PRESS RELEASE
House National Security Committee
Floyd D. Spence, Chairman

FOR IMMEDIATE RELEASE
October 23, 1997

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CONFEREES REACH AGREEMENT ON FY 98 DEFENSE AUTHORIZATION BILL

House National Security Chairman, Floyd D. Spence (R-SC), announced that House and Senate conferees reached an agreement on the conference report for the National Defense Authorization Act for Fiscal Year 1998 (H.R. 1119). Upon conclusion of the conference, Chairman Spence issued the following statement:

"I am satisfied that we have successfully worked through the thousands of differences between the House and Senate defense authorization bills and produced a conference report that reflects Congress' commitment to maintaining a strong national defense.

"Although the House and Senate bills going into this conference were markedly different, I am pleased that the conference report maintains much of the focus and emphasis of the bipartisan bill that passed overwhelmingly in the House last June. This bill attempts to address many of the personnel, quality of life and readiness issues that are increasingly commonplace news because they are increasingly commonplace problems. The bill also adds funding for housing and barracks, child care centers, a pay raise, and for a quality healthcare program and also includes a number of measures that will address both the symptoms and some of the underlying causes of mounting readiness problems.

"Finally, the conference report recognizes that the post-Cold War world will continue to pose challenges to U.S. national security interests that require a strong military. But it also acknowledges that resources are constrained in a balanced budget environment and attempts to prioritize our defense needs. It is the prioritization and balancing of national security priorities that will remain our most significant challenge in the years ahead."

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Note: The conference committee used the fiscal year 1998 defense spending recommendation contained in the Concurrent Resolution on the Budget — $268.2 billion in budget authority — as its funding level, which represents an increase of $2.6 billion over the President's budget request and a real decline of 1.3 percent relative to fiscal year 1997 spending. A summary of major provisions of the FY 97 National Defense Authorization Act Conference Report is available on the National Security Committee Homepage at ***www.house.gov/nsc/****.*

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SUMMARY OF MAJOR PROVISIONS

H.R. 1119

NATIONAL DEFENSE AUTHORIZATION ACT

FOR FISCAL YEAR 1998

(CONFERENCE REPORT)

OCTOBER 23, 1997

TABLE OF CONTENTS

Quality of Life is Readiness.....1
Readiness Realities.....7
Building Tomorrow's Military.....15
Reform.....25
Other Initiatives.....29
Table of Major Programs.....35
Index.....37

QUALITY OF LIFE IS READINESS

Despite efforts over the past three years to increase funding for quality of life initiatives and to draw attention to quality of life and readiness deficiencies, the combination of poor pay and benefits, reduced healthcare, inadequate housing, longer family separations, and dramatically increased workload due to increased operations and personnel shortages have continued to create an atmosphere that is driving quality personnel out of the military.

These findings were described at length in a report by House National Security Committee Chairman Floyd Spence, Military Readiness 1997: Rhetoric and Reality, *and are the basis for many of the provisions that are contained in the conference report. The conferees believe that these actions will make a difference for the soldiers, sailors, airmen, and Marines in the field.*

Pay and Allowances. In recent years, service members have had to bear the burden of a military pay and allowance system that has not kept pace with the current economic environment. Not only are service members at the lower end of a "pay gap" between private sector civilian and military personnel, service members routinely experience a loss of income when they are deployed or participating in training exercises. To address these issues, the conferees included a number of provisions designed to reduce out-of-pocket expenses, protect income levels of service members participating in exercises, and retain quality people:

- **Basic Military Pay Increase.** The conferees provided a 2.8 percent military pay raise;

- **Stabilizing Service Members' Pay.** The existing military pay system causes families to experience significant reductions in income when service members participate in training exercises at home station or when deployed. To remedy this situation, the conference report mandates that a service member's total compensation cannot be reduced when assigned to duty away from the member's permanent duty station or while assigned to duty under field conditions at the member's home station. The conferees authorized $18 million to pay for this provision;

- **Consolidation of Housing Allowances.** The conferees believe that the current housing allowance system, which consists of Basic Allowance for Quarters (BAQ), and Variable Housing Allowance (VHA), and is based on service member expenditures, has become inefficient and inequitable. In an effort to rectify the problem, the conferees directed that BAQ and VHA be consolidated into a non-taxable allowance based on housing costs for civilians with comparable income levels residing in the same area. Under this system, the annual growth in housing allowance will be indexed to increases in the national average monthly cost of housing. In addition, the conferees directed that overseas housing allowances (OHA) and family separation housing allowances be incorporated into a single, easy to administer authority. Finally, the conferees directed that a new rate protection provision in overseas allowances be established to protect service members from reductions that

are not attributable to fluctuations in foreign currency rates so long as the service member's housing costs have not been reduced;

