

Prepared Statement

of

**The Honorable Clifford L. Stanley
Under Secretary of Defense (Personnel and Readiness)**

Before the

Senate Armed Services Personnel Subcommittee

May 4, 2011

Senator Webb, Senator Graham, and members of this distinguished Subcommittee, thank you for inviting us to testify before you on the Personnel Overview for the Department of Defense.

It has been a year since I appeared before this subcommittee as the new Under Secretary of Defense (USD) for Personnel and Readiness, and it has been a year of building a team. We now have Dr. Jonathan Woodson as the Assistant Secretary of Defense for Health Affairs in place to help address the many challenges in the Military Health System, as well as some other new key leaders within USD Personnel and Readiness. It has also been a year of changing the culture, working on our critical thinking, and striving to improve timeliness and the quality of products that better inform decision making across the Department and enhance relationships with the Congress. During this past year, I've focused on honoring, protecting and improving the lives of our Airmen, Soldiers, Sailors, Marines and their families. This next year will show that while my focus has not changed, I've refined my priorities to better serve our Service members and their loved ones.

As the Undersecretary of Defense for Personnel and Readiness my focus is: *Total Force Readiness, Caring for Our People*, and creating a *Culture of Relevance, Effectiveness and Efficiency*. I view *Total Force Readiness* as a mental, physical, emotional and spiritual state of preparedness and resilience. This involves enabling training, equipping and supporting the Total Force when they are deployed and ensuring that they and their families have the care and support they need and deserve at home. *Caring for Our Total Force and their families* are both a mission imperative and an ethical responsibility. Our Personnel and Readiness organization strives for the same sense of selfless service demonstrated by Service members and their families. To achieve a *Culture of Relevance, Effectiveness and Efficiency*, we need to prepare the force to manage risks, preserve assets and meet the challenges of a dynamic operational environment. We need to increase emphasis on agility, flexible force structures, responsive force-shaping policies, and integrated personnel management processes. We will continue to experience global competition for educated, skilled and an experienced workforce. Therefore, it is more imperative than ever for DoD to have the right personnel policies to attract, retain, train, educate and sustain the right talent.

Our **Total Force** of Active and Reserve military, government civilians, and contracted private sector employees must deliver the readiness commanders expect, require, and deserve. Under any circumstance, readiness is costly, and the Department's resources are finite. We must thoughtfully plan with the premise that our uniformed, All Volunteer Force (AVF) is the implicit assumption upon which all our commanders' plans are predicated. We cannot fail to provide commanders with the numbers and kinds of Active and Reserve personnel that they require. To that end, our Total Force Manpower costs must be reduced to a level that is consistent with both an acceptable readiness risk and the sustainment of the AVF, and we are compelled to do so by addressing the Total Force as a whole:

- **Military:** While not the largest single element of Total Force costs, our “per capita” uniformed costs are typically (by skill) the greatest and, if we have uniformed members in excess of true needs, we also add unnecessarily to our Health Care expenses. Aside from assuring that personnel related costs, such as targeted compensation, yields the best return on investment, we can also ensure that:
 - Our uniformed personnel requirements are absolutely military essential; where appropriate, we must assign work to other elements.
 - Our Active and Reserve force balance is well-reasoned.

Our military pay request for FY 12 is \$154.05 B for 2,269,700 Active duty, Guard and Reserve. This does not, however, include other costs required for sustaining the AVF.

- **Government Civilians:** While we are not arbitrarily freezing government civilian positions in any particular area, resource constraints have prompted guidance to the Department that any increase to civilian funding levels must be based upon compelling need. Some increases could also be driven by the resultant net Total Force savings, such as:
 - In-sourcing services if a cost-analysis demonstrates such action would save the Department money.
 - The conversion of inherently governmental, but non-military essential, positions from uniformed to less costly civilian performance.

Our civilian payroll for FY12 is projected to be \$69.9B for 783,702 Full Time Equivalent (FTE).

Contracted Services: This is currently the largest cost element of the Total Force. The Department is committed to enhancing its understanding of what we contract for and why. We must also look at whether the returns justify the investments, and if alternative Total Force solutions are less costly. As we have seen in the last decade, expenditures on contracts have steadily increased, and as an element of the Total Force, must be comprehensively reviewed to ensure necessary reductions do not risk readiness and the delivery of critical capabilities. The Congressionally-mandated Inventory of Contracts for Services must continue to be improved so that it can be used by managers for these purposes.

In accordance with the FY11 NDAA and recent appropriations bill, OUSD P&R is working with all DoD organizations, to move towards collecting data from the private sector firms providing services for the Department. Preliminary guidance is currently in coordination. In the past few years, we have seen the Army make judicious and highly cost-effective decisions regarding contracts governance by relying on both their inventory process and internally-developed information system. OUSD P&R is engaged to assist the Departments of the Navy and Air Force, to enhance their service contracting governance ability by leveraging the Army system as directed in the FY11 appropriations bill; and to also assist the Defense Agencies and Field Activities as they report their plans to collect this information.

The Components are currently compiling what will be an improved FY2010 Inventory of Contracts for Services that is due to Congress by June 30. We will continue to work with Congress to make further progress in this important effort.

The Department is expanding the procedures it uses to determine military and DoD civilian manpower requirements to provide a single, coherent process for determining "total force requirements" --i.e., requirements for military and DoD civilian manpower and contract services. Having visibility of future total force requirements will enhance strategic planning throughout the Department.

To achieve our critical missions in support of the Warfighter, I am focused on several key priorities. My top priority is the future sustainment and enhancement of the Military Health System and Wounded Warrior Support to ensure quality health care for our Service members, their families and retirees. In addition to the specific initiatives included in the Department's FY 2012 budget, I believe we need to do a 'deeper dive' into healthcare reform, to include Wounded Warrior support. The four azimuths for this 'deep dive' into healthcare reform are to assure readiness; improve population health; enhance the patient experience of care; and responsibly manage the cost of care.

My second priority is to look at how we support our military families, with an emphasis on education – both for our children and spouses. Given the hardship and stress put on military families due to frequent moves, I believe it is imperative that military children and spouses have the best educational opportunities. The third priority focuses on our civilian workforce, to include civilian hiring, career and leadership development, support for our Civilian Expeditionary Workforce, and the transition to a more systematic approach to fully integrate civilians in Total Force planning and requirements. In 2010, the Department made positive and meaningful progress toward reforming its civilian hiring practices. Nevertheless, I continue to push hiring reform towards an aggressive reduction in the number of days it takes to hire a civilian employee. I am increasing our emphasis on a civilian competency development framework, enhanced leadership development programs, and senior executive talent management initiatives. Also, my efforts continue to effectively source expeditionary mission challenges with a ready, trained, and cleared civilian workforce. Finally, my overarching focus as the USD (P&R) is *Readiness and Relevance*. Each day I strive to work to ensure that we do all we can to gain and maintain readiness of the Force, while remaining the most relevant in everything we do to help our War fighters and their Families.

As the designated proponent of the Total Force for the Department of Defense, and as I look across the enterprise within Personnel and Readiness, one of the challenges that I have confronted is to ensure that I have the proper cognizance over the resources necessary to support our workforce, and most especially our War fighters and their Families. To accomplish this, I have undertaken a number of tangible steps to ensure thorough oversight of resource and

financial management at the OUSD P&R level. My financial oversight responsibilities as the USD P&R represent nearly \$40 Bil in direct DOD resources. With responsibility for the management of manpower for the DOD Total Force (with associated military and civilian personnel and contracted services costs) I also must ensure that I provide effective policy direction that supports pay, allowances, and other programs that constitute nearly 2/3 of the overall DOD budget.

I will address funding for separate programs under the purview of the Office of the Undersecretary of Defense for Personnel and Readiness for FY10-12 as appropriate, while allowing the Assistant Secretaries of Defense for Reserve Affairs and Health Affairs to address Reserve Component and the Defense Health Program funding levels within their respective written statements. The Undersecretary of Defense for Comptroller will address the FY 2012 Military Health Care efficiencies within his own statement.

ACTIVE COMPONENT

Recruiting

For the second year in a row, all active Services not only met their numerical recruiting goals, but also exceeded their recruit quality targets—with highest marks since 1992. Previous years were marked by a growing economy, low unemployment, reluctance of influencers of youth (e.g., parents and teachers) to recommend military service, low propensity among youth to serve in the military, and increased recruiting goals of the Army and Marine Corps to support overseas contingency operations. Even in that demanding recruiting environment, the All-Volunteer Force (AVF) proved itself successful, with the Services meeting or exceeding recruiting goals since 2005.

In FY 2010, the Services exceeded their recruiting goal of 165,000 by 434, accessing 160,601 first-term enlistees and an additional 4,833 individuals with previous military service. Thus far this year, active duty recruiting efforts show continued success. Through March, all Services met or exceeded both quantity and recruit quality objectives for the active duty force. The Army recruited 34,264 new soldiers, with a 33,600 recruiting goal, for a 102% year-to-date accomplishment rate (Table 1). Notably, for the third year in a row, the Army is exceeding the DoD Benchmark of 90 percent of new recruits being High School Diploma Graduates, with 100% of Army recruits holding that credential year to date. Additionally, the Navy, Marine Corps, and Air Force are each exceeding these benchmarks as well (Table 1.)

Table 1. FY 2011 Active Duty Enlisted Recruiting Through March 2011

AC Enlisted Recruiting Through March 2011	Quantity			Quality	
	Accessions	Goal	Percent of Goal	Percent High School Diploma Graduate (HSDG); DoD Benchmark = 90 percent	Percent Scoring at / above 50th Percentile on Armed Forces Qualification Test; DoD Benchmark = 60 percent
Army	34,264	33,600	102	100	63
Navy	16,011	16,011	100	99	88
Marine Corps	11,497	11,468	100	100	74
Air Force	14,279	14,279	100	99	99
DoD Total	76,051	75,358	101	99	76

While we have had, and continue to have, recruiting success, I do not take these recent successes for granted, nor do I assume the current favorable recruiting environment will continue. Already we are seeing growth in the economy and positive changes in the labor market, which historically present challenges to recruiting. There also are long-term trends that are disturbing. Although the overall youth population is large, only a relatively small proportion of American youth is qualified to enlist. It is an unfortunate fact that much of the contemporary youth population is currently ineligible to serve. Medical disqualification, with obesity a large contributing factor, removes about 35 percent, drug or alcohol abuse removes about 18 percent, and almost another 23 percent do not meet our enlistment standards for reasons including criminal misbehavior, low aptitude scores, or having more dependents than can reliably be accommodated in their early career.

Adding to these, other factors affecting recruiting efforts are that only about 75 percent of our young people graduate with a high school diploma; high numbers of youth going to college directly from high school; and continuing concerns about overseas contingency operations with its associated high operations tempo. Acknowledging and understanding these factors and the

need to expand our recruiting areas for the Active and Reserve Components, we continue to enhance DoD influence in underserved communities by working with local school administrators, specifically from Title I school districts, and implementing programs like the DoD STARBASE Program that have potential long-term impacts on students' on-time high school graduation; college enrollment; and interest in learning science, technology, engineering and mathematics. DoD STARBASE is an outreach and educational program that focuses on science, technology, engineering, and mathematics (STEM) by providing students underrepresented in the STEM areas of study and careers with 25 hours of instruction through an inquiry-based curriculum with “hands-on, minds-on” experiential activities and exposing them to military’s technological environment to solidify their attachment to and engagement with learning. In addition, we are working collaboratively with State Governors by sharing resources and supporting programs like the National Guard Youth Challenge Program so that we may maintain our quality of recruiting during challenging times as we foresee growth in the economy and positive changes in the labor market.

It is important that we have a military that reflects the society it defends, both in the enlisted ranks and our commissioned officers. This is particularly important as less than 1 percent of the American public serves in uniform. To that end, we are pleased that some of our most prestigious colleges and universities are now re-thinking their previous positions with regard to ROTC programs. This will provide more opportunities for college students to think about seeking commissions in the U.S. military.

To meet these challenges, we continually review our recruiting programs to align funding and policies with current realities. Each of the Services has made significant adjustments to recruiting programs in light of our austere fiscal environment, and continues to look for additional cost savings -- but we must be cautious and resist the temptation to cut too deeply and too fast. Stable and adequate investments in recruiting resources are necessary to maintain our long term success. Although enlistment incentives can be adjusted quickly to meet market fluctuations and force management needs, history has shown that the time required to redeploy advertising/marketing campaigns and/or qualified recruiters is significant. I cannot emphasize this imperative too much. Additionally, the Department and the Services must retain the

flexibility to manage their recruiting programs with the resources provided. Along with a core mission of providing essential market research to the Services, Joint Advertising, Market Research and Studies (JAMRS) also projects the Department-level message to influencers (parents, teachers, counselors, and coaches), a group that serves as a primary source of advice for enlistment age youth, a message that needs to continue. I feel that JAMRS is one of our most cost-effective recruiting programs.

The Montgomery GI Bill (MGIB) has been a cornerstone of our active-duty military recruiting efforts since 1985, and a major contributor to the success of the All-Volunteer Force. We are now in the second year of the new Post-9/11 GI Bill, the most extensive restructuring of post-service education benefits since the introduction of the original World War II GI Bill. The Post-9/11 GI Bill appears to enhance our recruiting efforts even more. We hope that the provision in the new program that allows career Service members to transfer their unused GI Bill benefits to immediate family members, long requested by both members and their families, will mitigate negative retention impacts. Early results look favorable, with over 180,000 career Service members already approved to share their earned educational benefits with their family members. We are monitoring the effects of this implementation very closely to gauge impact on retention, particularly first-term retention.

As usual, we appreciate this Committee's untiring support of our recruiting programs and look forward to working together to ensure future success.

Military Decorations and Awards

The Department continues to work in concert with the Services to appropriately recognize and laud the accomplishments, both valorous and non-valorous, of our Soldiers, Sailors, Marines and Airmen. In today's all volunteer force, appropriately recognizing the accomplishments of our Service members, while simultaneously maintaining the time-honored prestige of our most revered military decorations, is fundamental to maintaining esprit-de-corps and a motivated force.

The Department is committed to recognizing the valorous acts of our Service men and women. The President of the United States awarded the Medal of Honor to U.S. Army Staff

Sergeant Salvatore Giunta last November for his conspicuous gallantry during Operation ENDURING FREEDOM. The Department is diligently processing additional Medal of Honor nominations for the President's consideration, including nominations for other living Service members. Additionally, the Department recently completed its review of the Medal of Honor award process as requested by the House Armed Services Committee.

Force Management

Of the many possible futures that could come to pass in the next five years, the Department may find itself faced with force management challenges that are far greater than those we have experienced since 9-11. Ongoing operations in Iraq, Afghanistan and elsewhere, budgetary pressures, urgent equipment reset and modernization needs, economy-driven retention fluctuations, changing acquisition schedules, and the turmoil in the Middle East will each contribute to the need for a force that is potentially far different from the one that exists today. Responsibly managing the required force reduction, while ensuring our warriors are properly transitioned to veteran status, is a responsibility taken very seriously and one which my organization is helping to facilitate. In this instance, more than most, the cliché is appropriate; the Department must ensure we have the right people, in the right place, at the right time.

