays, expansions in covered services (particularly for Medicare-eligible beneficiaries), new benefits for the Reserve component, and other additions, but the premiums paid by beneficiaries have not changed. The benefit enhancements have come at a time when private-sector employers are shifting substantially more costs to employees for their healthcare.

The twin effect of greater benefits for DOD beneficiaries at no change in premiums, coupled with reduced benefits for military retirees employed in second careers in the private sector, has led to a significant increase in military retirees electing to drop their private health insurance and become entirely reliant on TRICARE for their health benefit. Some employers actively encourage this shift through incentives to their employees.

Management. The Department has initiated several management actions to use resources more effectively and help control the increasing costs of healthcare delivery. The MHS continues to implement a prospective-payment system in a phased, manageable way which provides incentive for local commanders to focus on outputs, rather than on historical budgeting. We are confident this budgeting approach will ensure our hospitals and clinics remain high-quality, highly efficient medical institutions in service to our patients.

In addition, the MHS has recently composed a new strategic plan for the future. Through this plan, the MHS is strengthening its commitment to military medical forces, to our war fighters, and to our nation's security. The MHS strategic plan takes important steps toward consolidating administrative and management functions across the MHS, and it will strengthen joint decision-making authorities.

With implementation of the BRAC recommendations, the major medical centers in San Antonio and the national capital area will be consolidated. These BRAC actions provide us the opportunity to provide world-class medical facilities for the future while streamlining our healthcare system and creating a culture of best practices across the Services.

Under the BRAC recommendations, we are also developing a medical education and training campus (METC) that will co-locate medical basic and specialty enlisted training at Fort Sam Houston, Texas. By bringing most medical enlisted training programs to Fort Sam Houston, we will reduce the overall technical-training infrastructure while strengthening the consistency and quality of training across the Services.

In the meantime, we are doing everything we can to control our cost growth. We are executing our new TRICARE regional contracts more efficiently, and we are demanding greater efficiency within our own medical facilities. However, one area—pharmacy—is particularly

noteworthy. Nearly 6.7 million beneficiaries use our pharmacy benefit, and in FY 2006, our total pharmacy cost was more than \$6 billion. If we did nothing to control our pharmacy cost growth, we project pharmacy costs alone would reach \$15 billion by 2015.

To address this issue we are taking every action for which we have authority: promoting our mandatory generic substitution policy; joint contracting with Veterans Affairs; launching a home-delivery promotion campaign; and making voluntary agreements with pharmaceutical manufacturers to lower costs.

These efforts are working. But recent legislation passed by Congress and other regulations limit our ability to control costs in the fastest growing area of pharmacy—the retail sector. In the retail venue, our top-50 brand-name medications cost twice as much as the same drug dispensed through our military treatment facility or home-delivery venues.

You can help us by allowing the Department to make appropriate changes in the structure of our pharmacy benefit. These changes will accelerate use of our new home-delivery program, enhance the use of generics, and give us greater leverage when negotiating with pharmaceutical manufacturers.

Another area in which we need your assistance is restoring the flexibility to manage Defense Health Program resources across budget activity groups. Our new healthcare contracts use best-practice principles to improve beneficiary satisfaction, support our military treatment facilities, strengthen relationships with network providers, and control private-sector costs.

Our civilian partners must manage their enrollee healthcare and may control their and the system's costs by referring more care to our military treatment facilities in the direct-care system. As noted earlier, we have implemented a prospective-payment system that creates the financial incentive for our military treatment facilities to increase productivity and reduce overall

costs to the Department.

Funds must flow freely between the military treatment facilities and the private sector, based on where care is actually delivered. Capping Defense Health Program private-sector-care funds inhibits the Department's ability to provide the TRICARE benefit in the most accessible, cost-effective setting.

AHLTA—DOD's comprehensive, global electronic health record and clinical data repository—significantly enhances MHS efforts to build healthy communities. AHLTA constructs a life-long, computer-based patient record for each and every military health beneficiary, regardless of their location, and provides seamless visibility of health information across the entire continuum of medical care. This gives providers unprecedented access to critical health information whenever and wherever care is provided to our Service members and beneficiaries. In addition, AHLTA offers clinical reminders for preventive care and clinical-practice guidelines for those with chronic conditions.

In November 2006, the MHS successfully completed worldwide deployment of AHLTA, which began in January 2004, at all 138 DOD military treatment facilities. Additional components to AHLTA are yet to be unveiled, including a new inpatient module. To enhance continuity of care and save the taxpayers money, DOD and the VA will collaborate and plan to develop a joint inpatient electronic health record system for Active duty military personnel and veterans. A requirements study is presently under way.

We are working with industry experts to design and develop the government requirements for TRICARE's third generation of contracts (T-3). The Managed Care Support Contracts are TRICARE's largest and most complex purchased-care contracts. Others include the TRICARE Pharmacy Program (TPharm), the TRICARE Dual Eligible Fiscal Intermediary

Contract (TDEFIC), the Active Duty Dental Contract, the National Quality Monitoring Contract, and the TRICARE Retiree Dental Contract.

The Balanced Scorecard has guided the MHS through the strategic planning process over the last five years and helps the MHS manage strategy at all levels of the organization. Military treatment facilities remain at the core of the MHS, and the TRICARE structure promotes increased involvement of the military commanders in determining the optimum approach to healthcare delivery within each region. Military commanders' accountability and responsibility for patient care in their communities is centered on sound business planning and resourcing to meet their planned production.

The three TRICARE Regional Directors are actively engaged in managing and monitoring regional healthcare with a dedicated staff of both military and civilian personnel. They are strengthening existing partnerships between the Active duty components and the civilian provider community to help fulfill our mission responsibilities.

Force Health Protection. Force Health Protection embraces a broad compilation of programs and systems designed to protect and preserve the health and fitness of our Service members—from their entrance into the military, throughout their military service to their separation or retirement, and follow-on care by the VA. Our integrated partnership for health between Service members, their leaders and healthcare providers ensures a fit and healthy force and that the continuum of world-class healthcare is available anytime, anywhere.

In 2006, we recorded remarkable war-wounded survival rates, the lowest death-to-wounded ratio in the history of American military operations, and the lowest disease non-battle injury rate. Our military medical personnel have performed extraordinarily on the battlefield and in our medical facilities in the United States. Our investments in people, training, technology

and equipment have paid major and historic dividends. We have established new standards in virtually every major category of wartime medicine:

- **Lowest Disease, Non-Battle Injury Rate.** As a testament to our medical readiness and preparedness, with our preventive-medicine approaches and our occupational-health capabilities, we are successfully addressing the single largest contributor to loss of forces – disease.
- **Lowest Death-to-Wounded Ratio.** Our agility in reaching wounded Service members, and capability in treating them, has altered our perspective on what constitutes timeliness in life-saving care from the *golden hour* to the *platinum fifteen minutes*. We are saving Service members with grievous wounds that were likely not survivable even 10 years ago.
- **Reduced time to evacuation and definitive tertiary care.** We now expedite the evacuation of Service members following forward-deployed surgery to stateside definitive care. We changed our evacuation paradigm to employ airborne intensive-care units. Wounded Service members often arrive back in the United States within 3–4 days of initial injury.