- **Basic Allowance for Subsistence (BAS).** BAS is a cash allowance provided to defray the cost of a service member's food when government meals are not provided. Currently, BAS is terminated when an enlisted service member is deployed under field conditions or is assigned to sea duty. Although this fulfills the intent of the allowance, it also has the effect of reducing the incomes of personnel when they are deployed. Such a reduction is particularly damaging for enlisted personnel with families, whose expenses remain nearly the same whether or not their family service member is at home. Therefore, the conferees authorized the Secretary of Defense to transition to a universal BAS and publish new rules for BAS payments. This flexibility will allow the Secretary of Defense to maintain income levels for deployed service members, restore equity in compensation between different groups of deployed forces, and manage compensation programs more efficiently. The conferees were also concerned by the growing disparity between BAS and actual food costs. Therefore, the conferees directed that future growth in BAS be based on growth in the cost of food instead of increases in basic pay;

- **Family Separation Allowance.** The family separation allowance is paid to married service members who are on duty at locations where their family members cannot accompany them. It is paid anytime they are separated from their family for 30 consecutive days or more. In recognition that military families are under additional stress in today's high operational tempo military, the conference report increases the family separation allowance from $75 to $100 per month;

- **Special Duty Pay for Hardship Duty Locations.** Under the current deployment compensation system, the Department of Defense (DOD) has limited options for compensating service members serving in places that are less desirable or safe than others. Furthermore, DOD is currently unable to recognize the additional sacrifices associated with accepting multiple deployments over the course of a military career. To give DOD additional flexibility to deal with such issues, the conference report establishes a new special duty pay for service members serving at locations that present quality of life hardships. The special duty pay will vary, at the discretion of the Secretary of Defense, according to location, grade, years of service, and other factors, but may not exceed $300 per month. This new duty pay, in concert with the flexibility of the new BAS system, will provide the Secretary of Defense with the tools necessary to ensure that service members are compensated in a more fair and equitable manner for their sacrifices; and

- **Hazardous Duty Incentive Pay.** The conference report provides $22.1 million to increase hazardous duty compensation for a wide range of hazardous duties including parachute jumping, aerial flight, explosives demolition, and aircraft carrier flight deck duties. The pay increase will vary depending on the hazardous duty.

Military Construction. The conferees were particularly concerned that deficiencies in military infrastructure, especially in housing and in other facilities that support quality of life for military personnel, are impacting troop morale and may result in a negative impact on retention. Therefore, the conferees authorized $9.2 billion ($800 million more than the President's request) for military construction. Over 55 percent ($441 million) of the increase is dedicated to quality of life enhancements. Specific military construction initiatives include:

- **Family Housing.** The President requested $680 million for construction and improvement of military family housing units, representing a 32 percent reduction from current spending levels. The conference report provides $883 million (30 percent more than the President's request) for construction and improvement of military family housing units. These totals include:

    - $197 million ($54 million more than the President's request) for Army housing construction and improvements;

    - $385 million ($106 million more than the President's request) for Navy and Marine Corps housing construction and improvements; and

    - $296 million ($43 million more than the President's request) for Air Force housing construction and improvements.

- **Troop Housing.** The conference report authorizes $709 million ($103 million more than the President's request) for the construction of 46 (10 more than the President's request) new barracks and dormitories within the United States and to support troops deployed abroad;

- **Child Development Centers.** The conference report provides $32 million for 7 child development centers ($25 million and 5 child development centers more than the President's request);

- **Education and Training.** The conferees authorized $54 million ($39 million more than the President's request) for construction that will enhance troop education and training; and

- **National Guard and Reserve Construction.** The conference report authorizes $448 million ($275 million more than the President's request) for construction requirements to enhance the training and readiness of the National Guard and reserves.

Healthcare. For the second year in a row, the President's budget significantly underfunded the Defense Health Program (DHP). According to the General Accounting Office (GAO), this year's shortfall was between $424 million and $471 million. DOD recently admitted that the DHP had been underfunded, but contends that the shortfall is somewhat less than what GAO estimated – $274 million. The Administration's admission that it underfunded the DHP shows a lack of commitment to one of the top quality of life

programs for service members and their families. In an effort to correct the Administration's failure to support the defense health program, the conferees added $274 million. In addition, the conference report includes the following provisions to ensure the availability of quality medical care for military beneficiaries:

- **Expansion of TRICARE Prime.** In order to provide military beneficiaries with greater access to less expensive healthcare, the conferees directed the Secretary of Defense to prepare a plan to expand the HMO option of TRICARE – TRICARE Prime – into areas outside the 40-mile radius of military medical treatment facilities;

- **TRICARE Program.** The conferees believe that existing administrative requirements, coupled with low provider reimbursement rates for certain services, may be restricting beneficiary access to quality healthcare providers. Therefore, the conference report includes a number of provisions intended to make participation in the TRICARE program more appealing for healthcare providers. The conference report eliminates some of the administrative burdens, requires a minimum level of reimbursement for providers, consistent with Medicare, and directs a comprehensive review of the overall TRICARE reimbursement rate structure;

- **Mail Order Pharmaceuticals.** DOD currently offers a mail-order pharmacy program to Medicare-eligible beneficiaries who live in areas affected by base closures. While this program benefits many military beneficiaries, it does not help the large numbers of Medicare-eligible retirees who live in non-base closure areas that do not have military treatment facilities. These beneficiaries either must drive long distances to the nearest military medical treatment facility to receive their prescription drugs, or they must pay full retail prices to fill their prescriptions. As Medicare generally does not provide a pharmacy benefit, extending the current mail-order pharmacy program to all Medicare-eligible beneficiaries would fill a significant gap in the medical coverage of these beneficiaries. Accordingly, the conference report requires the Secretary of Defense to evaluate the feasibility, advisability, and cost of extending the current mail-order pharmacy program to all Medicare-eligible military beneficiaries who do not reside near military medical treatment facilities; and

- **Medical Care for Certain Reservists Who Served in the Persian Gulf War.** Since the end of the Persian Gulf War in 1991, many Gulf War veterans have suffered symptoms or illnesses associated with service in the war. The conference report provides an entitlement to medical care for certain reservists who served in the Persian Gulf War and are now suffering from Persian Gulf illnesses. This entitlement will allow Gulf War veterans who are not eligible for care in the VA system and who are suffering from a Gulf War illness to receive medical care through the military health system on the same basis as active-duty service members.

Protecting Military Leave for Federally-Employed Civilian Reservists. The conferees rejected the President's proposal to prohibit federally-employed civilian reservists from taking penalty-free leave to

serve their annual two-week military training period. Such a policy would penalize members of the federal workforce who serve the nation both as civilians and members of our volunteer military force. In addition to rejecting the President's request, the conferees restored $85 million to the reserve component military personnel accounts ($85 million is the amount that the President sought to "save" when he presumed Congress would agree with his policy change).

Termination of the Ready Reserve Mobilization Program. During the Persian Gulf War, approximately one-half of the reservists called to duty reported a loss of income while they served. To protect reservists against such losses in the future, a voluntary mobilization income insurance was authorized in the National Defense Authorization Act for Fiscal Year 1996 (Public Law 104-106). Unfortunately, low participation combined with the untimely call-up of reservists for operations in Bosnia (which coincided with an enrollment period) bankrupted the program and left an unfunded liability of $72 million. Recently, the DOD Inspector General and GAO reported that the program is actuarially unsound. As modifying the current program to correct its structural faults would be impractical, the conference report terminates the ready reserve mobilization income insurance program and fulfills all due benefit payments. The conferees recognize that terminating the program will cause many reservists to experience financial hardships when called to active duty. The conferees remain receptive to future legislative proposals for actuarially sound insurance programs from the Secretary of Defense.

Impact Aid. The Department of Education Impact Aid program provides supplementary funds to school districts nationwide to support the education of nearly 580,000 military children. While the conferees believe that assistance to local educational agencies is more properly funded through the Department of Education, they also recognize that Impact Aid funding has been eroded by both inflation and spending reductions in recent years. Therefore, the conference report authorizes $35 million (the President did not request any funding) to continue DOD's contribution to educational assistance to local educational agencies.

Morale, Welfare, and Recreation (MWR). MWR programs make a tangible difference in the quality of life for American servicemembers. The military resale system, in particular, is a vital part of maintaining servicemembers' quality of life, as well as force readiness. Commissaries, exchanges, and the services' MWR programs offer military families affordable places to shop, exercise, relax, and spend their off-duty hours. The conference report reflects two overriding goals: first, protecting these critical benefits for our military personnel, their families, and retirees, and second, ensuring that these benefits are delivered in as cost effective and efficient a manner as possible.

- **Commissary Merchandise and Pricing Requirements.** In an effort to improve congressional oversight over the commissary system, the conferees agreed to:

    - codify the surcharge on products sold at commissaries at the current five percent level and require congressional authorization for DOD to change the surcharge on items sold in commissaries;

- require DOD to submit advance written requests to Congress for changes in categories of merchandise sold at commissaries as a part of the department's annual budget submission; and

- require advance written notice and a waiting period of 90 legislative days before any change in pricing policies for merchandise sold at commissaries could be made.