As part of our ongoing efforts, the Department of Defense is examining different exit strategies to achieve the necessary force drawdown to realize the Secretary's and the Services' agreed upon budget reductions, while doing so with the full appreciation for the sacrifices of the Soldiers, Sailors, Airmen and Marines on behalf of our nation. Maintaining readiness while humanely reducing our force structure will be the major challenge in the years ahead.

The Department has proven itself adept at maintaining the all volunteer force through two major conflicts. There are significant incentives to bring in and retain the right force mix of personnel. The area where we could use your help is in creating a system of force management tools focused on a means to compassionately reduce the force as operations subside. These tools, some of which have previously expired in law, provide the necessary flexibilities to transition the Department from a fully engaged footing to one of more routine engagement around the globe. Drawdown programs and strategies provide targets to create a more balanced force and ensure

we retain the right skills and talent to be a more productive and agile force able to meet emerging needs.

DoD will need to maximize use of existing statutory authorities and potentially propose new authorities to surgically shape the force. Our current authorities do not provide the level of fidelity required to target career fields for early retirement or early discharge boards. This will be necessary to address future force shaping needs to meet dynamic changes in missions resulting from an ever-changing environment. Having a range of options to grow or reduce the force in specific skill areas is vital to the full spectrum of missions. The large standing armies of the past had an inherent ability to react to emerging threats by leveraging mass against new demands. This depth, which served to mitigate risk, will not be present in the future force. Reduced numbers equates to reduced redundancies. Accession, retention, and development decisions will need to be targeted with unprecedented fidelity in a constrained budget environment.

The bottom line is that the Department must aggressively manage a precise, surgical drawdown of the force to ensure readiness is not impacted, our warriors and their families are protected, and the Military Departments and combatant commands are able to meet their missions in a hyper-dynamic global environment.

Retention

Throughout this force adjustment, retention will be critical. Even during peak operations in Iraq and Afghanistan, the Department continues to be very successful in attaining enlisted retention goals. All Active Components met or exceeded their respective retention goals in every measurable category. The Services and the Department anticipate continued success in the upcoming year and are already meeting or exceeding the monthly goals for early FY 2011.

Despite the overall strength of enlisted retention over the last few years, there remain critical shortages in many low density / high demand skills and other “hard-to-retain” skills, such as explosive ordnance disposal specialists, linguists, intelligence and counterintelligence analysts, and pararescue operators, that justify the continuation and application of the statutory

bonus authorities. The Selective Reenlistment Bonus (SRB) and the Critical Skills Retention Bonus (CSRB), as authorized by 37 U.S.C. 308 and 37 U.S.C. 355 respectively, are among the most effective as incentives to attract/retain qualified personnel in critical military specialties.

Table 2. Enlistment/Reenlistment and Retention Bonuses* (\$B):

Program	FY 2010	FY 2011 Estimate	FY 2012 Estimate
Enlistment Bonus	0.73	0.57	0.44
Selective Reenlistment Bonus (SRB)	0.85	0.95	0.82
Critical Skills Retention Bonus (CSRB)	0.12	0.17	0.17
Total	1.70	1.69	1.43

**The numbers are based on PB12, and are Active only. These are consistent with OUSD P&R 's approved list of CSRB's, as well as a few others from Air Force that are still be proposed; however, they are funded within the budget.*

The Department's process to manage bonuses is very well defined. A skill is critical if it meets one or more of the following: (a) technical skills requiring high training and/or replacement costs; (b) skills in high demand in the civilian sector; (c) challenging to recruit into; (d) crucial to combat readiness or capabilities; and (e) low density / high demand (those skills that are in high demand for current operations yet are low density due to less requirements during peacetime). All requests from the Services must have substantive justification that clearly outlines the need for the bonus for that skill, payment amount and method, and expected retention results. Designations do not exceed three years unless provided for by congressional extension of the statutory bonus authority. The complementary authority of the CSRB is the Selective Reenlistment Bonus (SRB). The SRB is under the authority of the Service Secretaries and is not centrally managed by the Department. However, applications of the bonus authorities are reviewed at the Department level.

Stop Loss

As of March 18, 2011, all Services reported there are no designated specialties being held under the provisions of Stop Loss. There are approximately 162 Soldiers still receiving "Stop Loss Special Pay." These Soldiers sustained injuries or illnesses while subject to Stop Loss and

are currently receiving medical treatment. They are assigned or attached to Warrior Transition Units (WTUs).

Two Stop Loss Special Pays have been enacted, which allow a payment of up to \$500 per month, for members whose service (retroactive to September 11, 2001) has been extended by use of the Stop Loss authority. These pays were appropriated and authorized by the Congress, and enacted by the President to recognize the significant sacrifices made by Soldiers, Sailors, Airmen, and Marines since 9-11. The Department implemented both pays, active and retroactive, and appreciates the support of Congress to compensate members for the unique circumstances presented by the use of this policy, while still preserving our ability to react with discretionary authority as dictated by future circumstances. The Department estimated 145,000 individuals are eligible for the Retroactive Stop Loss Special Pay Program and, as of April 15, 2011, we have paid approximately 90,000 personnel, totaling more than \$ 325 million. The Services and the Department used the additional time Congress provided to continue to engage in extensive and persistent outreach initiatives. Additional interviews were conducted with the military interested press and national media. The Army sent certified direct letters to remaining veterans that did not respond to previous notification efforts. We also reached out to recipients of Post 9/11 GI Bill education benefits through Veterans Benefit Administration (VBA) and Associate Organizations (Joint Hometown News, Guard and Reserve Public Affairs, and ROTC detachments). We will continue to seek media coverage opportunities to remind those eligible to apply. Additionally, the extensions of the 2011 budget Continuing Resolution has allowed the Department to receive more than 16,000 additional claims from our brave servicemen and women. The deadline for eligible service members, veterans and their beneficiaries to apply for Retroactive Stop Loss Special Pay (RSLSP) has been extended to Oct. 21, 2011, allowing more time to those eligible apply for the benefits they've earned under the program guidelines.

We thank you for your support in recognition of their sacrifices.

End Strength Management

Meeting end strength is a priority of the Department. The table below depicts the FY 2010 Active Duty authorizations (prescribed and actual) and FY 2011 authorized levels which the Department intends to achieve in order to meet all of its current mission requirements. The

Secretary of Defense has authority granted under the terms of the President’s National Emergency declaration to increase statutory strength levels prescribed by the National Defense Authorization Act if needed to meet a specific mission. The Services have implemented recruiting, retention, and force shaping policies and programs to achieve end strengths for FY 2011. These end strengths will provide the ground forces needed to meet the strategic demands, eliminate the need for the use of Stop Loss, and mitigate persistent capability shortfalls which will reduce stress and demands on Service members and families by increasing dwell time.

Table 3. Active Component End Strength Summary

Component	FY 2010 NDAA/SecDef Prescribed End Strength	FY 2010 Actual End Strength	FY 2011 NDAA End Strength
Army	562,400	566,045	569,400
Navy	328,800	328,303	328,700
Marine Corps	202,100	202,441	202,100
Air Force	331,700	334,196	332,200

Women in Combat

Another force management issue is Women in Combat. The Department is in the process of reviewing, in coordination with the Military Departments, the laws, policies, and regulations, including the collocation policies, which restrict the service of female members in the Armed Forces. The review is timely, in that the Military Leadership Diversity Commission’s final report to the President and Congress, released earlier this month, included a recommendation regarding the Department’s combat assignment policy. Additionally, the review coincides with the Army’s ongoing consideration of its policy that precludes collocating female Soldiers with units below the brigade level whose primary mission is to engage in direct ground combat. Both will serve to help inform the Department’s judgment on this issue and our response to the Congress.

The Department looks forward to providing Congress with the results of the extensive review of all gender-restrictive policies upon completion, as required. Of course, such a comprehensive

and expansive review, of such a longstanding time-tested policy, especially during a period of ongoing combat operations, must be conducted deliberately and methodically, but without delay.

Sexual Assault Prevention and Response (SAPRO)

The Department’s position on sexual assault is clear: One sexual assault is one too many. The department-wide policy on sexual assault prevention has been in place since 2005. In just this past year alone, we have made significant strides to prevent and respond to this crime. But we know we must do more.

Since 2006, the rate of reported unwanted sexual contact has been reduced by one-third, dozens more investigators, field instructors, prosecutors and lab examiners have been hired; more and more victims are stepping forward to report assaults and the percentage of alleged sexual assault offenders facing court-martial proceedings has increased. Funding levels over time for SAPRO are reflected in Table 4, below.

Table 4. DOD Sexual Assault and Prevention Response Office (SAPRO) Funding (\$M)

SAPRO	FY 2010	FY 2011 Estimate*	FY 2012 Request
O&M	16.8	12.7	14.0
RDT&E	0.0	7.0	5.
Total	16.8	19.7	19.0

*Table reflects the FY 2012 President's Budget Request.

While efforts are beginning to pay off, there is still work to do to integrate and improve our efforts. Please know I take this issue very personally and am committed to addressing it swiftly and comprehensively. Preventing sexual assault within our military is a leadership responsibility, and we must all be held accountable for eliminating it from our ranks.

Repeal Don't Ask, Don't Tell

On 22 December 2010, the President signed the enactment of the repeal of 10 U.S.C. §654, "Policy concerning Homosexuality in the Armed Forces." Subsequently, the Secretary of Defense directed me to lead the implementation process for the Department.

As the Secretary testified, the Department is committed to executing this change in a purposeful and responsible manner. By organizing a DoD Repeal Implementation Team, we have been able to synchronize the implementation of all the Services' policy changes, education and training, and communication strategies. It is important that we implement this change in law at once across the Department. Directed by the Secretary of Defense's Terms of Reference, the Repeal Implementation Team has "operationalized" the Comprehensive Working Group's *Support Plan for Implementation* and signed policy changes on January 28, 2011, and delivered standardized training materials to all Services on February 4, 2011. The predominant form of training will be by commanders and leaders, but the Services will also use various forms of training including Mobile Training Teams, Chain Teaching, Computer-Based Training, Digitally Assisted Training, or combinations of these techniques. The Department has purposefully told the Services to take the time necessary to get this done right, but not one minute more. As a result, the Services are carefully executing a deliberate and thorough roll out of the necessary training. The timing for each will vary due to their size, operational schedules and the most efficient and effective methods to deliver the training. Of note is the fact that each of the Services has completed their review of policies and has begun delivering training.

Rest assured, we are committed to making this historic change in a timely manner that is consistent with standards of military readiness, effectiveness, unit cohesion, and recruiting and retention of the Armed Forces.

Compensation

The Department continues its strong commitment to provide a secure standard of living and quality of life to those who serve in uniform, while at the same time balancing the demands of an All Volunteer Force engaged in hostilities around the world. Our budget requests reflect this commitment. Soldiers, Sailors, Airmen, and Marines continue to express healthy

satisfaction with the full pay and benefits the Military Services provide. The generosity of current military pay and benefits has generated high retention across each of the Military Services. This has occurred despite the stresses and burdens associated with the high deployment tempo and partially because of the current, challenging economy. As a result, today's military compensation compares very well with that in the private sector.

Table 5. Department of Defense Military Personnel Budget (\$B)

Military Personnel Costs			
Military Department	FY 2010 Actual (Base & OCO)	FY 2011 Enacted (Base & OCO)	FY 2012 Request (Base & OCO)
Army	70.61	70.64	68.67
Navy	31.17	31.29	32.12
Marine Corps	15.69	15.88	16.19
Air Force	35.51	36.19	37.08
Total	152.99	154.00	154.05

Over the past decade, the Department and Congress together have faced a host of challenges in ensuring military compensation remains adequate to recruit and sustain America's all volunteer force. A little over a decade ago, the Department did not always meet its recruiting and retention goals. The success of our combined efforts in improving the competitiveness of military compensation over the past several years resulted in the current and sustained success across each of the Services in meeting or exceeding overall recruiting and retention goals.

To ensure tomorrow's military remains as ready and capable as it is today, we must not take for granted today's recruiting and retention successes. Yet, at the same time, the Department recognizes the intense fiscal pressures the country faces and the need to control rising personnel costs. The Department is committed to efficient spending of the appropriation authorized for personnel. Through a comprehensive, holistic approach, the Department intends to leverage its compensation tools to sustain recruiting and retention success while also restraining entitlement growth.

Ensuring tomorrow's high-quality military also requires the Department to advocate for maintaining military compensation at levels competitive with the private sector. Highlighting this commitment to our personnel, in the fiscal year 2012 budget the Department requested an increase in military basic pay for all Service members of 1.6 percent, which equals the earnings increase seen in the private sector as measured by the annual change in the Employment Cost Index.

In the search for budget cuts and efficiencies, many groups, such as the National Commission on Fiscal Responsibility and Reform, the Defense Business Board, the Government Accountability Office, and others have compared military and private sector compensation, noted differences in the structure of compensation packages, and offered advice and suggested changes. We know the military is different from the private sector. Military compensation has evolved over time and is successfully recruiting and retaining today's military force. In the search for efficiencies, all areas, including compensation, need to be continually reexamined.

One area we are in the midst of examining is the Department's use of Imminent Danger Pay. Together with the Military Services and the Joint Staff, we are reviewing all locations currently designated as eligible for the pay. As part of that review, we are considering alternatives to the current Imminent Danger/Hostile Fire Pay structure that differentiate payments based upon varying levels of danger or risk as well as proximity to combat.

As you may already know, the President tasked the 11th Quadrennial Review of Military Compensation (11th QRMC) to review four areas: combat compensation; compensation and benefits for the National Guard and reserves; compensation for wounded warriors, caregivers and survivors; and incentive pays for critical career fields, specifically mental health professionals, linguist / translators, remotely piloted vehicle operators and special operations forces. Additionally, the QRMC is assessing where military compensation ranks compared to the private sector.

This QRMC was given an unusually short period in which to conduct its review and develop recommendations. It has one year to complete the review (which began in May 2010)

and is required to preview its recommendations with the White House prior to completing the review.

Although some additional analysis is still required, the research institutions supporting the QRMC provided their initial assessments to the QRMC. Based on that research, the QRMC has developed its initial findings and preliminary recommendations, which are being sent to the White House.

It would be premature for me to discuss possible recommendations until they have been delivered to the White House. But I think I can safely say that the QRMC is finding that improvements could be made in how we compensate those sent into combat and how we compensate the guard and reserve that is more consistent with their current and future use. Once the recommendations have been delivered to the White House, the QRMC plans to brief the committee’s staff on its findings and recommendations, and will be available to answer any questions.

One area where we have noted success is in targeting special and incentive pays and bonuses. Unlike broad and expensive across-the-board basic pay increases, these pays provide us the flexibility to narrowly and efficiently target specific skills, occupational specialties, experience, and the quantity and quality of personnel filling those positions. At less than five percent of the military personnel budget, these efficient, targeted pays provide a significantly greater impact on the ability of the Department to meet its personnel needs. The amount spent on these pays has declined, especially when compared to previous expenditures. As we continue our search for efficiencies, we will continue to rely on the effective and efficient use of these pays.