Our successful efforts to prevent loss of life from battle injuries have consequences.

Many of our wounded Service members have worked heroically to regain their skills to the greatest extent possible. Of particular note, among the approximately 612 individuals who have had major limb amputations, approximately 7% have returned to duty.

Our most important preventive health measures in place for Service members today—immunization programs—offer protection from diseases endemic to certain areas of the world and from diseases that can be used as weapons. These vaccines are highly effective, and we base our programs on sound scientific information that independent experts have verified. Insect-repellant-impregnated uniforms and prophylactic medications also protect our Service members from endemic diseases during deployments.

Since January 2003, environmental health professionals have analyzed more than 5,000 theater air, water, and soil samples to ensure that forces are not unduly exposed to harmful substances during deployments.

We published a new DOD Instruction, “Deployment Health,” in 2006. Among its many measures to enhance force health protection is a requirement for the Services to track and record daily locations of DOD personnel as they move about in theater and report data weekly to the Defense Manpower Data Center. We can use the data collected to study long-term health effects of deployments and mitigate health effects in future conflicts.

We continue to monitor the health affects of our Service members exposed to depleted uranium (DU) munitions. DOD policy requires urine uranium testing for those wounded by DU munitions. We also test those in, on, or near a vehicle hit by a DU round, as well as those conducting damage assessments or repairs in or around a vehicle hit by a DU round. Additionally, the policy directs testing for any Service members who requests it. Each Service member returning from a deployment is asked about possible DU exposure. More than 2,215 Service member veterans of Operation Iraqi Freedom have been tested for DU exposures. Of this group, only nine had positive tests, and these were due to fragment exposures.

Testing continues for veterans exposed to DU munitions from the 1990–1991 Persian Gulf War. Of the 74 victims of that war in a VA medical follow-up study, only a quarter of them have retained DU fragments in their bodies. To date, none have developed any uranium-related health problems. This DU follow-up program is in place today for all Service members with similar exposures.

Among the many performance measures the MHS tracks is the medical readiness status of individual members, both Active and Reserve. The MHS tracks individual dental health, immunizations, required laboratory tests, deployment-limiting conditions, Service-specific health assessments, and availability of required individual medical equipment. We are committed to deploying healthy and fit Service members and to providing consistent, careful post-deployment

health evaluations with appropriate, expeditious follow-up care when needed.

Medical technology on the battlefield includes expanded implementation of the Theater Medical Information Program and Joint Medical Work Station in support of OIF. These capabilities provide a means for medical units to capture and disseminate electronically near-real-time information to commanders. Information provided includes in theater medical data, environmental hazards, detected exposures, and such critical logistics data as blood supply, beds, and equipment availability.

With the expanded use of the web-based Joint Patient Tracking Application, our medical providers should have total visibility into the continuum of care across the battlefield, and from theater to sustaining base. New medical devices introduced to OIF provide field medics with blood-clotting capability; light, modular diagnostic equipment improves the mobility of our medical forces; and individual protective armor serves to prevent injuries and save lives.

DOD has been performing health assessments on Service members prior to and just after deployment for several years now. These assessments serve as a screen to identify any potential health concerns that might warrant further medical evaluation. This includes screening the mental well-being of all Soldiers, Sailors, Airmen and Marines in the Active Force, Reserves and National Guard.

Service members receive pre-deployment health assessments to ensure they are fit to deploy and post-deployment health assessments to identify any health issues when they return. The DOD maintains deployment health records in the individual's permanent health record and centrally archives electronic copies of the health assessment for easy retrieval. We have an aggressive quality-assurance program to monitor the conduct of these assessments.

Beginning in 2005, we added an additional health assessment, the post-deployment health

reassessment, or PDHRA, which we conduct three to six months after deployment. The PDHRA is designed to identify health and adjustment concerns that Service members may not notice or mention immediately upon the return from deployment. For the period of June 1, 2005, to February 12, 2007, 244,933 Service members have completed a post-deployment health reassessment, with 27% of these individuals receiving at least one referral for additional evaluation.

Mental health services are available for all Service members and their families before, during, and after deployment. Service members are trained to recognize sources of stress and the symptoms of depression, including thoughts of suicide, in themselves and others, that might occur because of deployment. Combat-stress control and mental healthcare are available in theater. In addition, before returning home, we brief Service members on how to manage their reintegration into their families, including managing expectations, the importance of communication, and the need to control alcohol use.

During redeployment, we educate Service members and assess them for signs of mental health issues, including depression and Post Traumatic Stress Disorder (PTSD), and physical health issues. During the post-deployment reassessment, we include additional education and assessment for signs of mental and physical health issues. The Services began initial implementation of this program in June 2005, and we are working toward Department-wide implementation.

After returning home, Service members may seek help for any mental health issues that may arise, including depression and PTSD, through the MHS for Active duty and retired Service members, or through the VA for non-retired veterans. TRICARE is also available for six months post-return for Reserve and Guard members. To facilitate access for all Service members and

family members, especially Reserve component personnel, the Military OneSource Program—a 24/7 referral and assistance service—is available by telephone and on the Internet. In addition, we provide face-to-face counseling in the local community for all Service members and family members. We provide this non-medical counseling at no charge to the member, and it is completely confidential.

To supplement mental health screening and education resources, we added the Mental Health Self-Assessment Program, or MHSAP, in 2006. This program provides web-based, phone-based and in-person screening for common mental health conditions and customized referrals to appropriate local treatment resources. The program also includes parental screening instruments to assess depression and risk for self-injurious behavior in their children, along with suicide-prevention programs in DOD schools. Spanish versions of the screening tools are available, as well.

Pandemic influenza represents a new threat to national security. With our global footprint and far-reaching capabilities, we are actively engaged in the Federal interagency effort to help prevent, detect and respond to the threat of avian influenza, domestically and internationally. The President's National Strategy for Pandemic Influenza includes the DOD as an integral component in our nation's response to this threat. One example of this integrated response is DOD's medical Watchboard website, established in 2006, to provide ready access to pandemic influenza information for DOD Service members, civilians, and their families; DOD leaders; and DOD healthcare planners and providers. The DOD Watchboard is linked to PandemicFlu.gov for one-stop access to U.S. Government avian and pandemic influenza information.

Taking Proper Care of the Wounded. The Department is committed to providing the assistance and support required to meet the challenges that confront our severely injured and wounded Service members, and their families.

The Department is working on a number of measures to evaluate and treat Service members affected or possibly affected with traumatic brain injury (TBI). For example, in August 2006, we developed a clinical-practice guideline for management of mild TBI in theater for the Services. We sent detailed guidance to Army and Marine Corps line medical personnel in the field to advise them on ways to deal with TBI. The clinical-practice guideline included a standard Military Acute Concussion Evaluation (MACE) form to assess and document TBI for the medical record. We are also conducting research in the inpatient medical area. Furthermore, to enhance the Periodic Health Assessment, Post-Deployment Health Assessment and Post-Deployment Health Reassessment, we directed inclusion of questions on TBI to capture data that will contribute to a better understanding of TBI identification and treatment. In addition, these questions will help identify Service members possibly exposed to events that caused TBI that were not documented at the time of exposure.

Each Service has programs to serve severely wounded from the war: the Army Wounded Warrior Program (AW2), the Navy SAFE HARBOR program, the Air Force Helping Airmen Recover Together (Palace HART) program, and the Marine4Life (M4L) Injured Support Program. DOD's Military Severely Injured Center augments the support provided by the Services. It reaches beyond the DOD to other agencies, to the nonprofit world and to corporate America. It serves as a fusion point for four Federal agencies – DOD, the VA, the Department of Homeland Security's Transportation Security Administration (TSA), and the Department of Labor.

The Military Severely Injured Center unites Federal agencies through a common mission: to assist the severely injured and their families. The VA Office of Seamless Transition has a full-time liaison assigned to the Center to address VA benefits issues ranging from expediting claims, facilitating VA ratings, connecting Service members to local VA offices, and coordinating the transition between the Military and the VA systems. The Department of Labor has assigned three liaisons from their REALifelines program which offers personalized employment assistance to injured Service members to find careers in the field and geographic area of their choice. REALifelines works closely with the VA's Vocational Rehabilitation program to ensure Service members have the skills, training, and education required to pursue their desired career field. The Department of Homeland Security's Transportation Security Administration has a transportation specialist assigned to the Center to facilitate travel of severely injured members and their families through our nation's airports. The Center's TSA liaison coordinates with local airport TSA officials to ensure that each member is assisted throughout the airport and given a facilitated (or private) security screening that takes into account the member's individual injuries.

The Military Severely Injured Center has coordinated with over 40 non-profit organizations, all of which have a mission is to assist injured Service members and their families. These non-profits offer assistance in a number of areas from financial to employment to transportation to goods and services. Many are national organizations, but some are local, serving Service men and women in a specific region or at a specific military treatment facility. Some of the many organizations that are providing assistance are the Wounded Warrior Project, the Injured Marine Semper Fi Fund, the VFW, the American Legion, Disabled American Veterans, the Coalition to Salute America's Heroes, and, of course, the Service Relief Societies.

There are hundreds of other non-profits who offer assistance to military families in general that are part of the America Supports You network (www.americasupportsyou.mil).

The Department continues to sponsor Operation Warfighter (OWF), a temporary assignment or internship program for Service members who are convalescing at military treatment facilities in the National Capital Region. This program is designed to provide recuperating Service members with meaningful activity outside of the hospital environment that assists in their wellness and offers a formal means of transition back to the military or civilian workforce. The program's goal is to match Service members with opportunities that consider their interests and utilize both their military and non-military skills, thereby creating productive assignments that are beneficial to the recuperation of the Service member and their views of the future. Service members must be medically cleared to participate in OWF, and work schedules need to be flexible and considerate of the candidate's medical appointments. Under no circumstance will any OWF assignment interfere with a Service member's medical treatment or adversely affect the well-being and recuperation of OWF participants.

In 2006, 140 participants were successfully placed in OWF. Through this program, these Service members were able to build their resumes, explore employment interests, develop job skills, and gain valuable Federal government work experience to help prepare them for the future. The 80 Federal agencies and sub-components acting as employers in the program were able to benefit from the considerable talent and dedication of these recuperating Service members. Approximately 20 permanent job placements resulted from OWF assignments upon the Service member's medical retirement and separation from military service.

The American public's strong support for our troops shows especially in their willingness to help Service members who are severely injured in the war and their families, as they transition

from the hospital environment and return to civilian life. Heroes to Hometowns' focus is on reintegration back home, with networks established at the national and State levels to better identify the extraordinary needs of returning families before they return home. They work with local communities to coordinate government and non-government resources necessary for long-term success.

The Department has partnered with the National Guard Bureau and the American Legion, and most recently the National Association of State Directors of Veterans Affairs, to tap into their national, State, and local support systems to provide essential links to government, corporate, and non-profit resources at all levels and to garner community support. Support has included help with paying the bills, adapting homes, finding jobs, arranging welcome home celebrations, help working through bureaucracy, holiday dinners, entertainment options, mentoring, and very importantly, hometown support.

The ability of injured Service members to engage in recreational activities is a very important component of recovery. We continue to work with the United States Paralympics Committee and other organizations so that our severely injured have opportunities to participate in adaptive sports programs, whether those are skiing, running, hiking, horseback riding, rafting, or kayaking. We are also mindful of the need to ensure installation Morale Welfare and Recreation (MWR) fitness and sports programs can accommodate the recreational needs of our severely injured Service members. At Congressional request, we are studying the current capabilities of MWR programs to provide access and accommodate eligible disabled personnel.

Regarding the recent concerns about the Walter Reed Army Medical Center, the Army and the Department have taken swift action to improve existing conditions, enhance services provided at Walter Reed, and identify areas meriting further study and improvement. Army

leadership initiated immediate steps to control security, improve access, and complete repairs at identified facilities and sought to hold accountable those personnel responsible to provide for the health and welfare of our nation's heroes.

On March 1, 2007, Secretary Gates commissioned an independent review group (IRG) to evaluate and make recommendations on this matter. The IRG will conduct its work and report its findings to the Secretary of Defense by April 13, 2007. The report will include:

- An assessment of current procedures involved in the rehabilitative care, administrative processes, and quality of life for injured and ill members, including an analysis of what these Service members and their families consider essential for a high-quality experience during recovery, rehabilitation, and transition.
- Alternatives and recommendations to correct deficiencies and prevent them from occurring in the future.

The Department will be relentless in its actions – engaged, action-oriented and focused on making measurable improvements. Goals will be clear and milestones will be established. We will regularly inform the public and the people we serve – the soldiers, the families, military leaders, the Congress, the Secretary, and the President – on our progress.

There are a number of disturbing elements to the conditions at Walter Reed, yet we are confident that each of these items is fixable with sustained leadership and oversight. The Department, with the assistance of the Secretary's independent review group, will come forward with revised approaches to addressing the more complex personnel and medical issues. The problems before us can be categorized and assessed as follows:

Physical Facility Issues. In the case of substandard housing, the Army has been able to quickly implement a corrective action plan. Some of those actions have already occurred with facility repair and improvements. Clearly, other facility improvements may require more

comprehensive repairs that may take longer. We are confident the Army is taking steps to ensure that any needed improvements will be made.

Process of Disability Determinations. The critical first step in assessing this process will be to identify the desired outcome. Both Service members and the Department have expectations, including: full rehabilitation of the Service member to the greatest degree medically possible; a fair and consistent adjudication of disability; and, a timely adjudication of disability requests – neither hurried nor slowed due to bureaucratic processes.

The fundamental problems did not result from a lack of available resources. The main effort here must be focused on the processes being analyzed and assessed for their value and alternatives. The processes must be redrawn with the outcomes we have in mind, with as much simplicity and timeliness as possible. We are working hard to implement solutions to issues identified in the March 2006 GAO Report 06-362. Most important, we have set forth a process for updating DOD Directives/Instructions that promulgate disability policies. We will publish a draft revised Disability Evaluation System overarching policy before the end of April.

Process of Care Coordination. Again, the quality of medical care delivered to our Service members is exceptional. Independent review supports this assertion. Yet, the process of coordinating delivery of services for members in long-term outpatient, residential rehabilitation needs attention. The Army will assess, and we will review, the proper ratio of case-managers-to-wounded Service members. We will also assess the administrative and information systems in place to properly manage workload in support of the soldiers.