Table 6. Active Duty Special and Incentive Pays (including Bonuses) (\$B)

	FY 2010 Actual* (Base & OCO)	FY 2011 Enacted (Base & OCO)	FY 2012 Request* (Base & OCO)
Special and Incentive Pays	5.58	5.43	5.01

* Data extracted from the FY2012 President’s Budget Exhibit M-1, Feb 2011

Overall, the state of military compensation is healthy, and it contributes mightily to our success in achieving our recruiting and retention goals, after almost a decade at war. As we look forward, the Department continues to focus on restraining the growth of mandatory entitlements while leveraging cost-effective discretionary pays and bonuses. The Department is committed to carefully managing both the compensation tools and the resources provided by Congress and continuing to search for efficiencies throughout the compensation system.

Travel Simplification and Transformation

Although the Military Services and defense agencies attempt to be good stewards of taxpayer dollars while meeting their mission requirements, their efforts are complicated by layers of law, appellate decisions, and regulatory oversight pertaining to travel. Over a period of approximately 60 years, title 37 travel authorities have become overly detailed and prescriptive, seemingly covering almost every travel situation. An unintended consequence is that new legislation is required to address new travel situations, such as travel authorities for those caring for wounded warriors or for those accompanying service members to Yellow Ribbon events.

To simplify travel, we believe that the travel authorities that exist today should be considered for consolidation and reform. This will allow us to streamline travel and to look for ways to consolidate and replicate rule sets that garner efficiencies for the Department. Initiatives such as elimination of receipts, simplifications of allowances, and others have the potential to provide the Department with efficiencies that will generate a savings without having the traveler bear the burden of the cost. Further, travel efficiencies can result from both a reduction of direct and indirect costs. Direct costs are the outlays for the conduct of travel, such as lodging and transportation. Indirect costs include outlays for managing the travel enterprise, such as the administrative costs of processing complex travel vouchers. With more flexible statutory authorities, the Department would be better able to leverage private sector practices. We are confident this will result in simplified travel rules for the traveler, reduced outlays for the Department, and increase mission flexibility for leaders.

This transformational endeavor is being overseen by the Defense Travel Management Office, the single focal point for commercial travel within DoD. The DTMO brings visibility

and coherence at the enterprise level, and partners across the government and private sector to maintain an in-depth perspective of the travel industry and to determine the best practices and standards for DoD travel.

RESERVE COMPONENT

Envisioning the Reserve Component as Part of the Operational Force

During a decade of sustained engagement in combat operations, the Reserve Components (RC) of our Armed Forces have been transformed, from a strategic force of last resort to an operational reserve force that provides full-spectrum capability to the Nation in addition to its traditional role as a strategic reserve. Repeated combat deployments, as well as peacekeeping and humanitarian relief missions, have produced an operationally resilient force that fully expects to be employed on a periodic basis. This new force represents a ten-year investment in resourcing commitments and the personal sacrifice of service members and their families. That investment can reliably provide the Department of Defense with essential operational capabilities and strategic agility. Good stewardship demands that we continue to capitalize on this investment in order to maintain Guard and Reserve readiness, relieve stress on the Active Component, and provide force structure options in a resource constrained future. Representing the views of numerous stakeholders across the entire Department, the QDR-directed Comprehensive Review of the Future Role of the Reserve Component provides a foundation upon which to build a cohesive execution strategy that preserves current Total Force competencies, efficiently integrates multiple capabilities, and leverages Reserve Component value.

1. Readiness Requirements

The FY 2012 budget request supports the Ready Reserve, including the Individual Ready Reserve, totaling about 1.1 million members, and contributing 43% of the total military end strength at a cost effective level of 9% of the total base budget. To maintain the Guard and Reserve as an integral part of the Operational Force into the future and ensure these forces are ready and available when needed, we must: (1) program the training and use of the Reserve Components into Service base budgets; (2) continue to use supplemental funding to deploy the Reserve Component for contingencies; and (3) develop a national strategic communication plan that explains to the American people why the Guard and Reserve are important to the Nation and how the Department plans to use those forces in the future.

2. Continuum of Service, End Strength and Readiness Management

Meeting Reserve Component end strength objectives is a priority of the Department. The table below depicts the current prescribed and actual end strengths for the Reserve Components. The Department's Continuum of Service efforts have contributed to the six DOD Reserve Components remaining within the variance allowed for their Congressionally-mandated end strength objective. The Services have implemented recruiting, retention, and force shaping policies and programs to achieve end strengths for FY 2011. We appreciate the Congressional support of the FY 2011 end strength levels and the legislative initiatives that assist in recruiting and retaining Reserve Component service members. These end strengths will provide the Reserve Components the forces necessary to meet strategic demands while maintaining a dwell consistent with Departmental policy.

Table 7. FY11 Reserve Component End Strength Objectives

Service	Objective	Actual as of Jan 11
Army National Guard	358,200	363,995
Army Reserve	205,000	205,849
Navy Reserve	65,500	64,677
Marine Corps Reserve	39,600	39,949
Air National Guard	106,700	106,643
Air Force Reserve	71,200	70,359

Personnel and medical readiness continue to be a priority for the Department. Of the end strength figures outlined above, approximately 72,000 are in the training pipeline for the Reserve Components and are not immediately available for mobilization. Additionally, as of the first quarter of FY 2011, the RC has a Fully Medically Ready rate of 63%, which is below the DoD goal of 80%. The lower RC Medically Ready rate is due to a significant number of members who are deemed Not Medically Ready (17%) - disqualifying dental condition is the principal factor. However, DoD is diligently working to make medical and dental services more available to RC members, and as of Q1FY11, all Components have met or exceeded the Dental Readiness goal of 75%, which will have a positive impact on overall medical readiness.

3. Dwell, Stress on Force

The RC provides an operational capability and strategic depth in support of the national defense strategy. It is imperative that predictability in the use of RC forces be maximized. On January 17, 2007 the Secretary of Defense established planning objectives for involuntary mobilization of Guard and Reserve units at 1 year mobilized to 5 years dwell time (1:5). Today's global demands require a number of selected Guard/Reserve units to be remobilized sooner than this standard. The intention is that such exceptions will be temporary and that we move to the broad application of 1:5 as soon as possible. Exceptions to policy began at the 1:4 threshold and for the past six months 10 percent of the members involuntarily mobilized have had less than a 1:4 dwell. This trend has consistently improved since the policy was established. This is due in part to widespread volunteerism and Service management of deployment cycles.

Training and Recruiting the Reserve Component as Part of the Operational Force

The Regional Integrated Training Environment (RITE) Concept is a joint effort that identifies and matches Services' training requirements to a vast network of local training facilities and resources. The purpose of the RITE initiative is to help sustain the total force readiness posture and surge capability as determined by service rotational readiness models while reducing overhead training costs through innovative management of facilities, training assets, advance simulators and Joint Virtual Live and Constructive (JLVC) capability, pooled, shared equipment, and coordinated through a web-based scheduling/visibility program. As the concept matures, collaboration will expand with key internal and external DoD stakeholders.

Employing a Rotational Reserve as Part of the Operational Force

Every day for the past nine years over 20,000 Reserve Component service members have served on active duty as volunteers. These individuals have the time and life style situation to serve more than the one weekend per month and two weeks per year that have long been considered standard for Guard and Reserve personnel. The Department should adopt methods to leverage this willingness to serve in order to fulfill the part-time and temporary demands of its Combatant Commands, major command headquarters, and the Defense agencies. One of several options to institutionalize differentiated service in the Reserve Component is for DoD to create

Reserve Component units staffed by personnel willing to serve more frequently or for longer periods of time in order to support such tasks as Theater Security Cooperation, Building Partner Capacity, HD, Defense Support to Civil Authorities, and the Services' institutional support missions. Service in these units would be voluntary; the member would join knowing full well the conditions of service. Realizing a differential service commitment would require the development of contracts or agreements that would commit willing Guard or Reserve members to serve in units requiring higher rates of mobilization or access. This type of differential service commitment has been in use successfully in high optempo units such as aviation for some time, but with the Reserve Component now playing a larger role in many ongoing mission areas, expanded utilization of differential service contracts would be beneficial. Such differentiation within the Reserve Component would provide an additional sourcing option for units, teams, and personnel for contingency operations or emergencies.

Future planning envisions an era of persistent conflict where some type of RC activation authority will be required to augment the AC to maximize effectiveness and efficiency of the Total Force. At present, we have sufficient authority to mobilize RC forces, however, as directed (by the Senate Armed Services Committee conference report S. Rept. 111-201, page 138) we have analyzed our access authorities to support long term utilization of the RC as part of the operational force. We foresee an authority gap when the nation is faced with persistent demands on the Total Force but does not have specific operational missions, a national emergency or war situation. This authority gap exists for some, but not all, of the full spectrum of military missions, including training, security force assistance and building partnership capacity, that our RC is specifically well suited to perform as a complementing part of the Total Force. We are reviewing potential changes to existing statute to close this authority gap to further increase dwell for the Active Component while maintaining RC readiness.

Reintegrating & Continued Care of the Reserve Component as Part of the Operational Force

1. Resilience Training & Preparation

Resiliency is at the core of the Yellow Ribbon Reintegration Program (YRRP) mission. Since its inception in 2008, there has been an ever increasing focus on resiliency building and training for the National Guard and Reserve forces. In response to growing awareness regarding

the connection between post-traumatic stress (PTS), substance abuse, criminal activity or suicide and “bounce back” ability, Reserve Component (RC) members and their Families are being offered training to enhance their resiliency skills. The RCs have incorporated resiliency skills into their training protocols which are available to activated service members. The objective of the YRRP is to ensure the readiness and well-being of National Guard and Reserve service members and their Families by providing dynamic events, information, services, referrals, and proactive outreach opportunities throughout the entire deployment cycle.

Resilience training, one component of a comprehensive program, has been added to assist members of the Armed Forces with building mental and emotional resiliency to successfully meet the demands of the deployment cycle. YRRP staff members have attended Service and DoD-wide training events and are scheduled to attend additional sessions in 2011 to ensure the unique requirements of the National Guard and Reserve are incorporated into the resilience training approach.

As part of the YRRP, services and information that foster resiliency are provided at the pre-deployment, during deployment, and the 30, 60, 90 day post-deployment events. The Yellow Ribbon Reintegration Program implemented a Cadre of Speakers program, hiring facilitators who specialize in resilience training and who are available to YRRP event planners across the country. These facilitators also work with Military and Family Life Counselors and chaplains to provide critical support around resilience issues at YRRP events, ensuring individual assistance is available for each family or service member as required.

Additionally, other sessions and resources focus on marriage and children, substance abuse awareness, financial counseling, anger management, employment assistance and Department of Veterans Affairs’ information regarding benefits and medical care eligibility. To find an event or additional resources, a RC member, commander, planner, or family member can access information at <http://www.yellowribbon.mil/>.

2. Family Programs

In both the Active and Reserve components, service members and their families have made tremendous sacrifices for our nation and they continue to do so. Guard and Reserve families rely on their local leaders and communities for support. DoD and its partners in governmental and non-governmental organizations have worked to coordinate support systems and communicate available resources to our service members and their families. We all know that the work to strengthen and support military families is never complete and DoD continually strives to identify gaps in our support and to link appropriate community resources.

Throughout a service member's continuum of service, DoD strives to put in place a viable support system. A coordinated network of support with defined processes serves the needs of military families in geographic locations closest to where they reside. Additionally, as stated in the *Presidential Report on Strengthening Our Military Families*, there have been positive reviews from states successfully implementing a one-stop resource to handle state-wide military family issues using *Inter-Service Family Assistance Committees (ISFACs)*. These locally-based committees work to build community capacity and strengthen networks of support. DoD plans to build on these grassroots efforts to benefit geographically dispersed Active, Guard, or Reserve service members and families.

3. Employment Initiative Program (EIP)

One of the greatest challenges facing our nation right now is unemployment and underemployment, and these related problems are especially severe for those in the Guard and Reserve or for those leaving active military service. Whether they are soldiers, sailors, airmen, coast guardsmen or Marines completing active duty, or members of the Guard and Reserve returning from deployment, many of these great men and women return home to an uncertain future because of the tough job market.

The promise of a secure job provides service members and their Families with stability and peace of mind. In the December 2009 Status of Forces Survey of Reserve Component Members, service members across six of the seven Reserve Components (Coast Guard Reserves not included) self-reported a 12% unemployment rate, although the highest unemployment rate across all components was 22 percent among junior enlisted troops in the rank of E1 - E4. As

this data is self-reported, many of these younger troops are likely to be students. The total number of respondents was 20,238 (from an estimated population of 822k) RC service members.

In accordance with NDAA 2011 requirement to provide transitioning service members with employment information, the Assistant Secretary of Defense for Reserve Affairs has focused resources on ensuring service members have a civilian job that provides stability in their civilian life and allows them the time and resources to contribute to our national defense by serving in the Guard and Reserve. During FY 10, the YRRP aligned with Employer Support of the Guard and Reserve (ESGR) and Family Programs. This was accomplished to create synergy and realize efficiencies for the service members and families served by YRRP, ESGR and Family Programs' missions. Since ESGR's creation in 1972, the focus has been on developing and promoting employer support for Guard and Reserve service. In FY 11, ESGR placed additional emphasis on the employment arena and now assists service members throughout the entire employment cycle. The current employment challenges led to the implementation of EIP.

The overall intent of EIP is to take full advantage of all ESGR, Yellow Ribbon, and Family Programs, in partnership with public and private entities, to enhance employment opportunities for service members and their families, especially focusing on those completing active duty tours and our Wounded Warriors. Of note, ESGR possesses a very strong network of over 4,700 volunteers located throughout the nation. EIP will leverage the volunteer network to meet the requirements of this mission.

At the national leadership level, DoD is working in a collaborative effort with Federal agencies - including the Department of Labor, Department of Veterans Affairs, Small Business Administration and the Office of Personnel Management - to create efficiencies, enhance the employment process and serve as an effective resource for service members and employers. In addition, ESGR has worked with specific associations to enhance the overall effectiveness of this program. One example is ESGR's work with the Society for Human Resource Management (SHRM). The more than 263,000 HR professionals of SHRM are instrumental in engaging with employers while determining meaningful employment opportunities for service members.

EIP has a high-tech and high-touch approach. The high-tech approach is comprised of the Employer Partnership of the Armed Forces website www.employerpartnership.org which provides employers with the ability to post available jobs and allow service members to post resumes and make a job connection. The high-touch approach comes through a series of employment related events being conducted with YRRP Events and State specific job events. ESGR is positioned to meet the challenge of ensuring service members have quality civilian job opportunities. Pilot programs conducted in FY 10, consisting of job fairs, transition assistance and job training sessions, proved valuable in helping service members at the local level. This community-based approach will be a pivotal element in EIP as it continues to develop.

READINESS OF THE TOTAL FORCE

Military readiness is not an abstract concept that can be reduced to colors on a chart - it involves a complex series of factors and indicators that must be evaluated and managed carefully. For example, our Services are achieving or exceeding their recruiting goals and have exceptional retention rates. In addition, the Force is combat experienced and proficient in a wide range of operations, including irregular warfare and stability operations. However, equipment readiness and training for conventional warfare have suffered during the same period. It is in this complicated environment that Personnel and Readiness works to maintain and sustain the Readiness of the Total Force through support to the Combatant Commanders, as well as the military Services.

Readiness and Deployments

Multiple deployments to Iraq and Afghanistan have increased the stress on our Service members and their families, and some would argue have reduced the readiness of the Department. However, our forces are combat experienced and proficient in a wide range of real world operations. They are no doubt the best trained and equipped force in the world. The All Volunteer Force is healthy, and our Services are achieving or exceeding their recruiting and retention goals with quality people. In short, our forces remain ready to execute the missions assigned to them by the President.

We have focused on preparing our ground combat forces for the operations they face in Iraq and Afghanistan. This means there is less focus on the type of training we have done in the past such as large scale ground maneuver warfare (i.e. tank on tank). We can and will rebalance this training when needed to make certain our forces are prepared to meet the needs of our Combatant Commanders in a complex and uncertain security environment.

We also carefully manage the dwell time of our forces across the Department, and have limited unit deployments and mobilizations to one year. We have also balanced the additional forces for Afghanistan against those coming available from the draw-down in Iraq. We are meeting the Operation New Dawn responsible drawdown plan goals. The Army had 25 Brigade

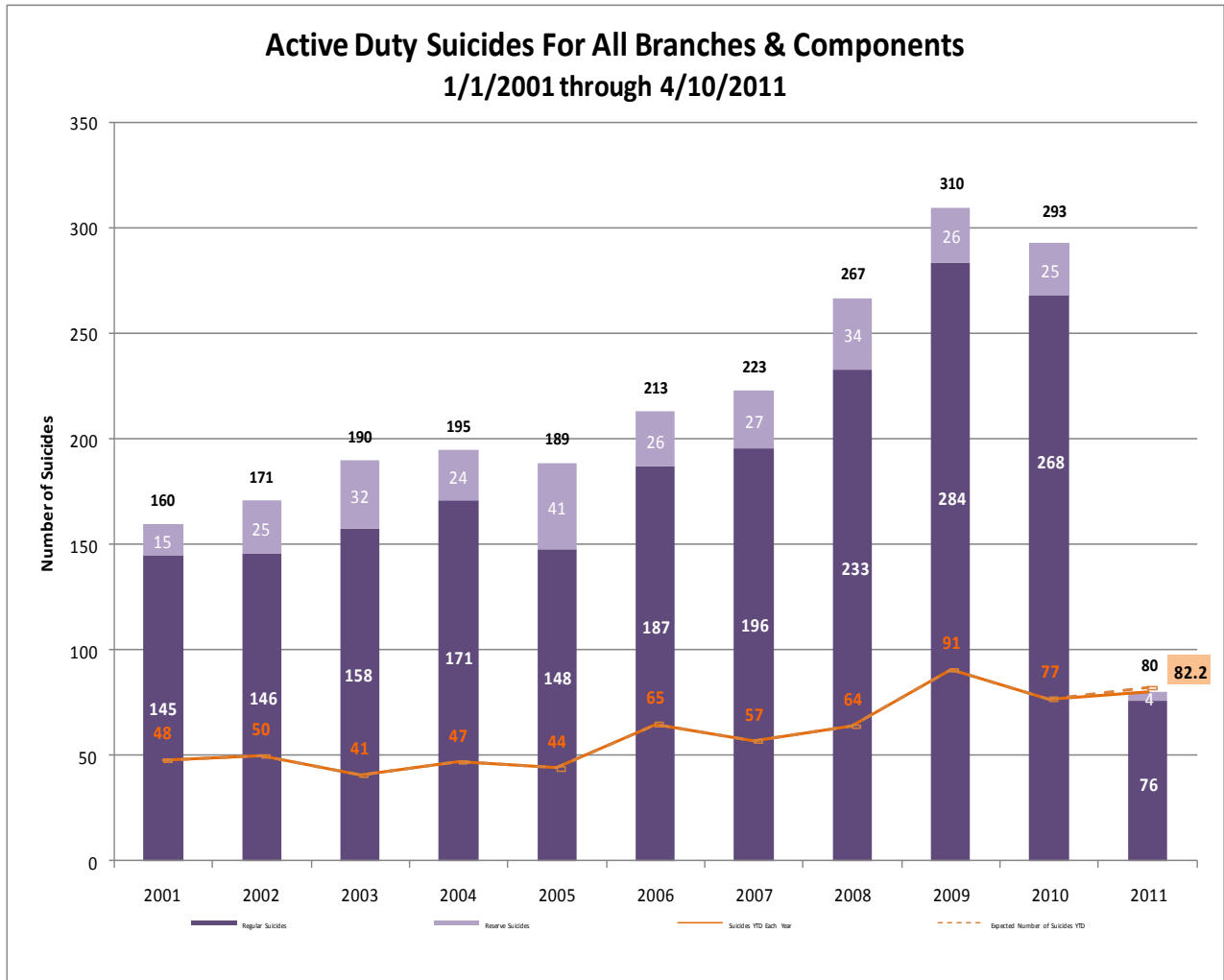
Combat Teams (BCTs) deployed to OIF and OEF in 2008, 21 BCTs deployed in 2010, and are projecting to have 50% fewer BCTs deployed in 2012 as compared to 2010. The Army projects the average unit boots on the ground to dwell ratio to improve to approximately 1:2 for Active component units and 1:4 for Reserve component units in 2012. We are making excellent progress toward our dwell goal of two or more years at home for every year deployed with nearly 70% of the active force meeting or exceeding this goal.

Suicide Prevention

Suicide prevention is a very important issue within the Readiness portfolio. The loss of even one life to suicide is heartbreaking; it degrades the readiness of the force and has a profound impact on both the unit and the family members left behind. Many factors contribute to the suicide rate. One factor relates to leadership. Each Service acknowledges the important role that leaders, both officer and NCO, play in building resiliency among those under their command. In 2010, there were 294 service members who committed suicide while on active duty, down from a total of 310 in 2009. While this is not a significant decrease, we have arrested the steady increases in overall active duty suicides that began in 2006. I believe this is due largely to our increasing emphasis on resilience across the Department highlighted by programs such as the Army's Comprehensive Soldier Fitness. This program is designed to develop and institute a holistic fitness program for Soldiers, families, and Army civilians in order to enhance performance and build resilience. To date, the Army has trained 3, 253 Master Resilience Trainers to facilitate this goal. The other Services are developing or enhancing similar programs and benchmarking off the Army's success.

There have been several studies and task force reports (DoD, Army and RAND) released over the past year each with multiple observations and recommendations. The Deputy Assistant Secretary of Defense for Readiness is currently leading a team of senior Officers and Executives from the Department in an effort to examine these reports and devise an implementation plan based on the recommendations that will enhance our suicide prevention efforts across the Department.

Table 8. Total Suicides by Service/Component [updated data]



Focus/Highlight RC and RC Suicide Prevention Strategy

The Army National Guard reported 112 suicides in 2010 (145 total with Army Reserve added) which was up significantly from the previous year (80 total Army Guard/Reserve), which is a cause for concern. This already complex issue becomes even more complex when dealing with our Reserve Component because of their continuous transition from military to civilian life. Nevertheless, the Department is committed to addressing this issue in our Reserve Component. We currently have a Director of Psychological Health in each of our 54 states and territories who acts as the focal point for coordinating the psychological support for Guard members and their families. The National Defense Authorization Act (NDAA) mandated that the Department expand suicide prevention and community healing and response training under the Yellow

Ribbon Reintegration Program. We have made some progress here and are in the process of reinvigorating this effort with input from a Reserve Component Stakeholder Group comprised of all of the Reserve and National Guard Components, Reserve Affairs Yellow Ribbon representatives and members of the Defense Centers of Excellence. Additionally, we are examining “peer-to-peer” programs, such as New Jersey Vet2Vet, to see what role these types of programs can play in reducing suicides.

The Suicide Prevention and Risk Reduction Committee (SPARRC)

The Suicide Prevention and Risk Reduction Committee serves as a forum for inter-Service and Veterans Affairs partnership and coordination. Chaired by the Defense Centers of Excellence, its members include the Suicide Prevention Program Managers from all Services, representatives from the National Guard and Reserves, the Department of Veterans Affairs, and other key governmental organizations. This organization has led the way in standardizing suicide reporting and data collection, forming key partnerships, growing the DoD/VA Suicide Prevention Conference into a nationally recognized event, and addressing several key suicide prevention issues. I plan to continue to mature this body, making it more inclusive and effective as a venue for collaboration across the Department of Defense and Veterans Affairs.

Drug Demand Reduction Initiative

Illegal and prescription drugs remain readily available to Department of Defense service members. The use of illegal drugs and the misuse of prescription drugs are both a symptom and problem that fuels the worsening of other conditions; such as deployment stress, suicides, and workplace safety resulting in degradation of unit readiness. Based on a recommendation of the Chairman of the Joint Chiefs of Staff, we are taking a new systematic approach to counter an emerging drug abuse problem in the military. The Department's current demand reduction approach will be expanded to include prescription drug testing and integrated with the Readiness Office's suicide and accident reduction efforts. As part of this effort, we plan to further target applicant testing, improve random drug testing in CONUS and in theater, and expand testing to include commonly abused prescription drugs.

Military Leadership Diversity Commission (MLDC)

The Military Leadership Diversity Commission, mandated by National Defense Authorization Act Fiscal Year 2009 and referred to as the MLDC, is scheduled to release its final report directly to the President and the Congress in mid-March 2011. The draft final recommendations described on the MLDC public web site provide an insight into the content of the final report.

The draft report reflects over 12 months of work performed by 31 appointed commissioners in response to the MLDC Charter to conduct a comprehensive evaluation and assessment of policies that provide opportunities for the promotion and advancement of minority members of the Armed Forces, including those who are senior officers.

Specific recommendations define diversity as individual characteristics consistent with DoD core values; require diversity to become an institutional priority; make leading diverse groups a core competency; and call on Congress to mandate annual DoD diversity reports. Other key final recommendations address the following areas:

- Retention programs for women
- Activities that will expand the pool of qualified candidates
- Eliminating the “combat exclusion policy” for women
- Ensuring transparency throughout the promotion system
- Conducting senior-level annual accountability reviews, and
- Aligning organizational structures to ensure a focus on diversity.

My staff and I stand ready to accept the decision of the President and the Congress as relayed by the Secretary of Defense to address the findings and recommendations stated in the MLDC report.

Language, Regional, and Cultural Capabilities

The Department is continuing its work to ensure our Total Force is prepared for a full range of varying and complex missions that our current and future security environment requires which includes building expertise in foreign languages, regional and cultural skills. DoD invested \$652M in FY 2010 to support language and culture instruction to achieve higher proficiencies for the Total Force in these skills. This investment includes: (a) pre-accession training and education at the Service Academies and ROTC; (b) improved resident and non-resident language and culture training for uniformed language professionals and for General Purpose Forces; (c)

provided monetary incentives to individuals to identify, sustain and enhance for foreign language proficiency; and (d) we strengthened foreign language proficiency testing and readiness reporting.

The FY 2011 budget focuses on sustaining gains achieved in previous years and continuing to build a solid foundation to meet future demands. The baseline funding in FY 2011 is projected at \$735 million (does not include MILCON). This includes establishing Language Training Detachments to provide and sustain commanders' requirement for culturally based language training for general purpose forces, support the Afghanistan/Pakistan Hands program, and expand the role of English language training for partner nation personnel.

The FY 2012 budget focuses on sustaining gains achieved in previous years and continuing to build a solid infrastructure in which to meet future demands. The baseline funding request of \$792 million in FY 2012 supports redirected language and culture instruction to achieve higher proficiencies for the Total Force in these skills. This includes \$46 million in FY 2012 for Language Training Detachments to provide and sustain commanders' needs for general purpose forces, support the Afghanistan/Pakistan Hands program, and expand the role of English language training for partner nation personnel. Today, the Department is moving ahead on several fronts to develop strategic direction, create effective policies, and refine processes for generating language, regional, and cultural capabilities.

We recently published the Language, Regional and Cultural Strategic Plan that sets out our strategic direction in providing our warfighters with the capabilities needed to meet the diverse operational needs of the 21st Century. In January 2011, we convened a DoD Summit on Language and Culture. Over 300 leaders from across the DoD, other U.S. Government agencies, industry, and academia met to discuss and propose innovative solutions to the key challenges facing the Department and the greater Nation.

We also published counterinsurgency training guidance to require language and culture training for forces deploying to theater. The Department is tracking compliance with this training and tying language and cultural preparation of deployed forces to unit readiness

reporting. This represents an enduring organizational change in how the Department views these capabilities. We are implementing a standardized requirements identification process. This process will identify the capabilities and capacity to ensure that the right mix of language and regional skills are developed to meet mission needs. In the past, demand signals were incomplete and did not always reach force providers.

The Department supports the efforts of our nation's educational system to produce more graduates with language and culture skills. It has established more robust language requirements for our Service Academies and established programs and incentives for our Reserve Officers' Training Corps. We are expanding the DoD Educational Activity foreign language program to provide a model for building foreign language skills pre-Kindergarten through 12th grade. These initiatives will ensure a strong return on investment. The results will be an increased capability in these skills which can be leveraged and expanded to meet needs in today's dynamic and complex world.

MILITARY HEALTH SYSTEM

Health Budgets and Financial Policy

The Defense Health Program (DHP) budget request reflects that we are operating in an environment where financial resources are limited, and that specific actions must be undertaken to better manage the rise of health care costs. In many respects, our challenges in this area are not unlike those experienced by other public and private organizations that are similarly experiencing escalating health care costs—driven by an aging population, a continued increase in expensive new medical technologies and pharmaceuticals, and increased utilization of services. In our circumstance, however, we must also be aware that the exponential growth in health costs can pose a long-term threat to competing defense priorities.

DHP Future Health Care Costs TRICARE – MHS Costs

In the budget proposed by the Department, we have included a number of specific initiatives that both ensure we continue to provide the finest health benefit in this country for our active and retired service members and their families, and also puts us on a long-term path to proper financial stewardship of the taxpayers' dollar. First, we are focused on internal efficiencies. From targeted reductions in non-patient care contractor support to greater optimization of our medical supply chain, we are pursuing a range of initiatives that offer real reductions in our budget. Second, we are pursuing a more equitable management of benefits across all health care programs. We are continuing to align civilian provider payment policies with Medicare, as Congress has long directed. Finally, for working age retirees, we are proposing minor changes to out-of-pocket costs that are exceptionally modest and remain well below the inflation-adjusted out-of-pocket costs enjoyed in 1995, when TRICARE Prime was first introduced. We have incorporated numerous safeguards – grandfathering in all current enrollees to unique programs; phasing-in new reimbursement methodologies for providers; and excepting certain beneficiaries (survivors and medically retired Service members) from any enrollment fee changes – in order to protect our most vulnerable beneficiaries.