The planned consolidation of health services and facilities in the National Capital Region will enable the Department to best address the changing nature of inpatient and outpatient healthcare requirements, specifically the unique health needs of our wounded Service members

and the needs of our population in this community. The BRAC decision also preserves a precious national asset by sustaining a high-quality, world-class military treatment facility with a robust graduate medical education program in the Nation's Capital. The plan is to open this facility by 2011. In the interim, we will not deprive Walter Reed of resources to function as the premier medical center it is. In fact, in 2005 we funded \$10 million in capital improvements at Walter Reed's Amputee Center – recognizing the immediate needs of our warrior population. We are proud of that investment in capacity and technology. We simply will not allow the plans for a new medical center to interfere with the ongoing facility improvements needed in the current hospital.

In the current spate of news reports on Walter Reed, the trust that we have earned through our many medical achievements has been damaged. Everyone's efforts will be focused on repairing and re-earning that trust. Our civilian and military leaders have remained steadfast in both their support of what we have accomplished, and their belief that these matters can be fixed. U.S. military medicine and our medical personnel are a national asset, representing a readiness capability that does not exist anywhere else, and – if allowed to dwindle – could not be easily reconstituted. We must preserve this asset.

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

The recently updated VA/DOD Joint Strategic Plan supports the common goals from both the VA Strategic Plan and the MHS Strategic Plan and incorporates them into the goals and objectives of the councils and their associated work groups.

Healthcare resource sharing incorporates everything from general and specialized patient care, to education and training, research and development, and healthcare administrative support. At the end of FY 2006, DOD military treatment facilities and Reserve units were involved in sharing agreements with 157 VA Medical Centers.

The FY 2003 NDAA required VA and DOD to undertake significant collaborative initiatives. Section 721 of that Act required that the departments establish, and fund on an annual basis, an account in the Treasury, referred to as the Joint Incentive Fund (JIF). The JIF is intended to eliminate budgetary constraints as a possible deterrent to sharing initiatives, by providing earmarked funding to cover the start-up costs associated with innovative and unique sharing agreements. The 2006 projects cover such diverse areas of medical care as mental health counseling, web-based training for pharmacy technicians, cardio-thoracic surgery, neurosurgery and increased physical therapy services for both DOD and VA beneficiaries.

Section 722 of the same Act mandated the departments execute no fewer than three healthcare coordination demonstration projects over a five-year period. There are seven sites currently testing initiatives, such as the Bi-Directional Health Information Exchange, Laboratory Data Sharing Initiative and Joint Market workload data analysis. The demonstration projects will generate valuable lessons learned for future DOD and VA sharing initiatives across the country.

The goal of seamless transition is to coordinate medical care and benefits during the transition from Active duty to veteran status in order to ensure continuity of services and care.

Seamless transition efforts have made it possible for Service members to enroll in VA healthcare programs and file for VA benefits prior to separation from Active duty status.

DOD and the VA implemented the Army Liaison/VA PolyTrauma Rehabilitation Center Collaboration program—also called “Boots on the Ground”—in March 2005. The intent of this program is to ensure that severely injured Service members who are transferred directly from a military treatment facility to one of the four VA PolyTrauma Centers, in Richmond, Tampa, Minneapolis, and Palo Alto, are met by a familiar face and a uniform. A staff officer or non-commissioned officer assigned to the Army Office of the Surgeon General is detailed to each of the four locations. The role of this Army liaison is primarily to provide support to the family through assistance and coordination with a broad array of issues, such as travel, housing, and military pay. The liaisons also play a critical role in the rehabilitation process, by promoting resiliency in Service members. Finally, it is important that these Service members and their families realize that we appreciate their service.

The next program is the Joint Seamless Transition Program, established by VA in coordination with the military Services, to facilitate and coordinate the timely receipt of benefits for severely injured Service members while they are still on Active duty. There are 12 VA social workers and counselors assigned at 10 military treatment facilities, including Walter Reed Army Medical Center and the National Naval Medical Center in Bethesda. They ensure the seamless transition of healthcare, which includes a comprehensive plan for treatment. Veterans Benefits Administration counselors visit all severely injured patients and inform them on the full range of VA services, including readjustment programs and educational and housing benefits. As of December 15, 2006, VA social worker liaisons had processed 6,714 new-patient transfers to the Veterans Health Administration at the participating military hospitals.

The DOD and VA information-technology communities have made considerable progress toward and will continue joint pursuit of information-management and technology initiatives that will significantly improve the secure sharing of appropriate health information.

The Federal Health Information Exchange (FHIE) supports the monthly electronic transfer of health information from DOD to VA at the time of the Service member's separation. The data contained in this transfer include: laboratory and radiology results, as well as discharge summaries, admission, disposition and transfer information, and patient-demographic information. Healthcare providers within the Veterans Health Administration and benefits counselors within the Veterans Benefits Administration access this information via the Computerized Patient Record System (CPRS) and Compensation and Pension Records Interchange (CAPRI), respectively. As of the end of FY 2006, DOD had transmitted health data on more than 3.6 million patients. DOD also uses FHIE to transmit data to the VA regarding VA patients who are receiving care within military treatment facilities. DOD has sent more than 1.8 million individual transmissions.

FHIE is also being used as a platform from which DOD transmits pre- and post-deployment assessment information for separated Service members and demobilized Reservists and Guardsmen. The DOD has electronically transmitted more than 1.4 million assessments on more than 604,000 individuals to the VA. DOD added data from the post-deployment health reassessment in FY 2006.

Building from the FHIE, which is a one-way flow of information, DOD and VA have developed and begun deployment of the Bi-Directional Health Information Exchange (BHIE). This exchange enables near-real-time sharing of allergy, outpatient prescription, and demographic data between DOD and VA for patients treated in both DOD and VA. BHIE is

operational at all VA Medical Centers and at the 14 military treatment facilities with the highest incidence of returning OEF/OIF Service members and the highest number of visits for VA beneficiaries in DOD facilities.

QUALITY OF LIFE FOR THE MILITARY AND THEIR FAMILIES

This is the sixth year of sustained combat and the resiliency of Service members and their families is nothing less than remarkable. The Department makes family support a priority and has redesigned and boosted family support in a number of ways to recognize that families also serve and sacrifice.

Communication with loved ones. Military spouses indicate that being able to communicate with their Service member is the number one factor in being able to cope with deployments. Back home, computers and Internet service at base libraries, family support centers, and youth centers ensure families can send and receive e-mails from their loved ones who are deployed. Phone banks with Internet hook ups are readily available in base camps. Free morale calls are also regularly available in theater. Morale programs include 145 free MWR-operated Internet cafes in Iraq and 30 Internet cafes in Afghanistan. Mobile Internet cafes offer Internet Protocol phone service at less than \$.04 per minute. The cost of phone calls is now much reduced through work with telecom companies, and our Exchanges provide unofficial telephone service at low international per minute rates for deployed members on land and sea.