Health Affairs/TRICARE Management Activity Strategic Direction

I am also encouraged by the long-term strategic direction of our medical program. The Office of Health Affairs has adopted a strategic construct – the Quadruple Aim – that captures the core mission requirements of this unique health system of ours: (1) Improved Readiness; (2) Improved Health; (3) Enhanced Patient Experience; and (4) Responsible Management of Cost. The Health Affairs leadership, together with the Service Surgeons General, has put into place a sophisticated set of strategic imperatives and quantifiable measures that help inform me and the Service Secretaries and Chiefs on our progress in meeting the most important goals for our Service members and families – that includes how we are performing in the areas of psychological health and traumatic brain injury, delivery of preventive health services, focus on outcomes and overall satisfaction with the delivery of health care, to name just a few.

Mental Health Professionals

The mental health workload has increased across the Military Health System (MHS) for both active duty service members and family members. Among the reasons for this increased workload are PTSD, TBI, earlier identification of mental health issues, increased suicides and suicide attempts, and reduced stigma of seeking mental health care. This workload has increased the need for mental health providers. Currently, throughout the MHS, there are a total of 7662 military, civilian, and contract employees (full time equivalents) providing mental health care. This reflects a shortage of 1025 which puts the MHS at 88 percent fill compared to requirements. We are pursuing efforts to assist the Services in recruiting and retaining these critical mental health provider positions. These efforts include using Direct Hire Authority and Expedited Hiring Authority that Congress provided the Department to help recruit providers. Additionally, we are implementing the Physician and Dentist Pay Plan (PDPP) which will ensure we can pay critical shortage specialties, such as psychiatrists, salaries competitive with the private sector.

DOD/VA COLLABORATION

In order to take better care of our Service members, in particular, our Veterans who have served in combat, it is imperative that DoD and VA have a close and collaborative working relationship. While our two organizations have different missions, our priority is the same -- taking care of those who have served and sacrificed for our country.

In this effort, DoD and VA work together through a governance body, created by Congress, to ensure that we are in constant communication and work in collaboration. The formal governance council structure put in place to oversee development of policy and support DoD/VA joint initiatives and resource sharing, including information sharing is the Joint Executive Council (JEC), which is co-chaired by the Deputy Secretary of VA and the DoD Under Secretary for Personnel and Readiness. The JEC is the overarching council, linking the DoD/VA with two supporting councils: the Health Executive Council (HEC) and the Benefits Executive Council (BEC).

The Health Executive Council (HEC) is co-chaired by the Assistant Secretary of Defense for Health Affairs and the VA Under Secretary for Health and reports directly to the Joint Executive Council (JEC). The HEC meets bi-monthly and is responsible for implementing a coordinated health care resource sharing program. The HEC is chartered to oversee the development and implementation of health care related issues in the VA/DoD Joint Strategic Plan (JSP), oversee working groups and steering groups, identify opportunities to enhance mutually beneficial collaboration, and submit input to the JEC annual report on progress of the JSP for health issues. The HEC has charged 20 groups to focus on specific high-priority areas of national interest, achieving significant success in improving interagency cooperation.

Today, most healthcare information captured by the DoD and VA is done so electronically and deemed necessary for the continuity of care and benefits administration. Currently, this information is being shared only as viewable data, not computable. Although both Departments utilize electronic health records (EHRs) and have computer systems to

automate administrative and healthcare functions, there is not a widespread adoption of EHRs in the private sector among the many providers who deliver care to DoD and VA beneficiaries. Some information available in both DoD and VA EHRs is of utmost importance to the clinical communities treating and caring for DoD and VA beneficiaries. Interoperability of EHRs between the DoD and VA is the end-state goal of departmental healthcare information sharing. The purpose of EHR interoperability is to achieve a single logical (not physical) electronic health record view from the day an individual enters military service throughout their military career, and after they leave the military.

The Departments continue to identify opportunities to enhance DoD/VA electronic health data sharing. After a December 2010 review by the Vice Chairman of the Joint Chiefs of Staff (VCJCS), DoD and VA formed six teams to create a collaborative approach to the EHR Way Ahead. The teams—Enterprise Architecture, Data Interoperability, Business Process, Systems Capabilities, Presentation Layer, and Missions Requirements/ Functions—cover high-level activities needed to plan, develop and deploy final recommended solutions. In-progress reviews of the joint EHR modernization collaboration effort have been held with the Deputy Secretaries of the two departments and team findings are being elevated to the DoD and VA Department Secretaries for discussion and consideration.

We believe this careful, collaborative approach will, in fact, enhance our decision-making process and lead to a solution that can be implemented in a more timely and coordinated manner. The EHR Way Ahead addresses specific challenges with the current EHR, including outdated legacy technologies; ongoing performance and data availability problems; and difficulty in using healthcare industry standards.

World-Class Medical Care in the National Capital Region

The Base Realignment and Closure (BRAC) construction projects at Bethesda and Fort Belvoir will provide nearly three million square-feet of new world-class clinical and administrative space, cutting-edge technology, and Americans with Disability Act lodging to meet the rehabilitation needs of Wounded, Ill, and Injured service members. The new facilities will improve the infrastructure for casualty care and services and better align healthcare delivery

with the population centers of the National Capital Region (NCR) beneficiaries. The projects are on schedule to receive patients and clinical functions from Walter Reed Army Medical Center (WRAMC) by September 15, 2011, while casualty care and patient safety remain the top priorities related to the move. The majority of the BRAC construction at both sites is complete and patient care is being provided in the new inpatient and outpatient pavilions at Bethesda. The Department is paying close attention to the timeliness and milestones necessary to achieve the final moves.

The BRAC projects are only part of the larger transformation of Military Medicine in the NCR. The NCR contains a mix of nearly 40 Army, Navy, and Air Force Medical Treatment Facilities (MTFs), has almost 550,000 eligible beneficiaries, and runs on an annual operating budget of almost \$1.5 Billion. Its most important patients are the casualties returning from the war and their families. The Department is taking the opportunity to substantially enhance and transform this multi-Service military healthcare market to provide effective and efficient world-class healthcare. The Joint Task Force National Capital Region Medical (JTF CapMed) is a standing JTF that was established to oversee the rationalization and realignment of medical infrastructure to achieve greater effectiveness and cost efficiency through the integrated delivery of healthcare.

DoD's Comprehensive Master Plan (CMP) for the NCR, provided to Congress last year, outlined how JTF CapMed will implement an Integrated Healthcare Delivery System (IDS) to provide this world-class healthcare cost effectively. The Department has provided JTF CapMed with command and fiduciary authorities to manage MTFs in the NCR and directed that the new hospitals at Bethesda and Fort Belvoir become joint commands subordinate to JTF CapMed to develop best practices, enhance interoperability and patient safety, and combine shared services such as contracting, personnel, and consolidated information technology – ultimately improving the *patient and family experience*. An example of clinical transformation is in the direct care pharmacy system that will facilitate prescriptions and refills no matter where in the NCR they are presented, provide refills to Six Sigma quality standards, and alleviate traffic concerns at NCR BRAC sites.

The Department has requested \$109M in the President's 2012 budget (\$762M between FY12 - FY16) to recapitalize medical facilities at Bethesda that the BRAC did not address and provide the new space required to convert to single patient rooms and expand support for the operating suites. These facility projects and the implementation of the NCR IDS by JTF CapMed are part of the Department's commitment to providing "world-class" healthcare in the NCR and fulfilling the requirements under section 2714 of the FY10 NDAA.

WOUNDED WARRIORS

Taking care of our wounded, ill and injured Service members is one of the highest priorities of the Department, the Service Secretaries and the Service Chiefs. Reforming unnecessary bureaucratic processes is crucial to ensuring Service members receive, in a timely manner, the care and benefits to which they are entitled. The Department's leaders are working to achieve the highest level of care and management and to standardize care among the Military Services and Federal agencies. Key initiatives include:

- Establishing an Integrated Disability Evaluation System (IDES) – to create a simpler, faster, more consistent process for determining which members may continue their military service and helping them become as independent and self-supporting as possible. To date, the IDES has been implemented in 78 locations covering over 73 percent of the eligible population. The DoD and VA have a strategic goal of moving 100 percent of eligible Service members into the IDES by end of September 2011.
- Enhancing the efforts of care coordinators who work closely with Wounded, Ill, and Injured Service members, their families and their recovery teams to develop a Recovery Care Plan that identifies Service member and family goals, and the resources they need to achieve them, such as assistive technology, education, employment, or housing.
- Developing and implementing an Education and Employment Initiative for wounded ill and injured Service members designed to utilize existing education benefits, to prepare and align wounded, ill and injured Service members to DoD civilian positions.
- Ensuring a high standard for facilities caring for Wounded Warriors. Especially key are first rate hospitals as well as facilities and trained staff for the Service Wounded Warrior Programs – designed to ensure exemplary support for Wounded Warriors and their families.
- Working with the VA to create Virtual Lifetime Electronic Records, a key Administration initiative, which is critical to improving veteran care and services by enhancing the availability of administrative and health information.

The FY 2012 budget request includes \$2.3 billion for the enduring WII program (Table 9). Of this amount, \$415 million provides for the continued support of cutting edge Wounded, Ill, and Injured medical research, through both the Defense Health Program and the Defense Advanced Research Projects Agency. This research is highly focused on psychological

health/Post Traumatic Stress Disorder (PTSD) and Traumatic Brain Injuries (TBI), but also includes prosthetics, vision and hearing loss, and other conditions directly relevant to the injuries our soldiers are currently receiving on the battlefield.

Table 9. Wounded, Ill and Injured Funding (\$B):

Program	FY 2011 Enacted	FY 2012 Request*
Enhanced Care & Support	1.1	1.2
Traumatic Brain Injury/ Psychological Health	1.2	1.1
Total	2.3	2.3

**FY 10 Funding for WII was \$3.6 Bil including \$1.5 Bil in One- Time Infrastructure investments.*

Disability Evaluation System/Integrated Disability Evaluation System

The genesis of the Disability Evaluation System (DES) is the Career Compensation Act of 1949. The DES was relatively unchanged until 2007. As a result of public concern and congressional interest, the Senior Oversight Committee chartered the DES Pilot in November 2007. The SOC vision for the DES Pilot was to create a "Service Member Centric" seamless and transparent DES, administered jointly by the DoD and VA.

DoD and VA launched the DES Pilot at the three major military treatment facilities (Walter Reed, Bethesda, and Malcolm Grow) in the National Capital Region (NCR) on November 21, 2007. The DES Pilot successfully created a seamless process that delivers DoD benefits to wounded, ill and injured Service members and VA benefits to Service members as soon as possible following release from duty. DoD found the DES Pilot to be a faster, fairer, more efficient system and, as a result, the SOC Co-chairs (Deputy Secretary of Defense and Deputy Secretary of Veterans Affairs) on July 30, 2010, directed worldwide implementation of the process beginning in October 2010 and to be completed at the end of September 2011. On December 31, 2010, the first Integrated Disability Evaluation System (IDES) site became operational, which marked the end of the pilot, and the name was formally changed to the IDES.

The IDES, similar to the pilot, streamlines the DES process so that the member receives a single set of physical disability examinations conducted according to VA examination protocols, proposed disability ratings prepared by VA that both DoD and VA can use, and processing by

both Departments to ensure the earliest possible delivery of disability benefits. Both Departments use the VA protocols for disability examination and the proposed VA disability rating to make their respective determinations. DoD determines fitness for duty and compensates for unfitting conditions incurred in the line of duty (Title 10), while VA compensates for all disabilities incurred or aggravated in line of duty during active military, naval, or air service for which a disability rating of 10 percent or higher is awarded and also determines eligibility for other VA benefits and services (Title 38). The IDES permits both Departments to provide disability benefits at the earliest point allowed under both titles. Service members who separate or retire (non-disability) may still apply to the VA for service-connected disability compensation.

In summary, the IDES features a Service member-centric design, simpler, faster and more consistent evaluations and compensation, single medical exam and disability rating, seamless transition to Veteran status, case management advocacy, and establishment of a Service member relationship with the VA prior to separation. It also provides increased transparency through better information flow to Service members and their families and a reduced gap between separation/retirement from Service to receipt of VA benefits. Active component members completed the program 37 percent faster than a sample of legacy DES cases. As of April 11, 2011, cumulative IDES enrollment is 21,328 Service members with 6,893 completing the program by medical separation, retirement, or return to duty and 13,473 remaining enrolled.

The Department of Defense is partnering closely with the Department of Veterans Affairs as we aggressively move toward IDES implementation at all 139 CONUS and OCONUS sites by 30 September 2011.

The impact of each stage of the IDES expansion and cumulative DES population is shown below:

- Stage I-West Coast & Southeast (October-December 2010) - (Completed) 58%
- Stage II-Rocky Mountain & Southwest Region (January-March 2011) – (Completed) 73%
- Stage III-Midwest & Northeast (April - June 2011) - 90%

- Stage IV-Outside Continental United States (OCONUS)/CONUS (July – September 2011) -- 100%

IDES constitutes a major improvement over the legacy DES and both DoD and VA are fully committed to the Worldwide expansion of IDES. The Department is, however, continuously exploring new ways to improve the current system. The Secretaries of Defense and Veterans Affairs are currently exploring several options to shorten the overall length of the disability evaluation process from its current goal of 295 calendar days. In addition, the departments are also looking closely at stages of the disability evaluation system that are outside of timeliness tolerances and developing options to bring these stages within goal. We are committed to working closely with Congress in exploring new initiatives that can further advance the efficiency and effectiveness of the disability evaluation process.

Transition Initiatives

To strengthen our Transition Assistance Program (TAP) and reinforce its value to Service members and their families, the Department, in collaboration, with our partners at the Departments of Veterans Affairs (VA) and Labor (DOL) is committed to moving TAP from a traditional event-driven approach to a modern, innovative lifecycle approach. We are shifting from an end of military life-cycle event to an outcome based model that will measure success not only on the number of Service members who use the TAP process, but also on the number of transitioning service members and their families who find the TAP process beneficial in assisting them with their life goals, military career progression, and/or new careers/meaningful employment outside of uniformed service. We will be implementing this strategic plan with focuses on information technology, strategic communications, and resources and performance management. The end-state for the TAP overhaul will be a population of Service members who have the knowledge, skills, and abilities to empower themselves to make informed career decisions, be competitive in the global work force and become positive contributors to their community as they transition from military to civilian life.

As part of this effort, we launched the DoD Career Decision Toolkit in August 2010. The Toolkit was developed in collaboration with the Military Services and our TAP partners at the Department of Veterans Affairs and Department of Labor to help simplify the learning curve for

transitioning Service members with the information, tools, and resources they need to succeed in the next phase of their lives. The toolkit uses the latest technology to consolidate the very best teaching materials from all the Service branches and provides thousands of on-demand resources to Service members. It is interactive, simple to use and portable. The toolkit includes:

- More than 3,000 on-demand information and planning resources
- Transition subjects such as career exploration, financial planning, resume creation, interviewing skills and compensation negotiation
- Tools that enable Service members to catalogue their military skills, training, and experience in ways that transfer to civilian sector
- Post-Service benefits and resources
- Resources that allow users to self-assess individual transition needs and plan personalized options

We are developing an “end-to-end” virtual TAP delivery vehicle delivery platform that will provide the back-bone of the transformed TAP program, integrating the Guard and reserve components, as well as expanding services available to family members.

DoD has also played a supporting role with the Office of Personnel Management on the initiative to increase hiring veterans in all federal agencies. This is now recognized as President Obama’s Veterans Employment Initiative that directs all Executive Agencies to increase veteran employment. TAP is one of the programs we will use to educate and inform Service members about federal Service career opportunities.

MILITARY FAMILY & COMMUNITY SUPPORT

The FY 2012 budget continues to reflect the decision to shift funding for family support programs that are enduring – i.e., programs that will not disappear as combat deployments and war funding decline – from the OCO budget to the base budget.

The FY 2012 budget includes \$8.3 billion (Table 13) for family support programs vital to the morale and well-being of our military members and their families. Key programs include:

- ***Child Care and Youth Programs:*** Includes funding for child care, child and youth development programs, National Guard Youth Challenge Program, and child development centers. The FY 2012 funding provides childcare spaces for over 200,000 children.
- ***Morale, Welfare, and Recreation:*** Includes funding for Community Support activities, recreation programs, voluntary education and tuition assistance, temporary duty lodging, and revenue generating programs.
- ***Warfighter & Family Services:*** Includes funding for Family Support Centers and for counseling support services for Active Duty, National Guard, and Reserve members and their families.
- ***Commissary:*** Operations are appropriated with the Defense Commissary Agency (DeCA) Working Capital Fund. The DeCA operates 250 stores at military installations around the world and employ a workforce that consists of over 14,700 civilian full-time equivalents.
- ***Department of Defense Education Activity (DoDEA) Schools:*** FY 2012 budget supports the education of 94,503 students in 124 schools in 12 countries and 33,779 students in 70 schools in 7 states, Puerto Rico, and Guam.
- ***Spouse Employment:*** Funds tuition assistance and intern programs to support military spouses' employment opportunities, with full funding for the My Career Advancement Account (MyCAA) Program (\$190 million) and funds to support the Military Spouse Federal Intern Program to assist in securing positions in other Federal agencies (\$17M).

Table 10. Military Family Support Programs
(\$B, Base Budget only)

Program	FY 2010	FY 2011 Request**	FY 2012 Request
Child Care and Youth Program	1.1	1.1	1.2
Morale, Welfare and Recreation	1.7	1.8	1.6
Warfighter and Family Services	1.2	1.5	1.5
Commissary	1.3	1.3	1.4
DoDEA Schools	2.1	2.3	2.4
Military Spouse Employment	02	0.1	0.2
Total	*7.6	8.1	8.3

* Numbers may not add due to rounding

** Data extracted from the FY2011 President's Budget Exhibit M-1, which includes CR adjustments;

*** Table reflects the FY 2012 President's Budget Request

Family Support – Joint Family Support Assistance Program

On January 24th of this year at a ceremony held at the White House, the President, Mrs. Obama and Dr. Biden formally released the results of the Presidential Study Directive on Military Families endorsed by all the Cabinet Secretaries. This report was the result of an unprecedented level of intense collaboration between federal agencies at the direction of the President, taking a whole of government approach to address the needs of military members and families by leveraging the collective resources and expertise of the entire Cabinet.

The work reflected in the report was conducted by the Military Family Interagency Policy Committee (IPC), which included representatives from every cabinet agency, and identified and addressed the most pressing military family issues faced by Soldiers, Sailors, Airman, Marines, and Coast Guardsmen in the active, Guard and Reserve ranks, Veterans, and especially families of the fallen. The IPC identified four priority areas that the Cabinet agencies would rally together to address:

- The first: improving the well-being and psychological health of military families by expanding access to counseling, protecting families from abusive financial practices and reducing homelessness among our veterans.
- The second: ensuring that military children are receiving the support and education they need thrive, especially when a parent is deployed and when making the difficult transition between different communities and schools.

- The third: expanding career development and educational opportunities for military spouses, including opportunities for federal employment and working with the private sector to harness the incredible talents of spouses and veterans.
- And the fourth: increasing the availability and quality of child care for service members with children, including the many single parents serving the military.

The IPC has now entered the implementation phase of the report, efforts which are now well underway.

Again, while the Presidential Study Directive and the work of the IPC represent an unprecedented level of collaborative effort that recognizes the service and sacrifice of our military members, veterans, and especially their families, supporting military families in the long term simply cannot be the work of government alone.

Child Care

The Department continues to build child capacity that supports Reserve Component families while the servicemember is deployed, geographically dispersed active duty military families, and servicemembers living in areas in the continental United States where on-installation military child care is unavailable. An initiative to expand the availability of quality child care programs is underway in 13 pilot states. These states were selected based on multiple factors such as residential/demographic information and locations where state's efforts to improve the quality of child care are in tandem with DoD. In addition, an analysis of state licensing and oversight standards for the pilot states will guide efforts to provide training and technical assistance to improve quality of child care. Central to the success of this strategy is the placement of a Child Care Liaison in each pilot state who will work to assist in developing state-specific strategies that recognize the unique challenges and assets of the state and local communities. This individual will be tasked with developing communication strategies among various state partners to reduce duplication of effort and ensure resources are effectively utilized.

Youth Programs

Military youth make tremendous sacrifices and they deserve high quality programs and services that meet their needs. The Department has been recognized for providing dynamic, innovative and successful youth programs to nearly 660,000 military children and youth between

the ages of 6-18 years on a daily basis around the globe. We are proud of the vital programs and services offered for youth during out-of-school hours. Today, youth programs are available where military families live -- whether on military installations or in civilian communities. The programs are expanding by developing partnerships with other youth-serving organizations to augment the DoD programs; thereby offering a variety of additional resources to promote positive youth development. Military youth programs prepare youth to meet the challenges of military life, adolescence, and adulthood with programs and activities such as physical fitness and sports, arts and recreation, training in leadership, life skills and career/volunteer opportunities, mentoring, intervention and support services. DoD's enhanced youth programming also supports character and leadership development, sound education choices, and healthy life skills.

Family Readiness Programs

The Department provides family readiness programs through a network of Family Centers at installations worldwide that seek to prepare military families to effectively navigate the challenges of daily living experienced in the unique context of military service. Family Centers provide information and referral; training; and counseling opportunities to educate families about the potential challenges they may face; equip them with the skills to competently function in the face of such challenges; and increase awareness of the supportive resources available to them. The focus is to assist families with deployment; relocation; spouse employment; family life education including parenting; personal financial management; volunteer opportunities; and non-medical counseling.

In Fiscal Year 2007, Congress mandated that the Department implement a Joint Family Support Assistance Program (JFSAP) to augment existing family programs and provide outreach and support to Active Duty, Guard, and Reserve military members and families who are geographically separated from military installations. Congress also mandated that the JFSAP coordinate family assistance programs and activities provided by Military OneSource, Military and Family Life Counselor Program, counselors, the Department of Defense, other Federal agencies, State and local agencies, and non-profit entities. In 2008, the Department implemented JFSAP teams at National Guard Joint Force Headquarters in all states and Territories to work

with military and civilian resources to provide support and services to military families in the communities where they live.

Family Advocacy Programs

The DoD Family Advocacy Program (FAP) addresses physical, sexual, and emotional abuse and neglect involving active component military personnel and family members who are victims and abusers. On each military installation with command-sponsored families, there is a FAP that provides services in prevention, identification, intervention and treatment of child abuse and neglect and domestic abuse. We evaluate the effectiveness of FAP through rates of family maltreatment and outcome measures for prevention and treatment. Through nine years of high stresses on our families due to wartime deployments our rates of such family maltreatment have remained relatively stable but we continue to monitor this carefully because of the cumulative effects of such stresses. For two consecutive years 85 per cent of our new parents who have participated in the New Parent Support Program for at least 6 months have had no substantiated child abuse or neglect the following year, and 90 per cent of substantiated spouse abusers who completed FAP treatment have had no substantiated spouse abuse the following year, and we are working to develop additional outcome measures.

Military OneSource

Military OneSource offers free, convenient, 24/7/365 days access to confidential resource and referral support for Service members and their families to improve the quality of their lives and the effectiveness of military community support efforts. Military OneSource provides over 22,000 non-medical, short-term, solution focused counseling sessions per month delivered face to face, telephonically, and on line. The number of counseling sessions provided by Military OneSource has increased 930% since FY 05 with customer satisfaction consistently remaining well above 90%. Other Military OneSource services include relocation assistance, financial counseling, free tax filing services, document translation, child care and education resources, special needs consultation, elder care consultation, on-line library resources, and health coaching. Military OneSource Education and Career consultants assist almost 3,000 military spouses weekly with information regarding portable careers; education, training and licensing requirements; resume and interview preparation; and identifying employment resources.

Additionally, we are increasing opportunities for military spouse careers through expansion of the Army Spouse Employment Partnership to Marine Corps, Navy, and Air Force spouses. Additionally, Military OneSource serves as a conduit to the Wounded Warrior Resource Center.

Wounded Warrior Resource Center

The Wounded Warrior Resource Center (WWRC), accessed via Military One Source, provides immediate assistance to wounded, ill and injured Service members, their families, and caregivers with issues related to health care, facilities, or benefits. The WWRC works collaboratively with the Military Services' wounded warrior programs and the Department of Veterans Affairs (VA) to ensure callers are promptly provided a specific plan of action to address their concerns within 96 business hours of contacting the WWRC. In FY10, 2046 cases for wounded warriors were handled. The top three issues concerning callers were health care (38%), military benefits (20%), and VA (20%) benefits.

Dependents' Education Programs

The Department of Defense is committed to ensuring that all children of military families are provided an education that prepares them to be successful in their careers, leading contributors in their communities and productive citizens in the 21st century. The Department of Defense Education Activity (DoDEA) provides quality pre-kindergarten through 12th grade educational opportunities and services to eligible military dependents around the globe. DoDEA is committed to providing a rigorous college preparatory curriculum and closing the achievement gap in schools. DoDEA schools consistently score very highly on the National Assessment of Education Progress, otherwise known as the "Nation's Report Card".

Of the approximately 1.2 million military dependent children, DoDEA educates approximately 86,000 in 195 schools in 12 foreign countries, seven states, Guam, and Puerto Rico. Where DoDEA schools in overseas locations are not an option, DoDEA also assists eligible military dependent students through a tuition reimbursement program.

DoDEA has a proud history of providing quality education for children of military families, the majority of which has been taught in traditional classrooms. As an organization

dedicated to continually improving the education experience for our students DoDEA launched its Virtual High School in Fall 2010 with approximately 45 course offerings as a supplemental program in a variety of curriculum areas. The DoDEA Virtual High School (DVHS) is serving approximately 891 students with enrollments totaling 940 thus far. Through the Virtual School Program, DoDEA has been able to accomplish the mission of addressing secondary education needs for students in transition, where courses are not offered in a local school setting or when student situations preclude enrollment via a local school such as due to medical illness, schedule conflicts or other challenges identified by the local schools.

Because the majority of children of military families are educated in public schools across our nation, DoDEA champions world-class education for military children in public schools by supporting military-connected local education agencies (LEAs). Through an expanded authority, set to expire in 2013, DoDEA shares its expertise, experience and resources to assist military children during transitions, to sharpen the expertise of teachers and administrators in meeting the needs of military children, and to provide assistance to LEAs on deployment support for military children.

DoDEA, through its Partnership Program, has provided grants to over sixty LEAs school districts, in over eight hundred schools and serving more than 540,000, of which the nearly 41 percent are from military families. We are approving grants to help improve schools, even some that did not make their respective states' adequate yearly progress. All grants focus on enhancing student learning opportunities, student achievement, and educator professional development at military-connected schools. Some grants also have a counseling component that focuses on easing the challenges that military students face due to transitions and deployments. The grant seeks to build capacity to improve school climate as well as social and academic results in schools serving military children.

The demands of extended wartime add to the ever-present challenges faced by military families. Research suggests that the children of deployed parents collectively experience more stress than their peers. While they are often described as a resilient group, the cumulative effects of multiple moves and significant parental absences can erode this resilience.

The Department is working collaboratively with the Department of Education to improve the understanding of the challenges facing military children, and what is necessary to ensure that military-connected students receive an outstanding education from “cradle through career.” This effort requires a focus on not only military-connected students, but on their families, their communities, their schools and their teachers.

Further, performance data that would allow us to identify and ultimately make recommendations to improve the educational outcomes for military children attending public schools is currently not available. Data collection and analysis are critically important to directing educational resources to those schools who are most impacted by the enrollment of military children. As a result, I worked with the Department of Education in support of a new means of collecting and reporting performance data of military-connected children as part of the reauthorization of the Elementary and Secondary Education Act.

DoD has extended the Military and Family Life Counselor (MFLC) program to support and augment military-connected schools. MFLCs provide non-medical support to faculty, staff, parents, and children for issues amenable to short-term problem resolution such as school adjustment issues, deployment and reunion adjustments, and parent-child communications. There are MFLCs serving in 255 military-connected public schools and 65 DoDEA schools. Since the end of 2009, DOD has provided children of active duty military with free, unlimited access to online tutoring, academic skills courses, and homework assistance in math, science, social studies, and English for kindergarten through 12th grade (K–12) students through Tutor.com. Professional tutors assist military dependent students with completing homework, studying for standardized tests, and writing papers. The program provided 162,570 sessions during fiscal year 2010.

Recognizing that supporting military children takes a school-wide effort, DoD offers professional development to help inform school staff of the academic challenges that these children face. These include training modules and sessions on special education, as well as “Students at the Center,” an interactive educational resource for military families, military leaders, and school leaders.

Finally, in an effort to ensure all of our students receive an education of the highest quality, I have directed two assessments on the effectiveness of DoD in meeting the educational needs of all military children and on the physical conditions of the public schools located on military installations. The first assessment will examine the effectiveness of DoD in meeting the educational needs of military families, layout the full scope of issues, and develop specific action plans for leveraging success and addressing deficiencies. We will pay particular attention to ensuring a world class preparatory instruction for science, technology, engineering and mathematics (STEM) and foreign language programs. The second assessment will address the physical condition of the 160 public schools located on our military installations in the United States.

MWR Support to Troops in Combat

Support is critical to helping troops communicate with family and friends, stay physically and mentally fit, and reduce stress and boredom. The Department funds over 1,000 free MWR Internet Cafes in Iraq and Afghanistan and 135 portable satellite units, known as Cheetahs, to support remote locations. Cheetahs run off Humvees and can be set up and taken down in 20 minutes. Other MWR support includes fitness, sports and recreation equipment, portable movie theaters, and large screen televisions with DVD and video projection players and professional entertainment. The Department shipped over 264,400 paperback books and 231,974 Playaways (self-contained digital audio books) in FY 2010. Playaways now surpass paperback books in popularity with troops citing ease of use, convenience, and ability to read at night without electricity. Included in the Playaway inventory were 17,678 Dari and Pashto basic language/Afghan culture and 5,535 Arabic language Playaways. The free DoD MWR Online Library offers free downloads of audio and e-books and access to up-to-date data bases offering recreation, education and career transition support. The ability of injured Service members to engage in recreation and sports is a very important component of rehabilitation and reintegration. Under a contract with Penn State University, MWR specialists are trained to work with medical personnel, wounded warrior units, community parks and recreation, and non-profits to ensure inclusive and adaptive sports and recreation are part of installation MWR and community recreation programs. The DoD Paralympics' Program continues to provide rehabilitation support

and mentoring to injured Service members/veterans who have sustained various types of injuries. Paralympics' military events are conducted at four DoD and 14 VA Medical Treatment Facilities, 29 Army Warrior Transition Units, 7 Marine Corps Wounded Warrior Battalions/Detachments, and 3 Navy and 3 Air Force locations. As an adjunct, training is well underway for the second annual Warrior Games Competition in Colorado Springs in May.