Communication strategy. The cornerstone of our communication strategy is Military OneSource (www.militaryonesource.com or 1-800-342-9647), which has quickly become the trusted source of information and assistance for Service members and their families. Military OneSource is a 24-hour information and referral service. It provides information and assistance on a wide range of issues, including parenting, child care, educational services, financial

information and counseling. Individualized assistance is available by telephone, e-mail, or the Internet. Department survey results indicate that one in five Service members used Military OneSource in the previous 12 months. The current call volume is almost 1,000 calls per day. In FY 2006, there was an average of 125,000 on-line visits per month. The 2006 Army Family Action Plan Conference designated Military OneSource as the number one program in support of mobilization, deployment and family readiness.

The second part of our communication strategy is Military HOMEFRONT, (www.MilitaryHOMEFRONT.dod.mil). Our award-winning, “best in government” quality of life web portal is a user-friendly site that connects all DOD quality of life information on-line. The site reaches out to our men and women in the military, to their families and to service providers. In FY 2006, there were over 25 million hits and 1.5 million visitors.

Two new applications, *Military Installations* and *Plan-My-Move*, add a new dimension to the HOMEFRONT. For the first time, Service members can access the on-line *Plan-My-Move*; it provides tools for budget planning, household goods inventories and much more. *Military Installations* provides directions to programs, services, and facilities for military bases, National Guard offices and VA facilities worldwide.

Counseling. Family assistance and military member counseling is in increased demand – more than doubling over the last year. This short term, situational and problem-solving non-medical support is designed to help Service members and their families cope with the normal reactions to stressful situations. All Military Services, including the National Guard and Reserve component, are actively using this resource; it is intended to augment existing military support services during the cycles of deployment and reintegration. Up to six sessions of counseling per situation can be requested by individuals and families. The counseling, provided by licensed and

credentialed professionals, is confidential and optimally available within a 30 minute drive time of the individual requesting services. Counselors are trained to assist families with life management issues such as reunion expectations, loneliness, stress, long separations, differences after a year apart, effects of deployment on children, loss and grief, and how best to reintegrate into family life. Financial counseling is also available to help with today's complex financial decisions and the added complication of family separations.

Child Care. Military parents rely on child care and youth programs during deployments to help them manage their rigorous work schedules. Since the beginning of OEF/OIF, the Department funded \$228 million in additional child care, with an end result of creating approximately 7,000 child care spaces in 37 child care centers and 42 additions/renovations at high personnel tempo locations. Further, an additional 4 million hours of care were provided as a result of the increase in funding. In FY 2006, the Department moved forward with the emergency intervention strategy to address the most pressing child care needs at locations impacted by high deployments and rebasing. To continue the effort, the Department dedicated \$82 million toward the purchase of modular facilities, renovations, and expansion of current facilities.

DOD supports the child care needs of Reserve component families through several initiatives: *Operation: Military Child Care* is a DOD partnership with a national non-profit organization that helps families/child guardians locate child care at reduced rates in their own communities when they are unable to access child care on military installations; *Operation Military Kids* is the Army's collaborative effort with community agencies to support the 'suddenly military' Reserve component children and youth before, during, and after the deployment of a parent or loved one. In FY 2006, more than 29,000 youths in 34 states

participated in Operation Military Kids activities; in 2007, a new *Coaching for Young Families* initiative will provide 20 full-time positions offering counseling support to families with young children in high deployment areas. Twelve of the 20 consultants will work at National Guard and Reserve component locations.

Casualty Assistance. Each Service has its own customs, but all see assistance to families of the fallen as a top priority. The Army, Navy, and Marine Corps assign a uniformed member to assist the family, while the Air Force provides assistance through a full time civilian Casualty Assistance Representative. The Services have developed programs to provide personal assistance as long as the families desire contact and stand ready to respond whenever a concern arises.

In March 2006, the Department published *"A Survivor's Guide to Benefits, Taking Care of Our Own."* The guide details the Federal benefits available to families of Service members who die on Active duty, to include coordinated benefit information from the DOD, VA, and SSA. This guide, that was update last June and November, is on the Military HOMEFRONT website, where it is always available in its most current version.

For Service casualty staff and military widows, the Department created *"The Days Ahead, Essential Papers for Families of Fallen Service Members,"* a tool designed to assist families in organizing the avalanche of paper work that is necessary as a family applies for and receives Federal benefits as a result of an Active duty death.

Transportation of Fallen Loved Ones. With the enactment of Section 562 of the FY 2007 NDAA, effective 1 January 2007, dedicated military or military-contracted aircraft is the primary mode of air transportation of remains that are returned to the United States from a combat theater of operations through the mortuary facility at Dover Air Force Base (AFB).

Commercial air may only be authorized at the request of the person designated to direct disposition. The Department has recently expanded this provision to include transportation for all personnel who die of their wounds or injuries sustained in a combat theater of operations regardless of whether the remains are processed through Dover AFB.

A member of the Armed Forces, in an appropriate grade, escorts the fallen Service member's remains continuously until arrival at the applicable destination. At the arrival airfield, an honor guard detail is available to render appropriate honors and participate in the off-loading of the flag-draped casket from the aircraft to awaiting ground transportation for onward movement to the funeral home or cemetery.

Since families still sometimes choose the use of commercial air, the Department continues to work with the commercial airline industry to ensure that all actions are taken to ensure our fallen are handled with the highest level of respect. The airline industry responded to this request for support with a multitude of courtesies.

Expedited Citizenship. Gaining citizenship for a non-US citizen Service member is not only a satisfying, and often a life-long goal for that individual, it also provides a stepping stone for members of the family to become citizens. The Department works closely with the Department of Homeland Security's Citizenship and Immigration Service (CIS) to expedite citizenship applications for non-US citizens who serve honorably in our Armed Forces. CIS established an office in 2002, dedicated to work all military citizenship applications. Since this office was established, 35,818 Service members have obtained citizenship and the average processing time has been reduced from nine months to less than 60 days. At DOD's request, CIS recently entered into an agreement with the FBI to permit the use of military member fingerprints provided at the time of enlistment for processing military member citizenship

applications. The Department also continues to work closely with the CIS to conduct naturalization interviews and swearing-in ceremonies overseas and onboard ships. Over 3,194 military members have been naturalized at overseas ceremonies conducted since October 1, 2004.

National Guard and Reserve Family Support. This past year has seen a maturing of existing programs, new initiatives, and integrated support systems to respond to the special needs of families, especially National Guard and Reserve families located significant distances from military installations. Per direction in the FY 2007 NDAA, the Department is designing a regional joint family support model. Two critical components of the model involve building coalitions and connecting Federal, State, and local resources and non-profit organizations to support Guard and Reserve families. Best practices and lessons learned from 22 Inter-Service Family Assistance Committees and the Joint Service Family Support Network will guide the planning process. Minnesota's, "Beyond the Yellow Ribbon" reintegration program will serve as a model with a funded Community Reintegration Coordinator position. Hawaii and Oregon have volunteered to be models. These are States where we can build on a successful infrastructure to deliver a wide range of family assistance to expand our reach to the Guard and Reserve.

Financial Readiness. The Department considers the personal financial stability of Service members and their families a significant factor in military preparedness. Financial readiness remains a top priority for the Department of Defense and we aggressively promote a culture within the military that values financial competency and responsible financial behavior. The Department's Financial Readiness Campaign encourages Service members to achieve good credit, save on a regular basis, obtain good interest rates on loans, and take advantage of the

opportunity to participate in the Thrift Savings Plan (TSP) and the Service Members' and Veterans' Group Life Insurance (SGLI).

The Financial Readiness Campaign includes partnerships with other Federal, corporate, and non-governmental organizations to help military members and their families manage their finances. While trends in the past couple of years show more Service members are able to save and fewer are having financial problems, a third of E1s - E4s still indicate that they have financial problems. It is important that we continue efforts to provide access to cost-effective financial readiness tools and products, and protect members from predatory lenders.

Education is our first line of defense. In 2006, the Services provided more than 11,800 financial management classes at their installations around the world and trained more than 324,000 Service members (approximately 24% of the force), as well as 19,400 family members. Our campaign partner organizations, such as those represented by our on-installation banks and credit unions, conducted an additional 1,300 classes, serving a total of 60,600 Service members and their families.

Our 23 financial readiness partners are invaluable in providing both education and counseling to our Service members and families and in offering affordable, easily accessible financial products. The Financial Literacy and Education Commission provides educational and training materials through the website www.mymoney.gov. The Commission also supports a toll-free number and consolidates education and training materials available through the Federal agencies that have been widely advertised and linked to DOD and military service websites. The InCharge Institute provides access to credit counseling/debt management, and publishes a quarterly magazine *Military Money* in partnership with the National Military Family Association. The National Association of Securities Dealers Foundation funds a multi-year awareness and

education program to supplement programs provided by the Military Services, including a scholarship program for military spouses, through partnership with the National Military Families Association, to accredit them as ‘financial counselors’ in return for volunteer hours in military communities. Our military relief societies continue to provide outstanding educational materials and counseling, as well as financial assistance when our Service members are in need.

As we push our campaign into 2007, the Department provides free Federal and State on-line tax preparation and filing through Military OneSource for all members regardless of component or activation status. This service includes free telephonic access to trained financial professionals who can answer many tax questions. The Department encourages Service members to add any refunds to a savings account. The Department sponsored “Military Saves” Week in February, in conjunction with the Consumer Federation of America's nationwide “America Saves” campaign. This was an intense week of training and encouragement to start reducing debt and save for the future. Members can set a savings goal by registering on www.militarysaves.org.

Predatory Lending. The Department delivered a report to Congress last August about the impact of predatory lending practices on members of the Armed Forces and their families. The report showed the Department is fully engaged in educating Service members and their families, and that the banks and credit unions on military installations, along with the Military Aid Societies, are providing alternative loans. However, we also found that we did not have adequate methods for controlling the prevalence or the impact of high cost short term loans.

The FY 2007 NDAA gives the Department an opportunity to preclude many of the predatory lending practices from impacting Service members and their families. The NDAA

sent a clear message that Service members should consider alternative loans and counseling to resolve their credit problems instead of perpetuating them through sources of high cost credit.

DOD staff has met with members of Federal regulatory agencies and has defined a game plan to establish a regulation that can focus the provisions of the statute on the issues associated with predatory lending, without impacting the access of Service members and their families to beneficial forms of credit.

Commercial Insurance Solicitation. DOD Instruction 1344.07, Personal Commercial Solicitation on DOD Installations, became effective on July 10, 2006. The new Instruction requires installations to report any withdrawal or suspension of solicitation privileges to their Service Headquarters and to the Office of the Secretary of Defense (OSD). OSD maintains a DOD-wide list of insurance and investment companies and agents who are barred or banned from doing business on any DOD installation. Installation commanders must review this list prior to approving any new requests to solicit on the installation. Any changes to this list are also reported to appropriate State insurance and Federal securities regulators.

The Instruction also contains policy on the use of non-governmental organizations to provide financial education to Service members, and policy to preclude commercial sponsorship of morale, welfare and recreation programs or events from being used to obtain personal contact information to foster future solicitations. Of particular note, on-base solicitors are now required to provide prospective clients with a *Personal Solicitation Evaluation* form that will provide feedback to installation officials on how the solicitation was conducted. The evaluation form is designed to detect policy violations and will help installations better enforce on-base commercial solicitation rules.

Domestic Violence. Domestic Violence statistics are slightly lower than last year. The Department remains steadfast in its commitment to strengthen its response to domestic violence and continues to make substantial efforts to improve training of key staff. During the past year, we conducted six domestic violence training conferences, three of which were offered to joint gatherings of commanding officers, Judge Advocates, law enforcement personnel, and victim advocates. We continue implementation of the restricted reporting policy for incidents of domestic violence. This policy offers victims the option of seeking medical and victim advocacy assistance without making a report to the victim or abuser's commander or law enforcement. This confidential assistance is crucial for victims who may be concerned about their safety, the military career of the family-member offender, or the family's financial welfare. The Department continues to expand its victim advocacy program, which provides access to on-call victim advocates and shelters to assist victims of domestic violence. During the past year we launched a web-based domestic violence training curriculum for commanding officers that addresses their responsibilities when responding to incidents of domestic violence.

In partnership with the Family Violence Prevention Fund, we developed and launched a national public awareness campaign to prevent domestic violence. The campaign is designed as a prevention message to educate Service men and women and their families about domestic violence and increase awareness of domestic violence prevention resources. In partnership with the Office on Violence Against Women of the Department of Justice, we have continued several joint initiatives, including training for victim advocates and law enforcement personnel. Additionally, we are conducting domestic violence coordinated community response demonstration projects in two communities near large military installations. The goal of the projects is to develop a coordinated community response to domestic violence focusing on

enhancing victim services and developing special law enforcement and prosecution units. Finally, we are participating in the President's Family Justice Center Initiative. The initiative provides funding through the Office on Violence Against Women for 15 centers in select communities nation-wide. The Department partnered with four centers near military installations to address domestic violence.

Military Children's Education. The Department shares a strong interest in quality elementary and secondary education for military children with our partners in State and local education systems. One of the major factors in sustaining the all volunteer force is providing quality educational experiences for military children.

Our DOD schools have high expectations for the over 91,000 students enrolled in our 208 schools located in 12 countries, seven States and two territories. DOD students are among the highest performing in the nation as measured by norm-reference assessments like the TerraNova and the Nation's report card, the National Assessment of Education Progress. Our students consistently score above the national average at every grade level and in every subject area. A key ingredient to this success is the partnership that exists among schools, parents, and military commands, focusing on superior student achievement. DOD schools are also leading the nation in closing the achievement gap between white and non-white students. African-American and Hispanic students in DODEA schools consistently outperform their counterparts in the 50 States in reading and math.