DoD-State Initiatives

DOD continues to work with state governments to educate their policy makers on the life-challenges faced by Service members and their families and to ensure that state-level policies do not disadvantage military families due to their transient life style. States have addressed several key quality of life issues, to include the impact of frequent school transitions experienced by military children, the loss of income by military spouses as a result of military moves, and the enforcement of the Congressionally-mandated DoD predatory lending regulation. The response from states has affirmed their commitment to supporting the well-being of the Nation's fighting force. For example, 35 states have approved the Interstate Compact on Educational Opportunity for Military Children, 38 states (plus DC) now provide eligibility for unemployment compensation to military spouses, and 32 states (plus DC) enforce the DoD predatory lending regulation. The Department is continuing this effort in the 2011 state legislative sessions with strong emphasis on support of military families through the issues listed above, plus provisions to protect military parents in child custody decisions and provisions that can expedite occupational licensure processes to allow military spouses to get to work faster in a new state. Additionally, the Department is partnering with the Uniform Law Commission and the PEW Trust on the States to inform State legislators of the new Uniform Military and Overseas Voters Act (UMOVA) which simplifies the absentee voting process by making it more uniform, convenient and efficient.

Military Voting Update

The Department "rolled out" three sets of online voting assistance tools in the 2010 election: an online registration tool, an online Federal Write-In Absentee Ballot (back-up ballot) tool, and, in partnership with 17 States, an online absentee ballot delivery tool (up from only 8 states in 2008). In fact, 31 States had an online blank ballot delivery process in place for the 2010

election, and all states provided ballots electronically upon request, providing tens of thousands of ballots almost instantaneously. This gave the voter more time to return the voted ballot by mail. Online and print advertising was used to implement an intensive voter outreach campaign to increase awareness and use of the tools on the FVAP.gov website which stresses direct-to-voter assistance. The FVAP.gov website usage almost doubled over the 2006 election cycle, and the back-up ballot wizard usage increased three-fold.

The Department implemented worldwide expedited return of ballots for overseas military voters. The Military Postal System Agency (MPSA) and USPS went beyond requirements of the MOVE Act by providing Express Mail return delivery rather than simply expedited return. The result was 92% of overseas military ballots were returned to local election officials from Military Post Offices in less than seven days, with the worldwide average of 5.2 days ballot return delivery time.

The President's FY 2012 budget fully supports the FVAP program. Total O&M and RDT&E funding for FVAP was \$17.425 million for FY 2010, \$46.481 million for FY 2011, and the President's FY 2012 budget request for FVAP is \$32.353 million. FVAP will build on the success of the 2010 election to improve even more the voting opportunity in the 2012 election cycle for military and overseas voters.

Special Needs: New DOD Office

The FY 2010 National Defense Authorization Act, Section 563 (10 U.S.C., 1781c) required the Secretary to establish an Office of Community Support for Military Families with Special Needs (OSN); the Military Departments to expand coordination of assignment for military families with special needs for assignments to and within the United States, and to expand community support to military families with special needs. It also required an annual report on the gaps in services, ways to address the gaps and future legislation.

The OSN was officially established in September 2010 within the office of the Deputy Assistant Secretary of Defense for Military Community and Family Policy that is committed to military families with special needs. The Office has nine staff who have experience and

educational backgrounds in special education, early intervention, physical and occupational therapy and communications. The Office submitted the first annual report to Congress in 2010 and is currently preparing the second report due April 28, 2011. Costs for the new office in FY2010: \$1.3M; in FY2011: \$1.4M; and FY 2012 [requested]: \$1.4M.

Voluntary Education Opportunities

DoD is committed to making educational opportunities available to our service members and does this through 350 military education sites worldwide to include Iraq, Afghanistan, Kosovo, Sinai, Qatar and Kuwait. During FY2010, our Voluntary Education program helped fund 857,786 enrollments by 322,964 service members, which resulted in our service members earning 43,510 diplomas and 1,783 certifications/licensures. Service members are “blending” their course work, taking both traditional and on-line courses, with approximately 71% of service members taking some courses on-line. Due to the growth in on-line enrollments and service members attending schools off our military installations, DoD has established a policy requiring all postsecondary institutions participating in the DoD Tuition Assistance (TA) program execute a memorandum of understanding (MOU) with DoD which sets certain standards of conduct for all institutions, whether they are on- or off-base, traditional or on-line. DoD is also developing an automated tracking system to document all concerns and complaints by students, DoD personnel and schools. The system will track the complaint and record its resolution. DoD is also partnering with the Departments of Education and Veterans Affairs to address common issues concerning administration of federal education benefit programs as they relate to the three agencies involved and the benefits provided to Service members and veterans.

Military Commissaries

The commissary continues to be one of the most popular non-pay compensation benefits that our military members (Active, Guard, or Reserve,) retirees, and their families enjoy. Operated by the Defense Commissary Agency (DeCA), this integral element of the total compensation package not only does much to enhance the quality of life for military families, but also provides an excellent savings from them. Last fiscal year, the commissary provided direct savings to commissary customers of \$2.69 billion dollars for a taxpayer cost of \$1.3 billion. Providing savings on the patrons’ overall purchases of 31.5 percent, for those patrons who

consistently use their commissary, savings can amount to nearly \$4,400 per year for an average family of four, over \$2,400 for a couple, and more than \$1,500 for a single Service member.

Perhaps most importantly, the commissary enables troops to focus on their mission when deployed, improving retention by providing a “sense of community” for military personnel and their families, and providing access to American products around the world in a safe, secure shopping environment.

As an organization, DeCA is a model for departmental efficiencies. DeCA has a proven history of taking cost out of the commissary system without decreasing the value of the benefit provided. In fact, when measured in constant dollars, DeCA’s operating costs are only slightly more than one-half of what they were when the Agency activated on October 1, 1991. DeCA’s efficiency track record continues with an FY 2012 budget submission of \$1,376.8 million.

CIVILIAN PERSONNEL POLICIES

Strategic Human Capital Management, Competency Management, and Civilians in the Total Force

The Department is making progress toward developing a more systematic approach and enterprise tools for strategic human capital planning that covers over 750,000 civilian employees in over 600 occupations. **The total number of DOD civilians has evolved from 777,844 in FY10 to 790,497 in FY 11 and will stabilize at 783,702 in FY 12.** For example, a Competency Management Framework has been designed that includes plans for the phased development and deployment of a tool for competency assessments beginning with mission-critical occupations. A proof-of-concept Enterprise Competency Management will undergo validation testing this summer and the long-range plan is to replace multiple competency assessment tools with a single tool for use across the Department. Another example is the integration of strategic workforce planning, competency management, hiring improvement, and leadership development initiatives to ensure that the Department can recruit, retain, and develop an agile, competency-focused civilian workforce throughout the employee life-cycle that is responsive to swiftly changing mission demands and complex challenges. These are multi-year initiatives that are intended to improve the Department's ability to rapidly grow, contract, and shift the work force in response to emerging mission and capability requirements. The Department also recognizes the need for integrated Total Force planning to better assess and manage the mix of active and reserve military, civilian, and contract requirements in order to leverage the best talent source available to provide short-term, mid-range, and longer capabilities.

Hiring Reform

In 2010, the Department made positive and meaningful progress toward reforming its civilian hiring practices. DoD completed all mandates of the President's Hiring Reform Memorandum of May 2010, including the following:

- Elimination of Knowledge, Skill and Abilities (KSAs)-style essays when applicants first apply for Federal employment;
- Allowing the submission of resumes and cover letters;

- Using the category rating approach to determine best qualified candidates;
- Increasing Hiring Manager involvement and accountability;
- Improving the speed and quality of the hiring process; and
- Informing applicants of their application status at key stages in the process.

While meeting these mandates, the Department pushed its hiring reform efforts in other ways. DoD has reduced the number of days it takes to hire an employee by developing a common business process, deploying tools to automate key steps in the hiring process, and providing manager and human resource specialist training and job aids. In addition, the Department's arsenal of hiring-related metrics and measurements has grown, thereby enabling transparency and targeted improvements to the hiring process.

In FY10, the Department processed nearly 250,000 hiring actions. While doing so, DoD reduced its external hiring timeline by 25% from the FY09 baseline of 155 days to 116 days. This achievement exceeded DoD's FY10 goal of 140 days. In addition, time to fill for all hiring actions (internal and external) was 75 days. As a result of this progress on the external timeline, DoD's yearly targets were adjusted aggressively downward to 101 days (originally 112 days) in FY11, and to 80 days in FY12, with quarterly goals in place to monitor progress. In Q1 FY11, DoD continued to reduce its external hiring timeline to 114 days and DoD expanded its key hiring metrics to include tracking time to hire for "all hires."

Another area of improvement is the automation of DoD's hiring process. DoD procured an automated staffing tool in late FY10 and is deploying it across DoD as an interim solution to approximately 70% of the Department in FY11, and to 100% in FY12. In addition, DoD is working with its Components to continue improving hiring business processes, and to apply enterprise technology where feasible.

DoD is also partnering with OPM on the re-engineering of USAJOBS, the job posting portal used by the Federal government, with phase 1 (of 3) scheduled for deployment during calendar year 2011. DoD, along with DHS and other agencies large and small, is providing project leadership and personnel to OPM to complete this aggressive and ambitious undertaking.

The USAJOBS 3.0 project is a high visibility project and DoD is the largest consumer of USAJOBS services. . Major benefits to the Department include:

- Improved job search functionality and results relevancy
- Open architecture that encourages increased interoperability with Human Resource Information Technology (HRIT) products
- A common repository for resumes and applicant documentation
- Improved functionality in the areas of assessments, recruitment, reporting, and career exploration

The deployment of an enterprise staffing tool and improvements to USAJOBS are critical initiatives; however, without the participation and engagement from our Hiring Managers and HR Professionals, these efforts have isolated impacts. As such, a primary DoD objective is to foster and encourage strong partnerships between Hiring Managers and HR Professionals. To assist these key stakeholders, DoD's Hiring Reform website (<http://www.cpms.osd.mil/HiringReform/>) was recently re-launched with a new look, and includes approximately 24 products in the *Hiring Managers Toolkit*, which was recognized by OPM as a best practice. A webinar series is in development, with content based on the four phases of the hiring process outlined in the *Toolkit*.

The initiatives outlined represent DoD's approach to hiring reform implementation, an approach aligned with the Department's overall mission, and with its Strategic Human Capital Management objectives. A key success criterion is the involvement of senior leadership. As reported previously, the Department continues to solicit and utilize its cadre of senior leaders to guide its efforts, communicate and campaign for process improvements, and provide leadership throughout each hiring reform effort. We will continue to monitor these efforts closely, as Hiring Reform remains a high priority for the Department.

Civilian Leadership Development

The Defense Civilian Emerging Leaders Program (DCELP), as authorized by the NDAA for FY10, Section 1112, fills a critical need, by focusing, for the first time on a corporate scale, on developing civilian leaders at the entry and mid-level. The Department recognizes the need for an improved model to attract, retain, and deliberately develop civilian leaders to support

pipeline readiness and enhance bench strength. We have conducted a gap analysis between existing programs and NDAA, Section 1112, and designed a program framework to create a new program to recruit and develop new DoD civilian leaders, using proven models such as the Presidential Management Fellows program. Recognizing the financial environment and to ensure we have a sound programmatic framework, we will implement a DCELP pilot in September 2011 with up to 100 participants at the General Schedule (GS) 7 through 11 level from the Acquisition, Financial Management, and Human Resources career fields. The DCELP amalgamates leadership and technical proficiency.

This new program will be additive to the Department's current leadership programs, which include the Executive Leadership Development Program (ELDP) and the Department of Defense Senior Leader Development Program (DSLDP). DSLDP was established in 2008 to meet emergent leadership needs and provides a competency-based approach to the deliberate development of senior civilian leaders (GS 14 or 15 and equivalent grades) with the enterprise-wide perspective needed to lead organizations and programs and achieve results in the joint, interagency, and multi-national environments. We are pleased to report that DSLDP is entering its third annual cohort. DSLDP is a critical feeder pipeline for executive talent. Established in 1985, ELDP provides mid-level civilians (GS-12 through GS-14 and equivalent grades) with an extensive exposure to the roles and mission of the Department of Defense and Interagency partners and an increased understanding of, and appreciation for, today's warfighters through intensive hands-on field experiences. Both programs are aligned with the 21st century competency framework and designed to ensure application of critical leader competencies and have garnered success for their target senior grade populations. These highly competitive Department-wide programs will serve as building blocks for the new leader development framework.

In addition to the programs just mentioned, another critical building block in this arena is training managers and supervisors. Pursuant to the NDAA FY10, Section 1113, the Department has established a holistic training curriculum and baseline learning objectives for each training topic. We are piloting this training in the Spring 2011 and will soon be turning our attention to developing the curriculum for refresher training, which the NDAA requires occur at least every

three years. Also, we are partnering with OPM and vendors to design assessment tools that will help predict interest and success for aspiring supervisors, as well as, developmental tools for current supervisors. Those assessment tools should be available for use by October 2011.

Executive Talent Management Initiatives

In a demanding year, confronted with cutbacks related to Efficiency Initiative directing the drawdown of over 200 Civilian Senior Executives, freeze on pay increases and reduced funding for performance awards, we continue to seek new and innovative ways to incentivize and retain our Senior Executives. This year, the Department focused its efforts on Talent Management initiatives that will continue to prove our commitment to the Department's senior leadership in ways not tied to monetary incentives, but that will provide for career development, personal growth, and enhanced readiness of our executives.

Through Talent Management Panels held in the summer of 2010, DoD assessed the readiness of its executives, slated executives for critical mission positions and identified developmental and career broadening assignments and programs. Through this process, our executive cadre received targeted feedback to help identify competency gaps and recommend training and development opportunities. At the enterprise level, the Department was able to identify and address mission critical gaps in its workforce. As a result of the 2010 panels, DoD has further refined its automated tool for Talent Management & Succession Planning, to include the development of additional capabilities for the executive's benefit.

DoD has also implemented several developmental programs to increase an executive's proficiency level on specific competencies. At the enterprise level, we concluded a successful pilot of the Joint Executive Management course, which focuses on improving business acumen in a joint environment for a DoD executive. We also began the design of a Department-wide orientation program, entitled "Vanguard" which will include an emphasized focus on the national security perspective. At the individual level, we implemented a 360-assessment and coaching program for executives' self-improvement, and a mentoring and coaching program targeted at improving executives' personal leadership skills. We will continue to look for further ways to improve the entire career lifecycle of our executives to ensure DoD possesses a world-

class executive cadre capable of leading the Department and ensuring its readiness to fully support DoD's warfighting efforts.