In January, 2007, the Peabody Center for Education Policy at Vanderbilt University provided DOD with an updated review of their 2001 study, commissioned by the National Education Goals Panel, on the high academic achievement in the Department of Defense Education Activity (DODEA) Schools. The Department is proud to report that six years after the

initial findings, DODEA student data reveals that the trend of outstanding academic achievement among all students in general, and among minority students in particular, enrolled in DODEA schools continues. Using National Assessment of Educational Progress data, the follow-up Vanderbilt University study documents that the trend of high academic performance of students enrolled in DODEA schools persists beyond their initial 2001 review, and, in fact, that the achievement gap continues to grow narrower than the national average. The achievement gaps between white and minority students remain much smaller than the national averages. The DODEA writing scores are the second highest in the nation, climbing from 33% to 38% of students at or above proficiency. Further, the DODEA reading scores have risen to an impressive first in the nation with 40% of DODEA students scoring at or above proficiency. These results compare favorably to the national averages at 30% of students at or above proficiency in both writing and reading. The report conjectured that the foundation upon which DODEA high achievement persists relies upon the core and quality features embedded within the institutional structures, instructional practices, and social and economic conditions within the DODEA schools and communities they serve.

The DOD school system has responded to the President's National Security Language Initiative, which promotes the study of critical need languages in grades K-12. DODEA has launched a foreign language program that will initially introduce DOD strategic foreign languages, such as Mandarin Chinese, to selected elementary and secondary schools in the DODEA system.

The FY 2007 NDAA directed the Department to ease the transition of military students from attendance at DOD schools to attendance in schools of local educational agencies (LEAs). DODEA will share its expertise and experience in developing rigorous and successful academic

programs, teacher professional development, and distance learning technology capabilities with stateside school districts impacted by base closures, global rebasing, and force restructuring. The Department identified 17 communities in 14 States that will experience a large number of students transitioning into their schools because of large scale relocation and rebasing. DODEA has begun building partnerships with affected stateside school systems to assist them in expanding quality instructional programs. The ultimate goal of the program is to ensure that a high quality educational program is provided to all military dependents living both inside and outside the gates of military installations.

As an initial step in sharing best practices with LEAs, last November the Department sponsored a *Conference on Education for Military-Connected Communities*, which brought together teams comprised of military, civilian, school and business leaders from the 17 communities that will experience an increase in military dependent students due to the large scale rebasing effort. Over 200 participants heard from experts who provided participants with a list of resources for their communities to use during transition.

The Department is also sharing information on the unique characteristics of military dependent students with military and community leaders, military parents and school superintendents who work with these students. To communicate effectively with military parents, teachers and students, the Department provides information on our website www.militarystudent.org about the impact of deployments on children, resources to assist in separations and transitions, and best practices in quality education.

Along with toolkits and outreach through DODEA, the Department is making the Johns Hopkins *Military Child Initiative* available to military-connected communities and LEAs. The John Hopkins Center for Schools Impacted by Children of the Military focuses on meeting the

needs of children and youth least likely to feel connected to school (i.e., children of military families who live in highly mobile circumstances). The Center's approach is being shared with impacted schools and military parents to improve student success, school/family/community partnerships and student engagement.

Spouse Education and Careers. Trying to sustain a career is a major issue facing military spouses. The majority of the 700,000 military spouses of Active duty personnel are in the civilian workforce. In the 2006 Survey of Spouses, 83% of spouses report that developing a career is a personal goal. Perhaps even more important to the Department, research indicates that a military spouse's support for a career in the Armed Forces is a top factor in the retention decision of a married Service member.

Unfortunately, military spouses are a disenfranchised population, generally not included in our nation's major labor and workforce development opportunities. Frequent relocations result in denial of opportunities ranging from eligibility for in-State tuition and State unemployment compensation to achievement of tenure. For those spouses whose employment requires costly certification and/or licensure requirements, the state-to-state moves are enormously expensive, sometimes precluding a career. Military spouses are excluded from calculation of the national unemployment rate; thus, many State and local workforce investment boards are reluctant to serve military spouses. The unemployment rate for military spouses, at 12%, is much higher than the national unemployment rate. Further, our research shows that military spouses earn about \$3.00 per hour less than their civilian counterparts.

At the same time, military spouses are better educated than their civilian "look-alikes:" seven of ten spouses have some college education. About 20% of spouses are enrolled in post-secondary schools; another 51% would like to be in school.

The Department is committed to helping military spouses pursue rewarding careers and achieve educational and training goals. We are actively working with Department of Labor to ensure military spouses can receive education and training support via Workforce Investment Act funds. Further, we are partnering with the Department of Labor and National associations around careers in high-growth industries with mobile and portable careers, such as medical transcription, financial services, education and real estate. The Department of Defense/Department of Labor collaborative website (www.milspouse.org), which assists spouses with resume development, locating careers, identifying available training and linking to One Stop Career Centers, continues to be a great resource for our military spouses with almost 7 million website hits in FY 2006.

When asked what would have helped them find work after their most recent permanent change of station move, approximately a third of the spouses surveyed in the 2006 Survey of Spouses indicated that easier transition of certifications would have helped, and 27% indicated that financial help with transferring certifications was lacking. We have identified a range of popular spouse careers that have State-specific licensing requirements and have designed strategies to address them, initially focusing on teaching and real-estate. Six States have now adopted the American Board for Certification of Teacher Excellence (ABCTE), a national passport teaching credential. Spouses with an ABCTE credential will not have to be re-certified in these States. The Department also uses the Spouse-to-Teacher program to support military spouses in their pursuit of K-12 teaching degrees and positions in public and private schools.

Re/MAX launched a program, OPERATION Re/MAX, that provides military spouses the opportunity to achieve a career in the real estate industry. Since August 2006, there have been

almost 2,000 inquiries from military spouses and there are over 800 Re/MAX offices offering to hire military spouses.

Our efforts to raise employer awareness through our partnership with military.com, a division of monster.com, have proven to be a great success. Via this website portal www.military.com/spouse, 155,000 military spouses have posted their resumes and conducted over 3 million job searches of Federal and private sector jobs. There are now over 300 spouse-friendly employers actively recruiting military spouses for their vacant positions; these organizations can post jobs at no cost and may search this exclusive database for military spouse candidates.

Transition Assistance Program (TAP). Returning to private life after serving in the military is a complex undertaking. To better meet the needs of Service members, including the Guard and Reserve, DOD, with the assistance of the Departments of Labor (DOL) and Veterans Affairs (VA), is designing a new dynamic automated web-based system that will revolutionize the delivery of transition assistance and information. We have nicknamed the new portal: "*TURBO TAP.*" The portal architecture will become the backbone of the DOD TAP process. The primary feature of "*Turbo TAP*" will be to allow each Service member to receive customized accounts of benefits from DOD, DOL and VA. Individuals may return to their account to refresh their memory or take advantage of a benefit at a later date. The portal will augment the personal service provided by our transition counselors. Further, the current prepreparation guide for Active duty personnel, and a new transition assistance guide specifically for the Guard and Reserve will be released soon.

Voluntary Education. The Department's off-duty, voluntary education program constitutes one of the largest continuing education programs in the world. Each year

approximately 450,000 Service members enroll in postsecondary courses leading to associate, bachelors, masters, and doctorate degrees. Colleges and universities, through an extensive network, deliver classroom instruction to hundreds of military members around the world through traditional and distance learning instruction. In FY 2006, Service personnel enrolled in 798,972 courses and received 43,467 degrees and diplomas. Despite the challenges of war, degrees have increased as military personnel finish coursework in traditional classrooms (on and off base), as well as on state-of-the-art hand-held delivery systems such as personal digital assistants and iPods. In support of the intent of President's National Security Language Initiative and Defense Language Transformation, we expanded our tuition assistance policy to allow Service members to take strategically needed language courses unrelated to a degree. We also worked with major book distributors and some of our major academic partners to reduce out-of-pocket expenditures related to the ever-increasing cost of text books, resulting in a savings to Service members of over 30% annually.