Civilian Expeditionary Workforce

The Department is working to better employ the talents of our civilian workforce to meet expeditionary mission challenges, especially those not directly related to war fighting. Global security challenges require adequate civilian capacity to conduct complex operations, including those missions that require close military-civilian planning and cooperation in theater. Since 2001, more than 43,000 Department civilians have been involved in contingency operations around the globe. Currently, from all sources, approximately 4,800 civilian employees are serving in the USCENTCOM theater.

In response to these imperatives, the Department institutionalized the Civilian Expeditionary Workforce (CEW) to provide deployable civilian experts to support military operations, contingencies, emergency operations, humanitarian missions, disaster relief, and stabilization and reconstruction operations. The CEW is designed to enhance the Department's ability to work alongside and help build the capacity of partner defense ministries and provide surge support where needed. Today, the CEW is a Capability-Based Volunteers (CBV) program. In the future, after the DoD Directive governing CEW is revalidated, the CEW will encompass a pre-identified subset of the Department's emergency essential and volunteer civilian workforce by skill sets and capabilities, who are trained, ready, cleared, and equipped for rapid response and quick assimilation into new environments. Since June 2010, CEW deployments have increased by 51%, from 171 deployed civilians to 353 as of the end of February 2011. Civilians deployed under the CEW receive general and theatre-specific, urban training, and are eligible for the same health care benefits in-theatre as deployed military personnel, including medical evacuation and access to hospital services.

With the support of Congress, the Department has obtained important incentives and benefits to help compensate for the inherent risks of deployment. The Department continues to identify pertinent issues and propose fully integrated solutions to ensure force health protection, surveillance, deployment benefits, and medical care for civilians who have been injured,

wounded, or have contracted diseases while deployed in support of contingency operations. We have worked in partnership with OPM, the Department of State, and the Department of Labor to ensure all similarly-situated Federal civilians receive consistent and equitable benefits commensurate with the risks of deployment. In this endeavor, working with our partner agencies, we developed proposed legislation to provide a standard benefits package for all Federal employees.

New DoD-wide Performance Management System, Redesigned Hiring, and Workforce Incentives

The NDAA for FY10 mandated new DoD-wide personnel authorities, including a fair, credible, and transparent performance management system that links employee bonuses and other performance-based actions to performance appraisal, and redesigned appointment procedures that will better meet mission needs; and provided discretionary authority to establish the DoD Civilian Workforce Incentive Fund for incentive payments for individual and team performance and to attract applicants or retain employees with particular or superior qualifications or abilities. The NDAA requires these authorities to be developed in coordination with OPM and that their development, design, and implementation are subject to collective bargaining obligations. Executive Order 13522, *Creating Labor Management Forums to Improve Delivery of Government Services*, allows employees and their union representatives to have pre-decisional involvement in decisions relating to all workplace matters to the fullest extent practicable.

The Department has been mindful of its responsibility to work with exclusive representatives of DoD employees, involve the workforce, and not constrain the development of the new authorities. In the interest of building an effective relationship between management and labor, the conference originally planned for April 2010 to begin exploring ideas for these authorities was postponed to give time for further collaborative discussions between labor and management with respect to a pre-design conference to help identify broad concepts for the NDAA personnel authorities mentioned above. The October 2010 reports to Congress covered the jointly designed, planned, and led *New Beginnings Conference* held in September 2010, the first mutually agreeable date.

Since the September conference, DoD has continued to engage the DoD unions on these authorities. A joint planning group met in mid-December to identify requirements for the start-up of the design effort. A second planning meeting was held January 20, 2011, with follow-up teleconferences on February 4 and 11. There are three joint design teams – performance management, hiring, and workforce incentive fund – with equal representation between management and DoD unions. Each team has a management and labor co-lead. Team members are from the DoD Components, OPM, and Federal Managers' Association and include line managers, union officials, employees at various grade levels, and human resources professionals from the National Capital Region and well beyond.

Marketing DoD Employment Opportunities

The Department values the experience and commitment of our service members and places special emphasis on supporting transitioning service members, wounded warriors, and veterans in their search for employment. We continue our efforts to actively reach out to our veterans to assist them in their civilian employment search with aggressive marketing and outreach programs, transition assistance programs, career fairs, and benefits counseling and assistance.

The Department continues this tradition in support of Executive Order 13518, the Veterans Employment Initiative. In January 2010, the Department stood up the DoD Veterans Employment Program Office to promote veterans recruitment, training and development throughout the Department.

DoD aggressively promotes/markets veterans hiring through DoD's Hiring Heroes Program, veterans outreach events, and assistance to veterans with navigating the application process in their search for employment.

To facilitate hiring, the Department manages nationally recognized Hiring Heroes Career Fairs, conducting eight to ten events throughout the U.S. each year. These events are specifically designed for and marketed to wounded, ill and injured service members, transitioning military,

Veterans, and their families to assist them in their search for employment. Since April 2005, 40 Hiring Heroes Career Fairs have been conducted, reaching over 13,800 job seekers and 2,388 employers. In 2010 alone, nine career fairs were conducted, resulting in 297 placements. Six Hiring Heroes Career Fairs are scheduled for FY11 at Fort Sam Houston, TX (2); Fort Riley, KS; Camp Pendleton, CA; Fort Lewis, WA; and Walter Reed Army Medical Center. These events are marketed through the military services, Transition Assistance Program Offices, Civilian Personnel Centers, Wounded Warrior Transition Brigades, Military Treatment Facilities, Department of Labor and Veterans Affairs, and numerous Veterans Service Organizations using posters, flyers, emails, Facebook, Twitter, websites, etc.

The www.DoDVets.com website provides veterans and transitioning service members with information on employment opportunities, veterans' preference, special hiring authorities, Q&As, as well as a calendar of recruitment events for veterans conducted throughout the U.S. The website also provides Hiring Managers with information on veterans hiring authorities.

The Student Training and Academic Recruitment (STAR) Program is another innovative recruitment program developed by the Department. Students are hired as on-campus representatives to promote DoD as the "Employer of Choice" and to market (through peer-to-peer interactions such as information sessions, special events and one-on-one) DoD's various and diverse employment and scholarship opportunities. The program is designed to create a cost effective way to market to and recruit students in academic studies which mirror DoD's mission critical occupations and to provide a year-round DoD presence on campus. The main goal of the program is to build a competent, diverse, and a highly-skilled civilian workforce, ready to meet 21st century global challenges and to support the Department's national security mission. The STAR Program is currently active at 5 universities, Michigan Technological University, Houghton, MI, University of Puerto Rico at Mayaguez, Mayaguez, PR, Tennessee State University, Nashville, TN, Morgan State University, Baltimore, Maryland and Rochester Institute of Technology/National Technical Institute for the Deaf, Rochester, New York. To date, the STAR program has resulted in permanent federal career opportunities for 10 of the participating students.

National Security Personnel System Transition

The NDAA FY10 repealed the statutory authority for the National Security Personnel System (NSPS) and requires that all covered employees be transitioned by not later than January 1, 2012, to the statutory pay and personnel system that last applied or that would have applied if NSPS had never been implemented, as appropriate. The law also requires that employees not suffer a loss of or decrease in pay upon conversion out of NSPS due to its repeal. The rules of the gaining pay and personnel system apply to determine employee placements and pay setting.

The termination of NSPS and the transition of all employees and positions are on schedule to be completed by the statutory deadline. Before drawdown began in late February 2010, there were approximately 226,000 employees covered by NSPS. Because 75 percent of them occupied positions with origins in the General Schedule (GS) system, the Department's goal was to transition most employees back to GS during FY10. The DoD Components assessed their readiness and determined NSPS transition schedules based on the following criteria: least possible disruption to mission and hardship to employees, existence of classified positions under the successor personnel system, existence of legacy performance management systems, and information technology capability.

During FY10, approximately 172,000 employees (representing 76 percent of the NSPS population) were transitioned out of NSPS to GS. As of September 30, 2010, approximately 53,000 employees remained covered by NSPS and will be transitioned in CY11 – approximately 44,000 by the end of June, another 8,000 by October, and the remaining employees before the statutory deadline. Employees are being transitioned in CY11 to the acquisition workforce personnel demonstration project, Navy alternative personnel system (“China Lake”), new laboratory personnel demonstration projects as required by section 1105 of NDAA, and to GS. Employees going to GS during CY11 include those assigned to designated healthcare occupations for which the Department had long considered implementing alternative pay and qualification systems under special authority and those affected by special situations, including employees who were deployed or who were subject to 2011 Base Realignment and Closure actions. A report to Congress at the end of April 2010 described steps taken for the

reclassification of NSPS positions and the initial plan for transitioning employees and organizations from NSPS. The first semiannual report on transition progress, transmitted in October 2010, provided information on the transition of employees to the GS system during FY10. Reports at the end of April and October 2011 will include information about the transition of the remaining employees covered by NSPS.

Disestablishment Initiatives

In August of 2010, Secretary Gates announced a set of initiatives aimed at increasing efficiencies, reducing overhead costs and eliminating redundant or low priority functions. These initiatives included the decision to disestablish the Office of the Assistant Secretary of Defense for Networks and Information Integration, the Business Transformation Agency, the Joint Chiefs of Staff J-6 Command, Control, Communications, & Computer Systems organization and a recommendation for the closure of the United States Joint Forces Command.

Since the announcement, the Department has engaged and met with various leaders of the affected organizations to discuss their way forward. We also established a Personnel and Readiness Transition Team, to work with the affected organizations to help them develop a transition strategy that is designed to be attentive to the needs of the affected population, transparent, and facilitates access to transition programs and tools. For the past six months, the team has been working closely with the affected organizations by assisting them with workforce analysis, timelines, and to identify necessary steps in implementing the disestablishment actions. We have leveraged best practices and lessons learned from Base Realignment and Closure actions and incorporated those lessons into our planning efforts.

With the final approval of the recommended actions, my staff continues to work closely with the leadership in the affected organizations by assisting them to develop their final implementation plans. We are providing specific human resources policy guidance, assistance with outplacement tools and programs and information to implement the associated personnel actions. We have launched a web page with links to the affected organizations to communicate with the affected workforce and to help answer questions and alleviate anxiety. We are committed to working with leaders of affected organizations to do everything possible to assist

their employees in order to facilitate a smooth transition and mitigate any adverse impact on the affected workforce.

Pay Freeze

The Department implemented the pay freeze in accordance with statute, issued clear guidance, and ensured that the President's intent with regard to pay adjustments was applied in a fair and equitable manner across the Department. Although the pay freeze legislation covers most civilian DoD employees, we recognize that there may be exceptions based on extraordinary circumstances. Special rates may be approved under extraordinary recruitment or retention evidence and availability of funding for particular occupations. In the past couple of years, staffing challenges arose in specific medical occupations and in highly skilled and qualified blue collar occupations. The DoD pay freeze exception policy is currently under review. We have already instituted a review process whereby overseas commands can petition DoD for exclusions to the pay freeze based on the criteria developed with OPM and the State Department.

Insourcing

We understand that, across the entire Department, we must do a better job of managing our Total Force of active and reserve military, government civilians, and contracts for services. Moreover, in the absence of change our Total Force costs, and associated health care expenses, will become prohibitively more expensive. Predictable consequences will include inadequate recapitalization, and a severely degraded future readiness.

To that end, we are changing how we strategically look at the Total Force, both as we execute our mission and plan across the FYDP. This not only includes the development and promulgation of policies, but is contingent on providing managers with the tools, resources, and information necessary to achieve the outcomes we desire in this increasingly austere fiscal environment. Among other things, while we must deliver an all volunteer force as a large and as capable as our commanders require, we must also ensure that we consistently challenge assertions of military essentiality, only planning for uniformed personnel if necessary. Similarly, the balance between active and reserve forces must be judicious and well-reasoned.

DoD is committed to meeting its statutory obligations under Title 10 to annually review its contracted services, identifying those that are more appropriately performed by the government workforce and should, therefore, be in-sourced. This includes services that are inherently governmental and could include services closely associated with inherently governmental work; that provide unauthorized personal services; or that may otherwise be exempted from private sector performance (to mitigate risk, ensure continuity of operations, build internal capability, meet and maintain readiness requirements, etc). While some contracted services may be identified for in-sourcing, some services determined to be no longer required or of low priority may be reduced in scope or eliminated, while other required services will continue to be provided by the private sector.

Additionally, partnering with USD(AT&L), the Military Departments, and others, P&R is ready to meet its newly delineated responsibilities under Title 10, and improve how the Department accounts for its contracted services. Collectively, the actions being taken will improve the long-term utility of the inventory of contracts for services; more adequately ensure the representation of Total Force management equities during the review process; and improve the Department's ability to accurately and holistically assess its contracted workload and the services being delivered in the context of applicable statutes, policies, and regulations. These changes are critical to improve the Department's ability, over the next several years, to more effectively manage individual contracts and workload associated. This will ensure we achieve the right balance in our workforce, aligning inherently governmental activities to military and civilian workforces and commercial activities to the most cost effective service provider – be that military, civilian, or contracted support.

Those contracted services that meet the necessary criteria (consistent with governing statutes, policies, and regulations) will be in-sourced, by:

- absorbing work into existing government positions by refining duties or requirements;
- establishing new positions to perform contracted services by eliminating or shifting equivalent existing manpower resources (personnel) from lower priority activities; and
- on a case-by-case basis, requesting an exception to the civilian limits the Secretary has asked the Department to adhere to.

Our in-sourcing efforts are focused on rebalancing the workforce, rebuilding critical internal capabilities (including the acquisition workforce), and reducing operational risks and are consistent with the reforms to government contracting that President Obama called for in March 2009: addressing overreliance on contractors; appropriately aligning inherently governmental activities to government performance; performing functions efficiently and effectively; and protecting the public's interest while providing the best value for taxpayers.

Lastly, while there has been significant focus over the past few years on in-sourcing, the Department recognizes that insourcing is just one of many management tools and is not a one-size-fits-all solution. Not all in-sourcing is good, just as not all out-sourcing is bad. The private sector is, and will continue to be, a vital source of expertise, innovation, and support to the Department's Total Force.

We appreciate the Congress' concern related to public-private competitions under OMB Circular A-76. I will soon be submitting a report that is the result of nearly 18 months of policy and 'best practice' review. Our report will make recommendations to improve the end-to-end public-private competition process. We believe that a public-private competition process can be a useful tool for our commanders and managers to use to validate an organization's manpower and other requirements; drive a more consistent delivery of mission critical support and services to our Servicemembers and families; and deliver readiness while minimizing fiscal opportunity costs to meet the compelling needs of the Department.

In summary, we must have a Total Force that provides our commanders the enabling manpower they require. However, we must also ensure that its costs do not deprive those same commanders and our forces of the technologies, platforms and systems that will translate into necessary capabilities.

Conclusion

We are confronted with three fundamental and related challenges as we transition the end strength of our Forces and execute efficiencies within the Department and the Services. 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 need to work together with this Congress in creating a system of force management tools focused on a means to compassionately reduce the force as operations subside. Third, we must constantly weigh 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 are faced with hard choices, as a Department and as a Nation, of allocating our resources the best we can to win the war at hand while taking care of our most valuable asset – our men and women in uniform. I look forward to working with this Congress to meet these challenges over the coming year and beyond.