State Liaison Initiatives. In 2004, DOD approached the National Governors Association to request assistance in supporting aspects of quality of life for Service members and their families that could be influenced best through the actions of State governments. In the past two years, Governors and State legislators have embraced these opportunities to show their support for Service members and their families. The Department concentrated discussions on 10 key issues: (1) assistance to Guard and Reserve members and families, (2) assistance to the severely injured, (3) in-State tuition rates for Service member and their families, (4) school transition assistance for children of military families, (5) employment assistance for military spouses, (6) unemployment compensation for military spouses, (7) limits on payday lending, (8) absentee

voter assistance, (9) growth of foreign language education, and (10) increases in child care assistance for Guard and Reserve families.

Governors and other State policymakers have taken these issues seriously: for example, 30 States are providing in-State tuition rates to Service members and their families while assigned to a State as a non-resident, and continuing this support for family members enrolled in school if the Service member is reassigned out of State. Additional information on the progress of the key issues is provided to state policymakers and others at www.USA4MilitaryFamilies.org.

Morale Welfare and Recreation (MWR). MWR programs enhance the social fabric of a military community by providing activities normally found in “hometown communities,” such as libraries, fitness centers, bowling, golf, parks and sports fields. Some Service members returning from the intensity of war miss the adrenaline-high experienced while living in constant danger. As a consequence, they may seek out risky and sometimes self-destructive activities. We are providing high adventure MWR Return and Recreate programs as safer, supervised alternatives: rock climbing, mountain biking, jet skiing, white-water rafting, paintball, and windsurfing.

The continued vitality of military MWR programs depends on consistent appropriated fund support to Category A (mission sustaining) and Category B (community support MWR activities) and a predictable nonappropriated fund revenue stream from Category C (revenue-generating MWR activities). Each of the Service’s MWR funds is currently in sound financial condition. However, we are concerned about the impact of BRAC and Global Rebasing: overseas locations produce a significant portion of MWR revenues and exchange profits used to support capital replacement programs. At current performance levels, MWR will not generate

sufficient funds to fully sustain future capitalization requirements and we must identify and use other revenue-generating opportunities to fill this gap.

Professional Entertainment. Entertainment helps build morale for deployed Service members. Nowhere is this support more important than in the austere locations where Service members are performing duty in support of the GWOT. Armed Forces Entertainment (AFE) continues to provide much welcomed celebrity and professional entertainment to our forces overseas.

In 2006, AFE conducted 118 tours with 1,433 shows in 25 countries. Eighteen of those tours were with the United Service Organizations' coordination. From 2002 through 2006, the Robert and Nina Rosenthal Foundation worked closely with the Country Music industry to provide 76 celebrity entertainment shows at no cost to military personnel and their families. The resulting Spirit of America Tour provides a brief reprieve from the stresses of deployments at military installations within the continental United States.

Exchanges and Commissaries. The commissary and exchange are valued contributors to the quality of life of our Service members and their families. They provide a safe and convenient community hub, particularly in overseas areas.

Commissaries help military families save over 30% on grocery and household necessities. The Defense Commissary Agency (DECA) makes sure that familiar name brands are available for military families at Active duty installations around the world. The Department's challenge is to sustain the value of the commissary to our Service members without increasing the cost to the taxpayer. DECA, with oversight by the Commissary Operating Board, is becoming a state-of-the-art retail enterprise and is increasingly efficient and effective at delivering the benefit. Commissary customer satisfaction continues to surpass the supermarket

industry. Moving forward, DECA will pursue new ways to support military families who don't live on or near military installations and explore cooperative efforts with the military exchanges that enhance overall quality of life.

The Armed Service Exchanges provide over \$300 million to help support morale, welfare and recreation programs. The Exchanges are using technology – independently and with each other – to improve value to their customers and to lower operating costs.

CONCLUSION

Mr. Chairman, we want to thank you and members of this Subcommittee for your advocacy on behalf of the men and women of the Department of Defense.

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

Eighty percent of Active duty members believe they are personally prepared, and two-thirds believe their unit is prepared, for their wartime jobs. These views have held steady from the start of Operation Iraqi Freedom (March 2003) through the latest survey (August 2006). Although deployments can place a strain on Service members and their families, two-thirds of members deployed since the start of Operation Iraqi Freedom indicated that access to the Internet and e-mail while away have greatly improved their quality of life. More than half of members (53%) who used Military OneSource in the past year (most of whom accessed the program via the Internet) were satisfied with the resource. In terms of compensation, more than three-fifths of Service members reported being financially comfortable in April 2006, and four-fifths indicated saving a portion of their household income. More than two-thirds of Service members were satisfied with their medical (72%) and dental (68%) benefits, and more than three-quarters (77%) rated their health benefits better relative to their high school classmates. Overall, in

August 2006, 57% of Service members indicated they are likely to stay on Active duty. Based on research using prior surveys, 90% of Service members who indicate they are likely to stay actually do stay. Therefore, we feel confident that almost three-fifths of our current Active duty force will stay in the military.

After showing decreases between May 2003 and November 2004, Reserve retention intentions have stabilized and are currently at 67%. Between December 2005 and June 2006, reports of family support to stay in the National Guard/Reserve increased, and stress levels decreased. The June 2006 survey results show that approximately two-thirds of members say they have *not* been away longer than expected, and average nights away and time away decreasing the desire to stay in the military decreased from December 2005. Results from this survey also show that roughly two-thirds of Reservists working for employers consider them to be supportive of their military obligations. Where employment problems have occurred and Reservists have sought assistance, roughly two-thirds turned to Employer Support of the Guard and Reserve (ESGR). Of those who contacted ESGR, 62% reported they were satisfied with the manner in which their request for assistance was handled.

In the past year, we also fielded special surveys to spouses so we could fully understand the impact of deployments on the family. Results indicate that 61% of Active duty spouses and 75% of Reserve spouses support their husband or wife staying in the military. These results are encouraging, as spouses' reports of their support are even higher than members' assessments of spouse support. We plan to continue fielding regular surveys of spouses to better understand the issues facing today's military families.

Although we have challenges ahead managing our civilian workforce – assimilating them into jobs previously performed by the military, implementing a new personnel system, and

replacing retiring personnel – the outlook is very encouraging. Since we began surveying civilians in the fall of 2003, we have learned that large majorities are satisfied, and their satisfaction levels on a number of indicators are rising. Roughly three-fourths are satisfied with working for their organizations (73%) and their jobs (78%). The majority of employees are satisfied with the type of work they do (83%), quality of coworkers (67%), quality of supervisor (67%), and total compensation (64%). Approximately 90% consistently report they are prepared to perform their duties in support of their organization’s mission, and over half are satisfied with management and leadership.

In conclusion, we continue to have a dynamic, energetic, adaptable all volunteer Total Force. With your help we are confident we can sustain that Total Force. These volunteers have performed magnificently under the most arduous and perilous of circumstances. They have not failed us; we must not fail them.