- **Exchange Integration.** The conferees expressed the view that integration of the exchanges should not occur until a due diligence study of the relative advantages and disadvantages of integration is completed and unless that study recommends that integration is in the best interests of the department.

- **Defense Commissary Agency (DECA) Financing.** In an effort to ensure greater funding stability for the Defense Commissary Agency (DECA), the conferees agreed to a provision permitting proceeds from the sale of recyclable materials, the sale of excess and surplus property, license fees, and royalties to be used for construction and other improvements to commissary stores.

- **Public-Private Partnerships for the Benefit of MWR Activities.** The conferees agreed to a provision directing DOD to submit to Congress a plan for the establishment of public-private partnerships — business arrangements under which private entities could operate morale, welfare and recreation activities, thereby reducing costs to the government but still generating profits that would support MWR programs.

READINESS REALITIES

Over the past three years, the committee has taken a comprehensive approach to addressing both short- and long-term readiness shortfalls by adding funds to key, underfunded readiness accounts as well as approving initiatives to enhance the "Total Force" concept. Despite these efforts, the competition between limited resources and expanding missions continues to squeeze the defense budget to the point where military commanders are forced to make untenable tradeoffs between maintaining unit readiness, funding modernization shortfalls, or addressing quality of life initiatives. Such crisis-management does not increase readiness, it increases risk .

In a number hearings on readiness this year, witnesses testified that while the military is ready to fight today, it may not be ready tomorrow. In addressing a range of readiness concerns identified by military personnel out in the field, the conferees took steps to ensure that U.S. forces are ready for the 21st Century. Additionally, the conferees hope that these initiatives will address both the symptoms and some of the underlying causes of mounting readiness problems.

Operations and Maintenance (O&M) Funding. Over the past two years, the Congress has added billions of dollars to address shortfalls in critical readiness accounts. The conferees believe that adequately funding these accounts is essential to sustaining force readiness. Therefore, the conferees authorized $93.8 billion ($598.8 million more than the President's request) for O&M accounts. Significant additions include:

- $354.8 million for depot maintenance to reduce backlogs in the active and reserve components;
- $595.4 million for real property maintenance (RPM) to address the growing maintenance backlog for facilities, including barracks, dormitories, critical health and safety deficiencies, and mission critical operational deficiencies;
- $622 million to ease the shortfalls in the Navy and the Air Force's flying hour programs, due primarily to increased operations and the rising cost of aircraft repair parts; and
- $60 million for Army National Guard real property maintenance, training operations and depot maintenance.

Committee Oversight of Readiness Accounts. Over the several years, DOD has increasingly used funds appropriated for training, maintenance, and other key readiness programs to pay for deficiencies elsewhere in O&M accounts. Nowhere has this trend been more evident than in the transferring of funds to pay for the growing costs of the Bosnia operations. To enhance congressional oversight of DOD readiness accounts, the conference report requires the Secretary of Defense to:

- report monthly to Congress on the allocation of appropriations to O&M budget activities at the subactivity level. The reports must highlight any reallocation of $15 million or more between accounts; and

- report semi-annually on transfers from high-priority readiness accounts. This provision will expand the current report of high-priority readiness accounts to include Base Operations and Real Property Maintenance.

Expanding the Scope of Quarterly Readiness Reports. More than three years ago, GAO conducted a review of the adequacy of the Status of Resources and Training System (SORTS) – the foundation for today's senior level readiness assessments. The report, *Military Readiness: DOD Needs to Develop a More Comprehensive Measurement System* (GAO/NSIAD-95-29), included 29 specific readiness categories that commanders identified as critical but were not included in SORTS. The conferees are concerned that DOD has not yet incorporated these recommendations into official readiness reports. Therefore, in order to encourage more comprehensive and accurate accounting of the current state of readiness, the conference report directs DOD to incorporate the following into its quarterly readiness reports:

- personnel issues, including individual personnel status, personnel trends, recruit quality, borrowed manpower, personnel stability, morale, and recruiting shortfalls;

- training unit issues, including unit readiness and proficiency, operations tempo, training funding, and training commitments and deployments; and

- logistics data – including equipment availability and age, and maintenance backlogs.

The conference report also requires DOD to report on all active component units at the battalion or squadron equivalent level that reported an overall readiness rating of C-3 or lower (a degraded readiness posture) during the reporting period.

Operation of the National Training Center (NTC). The NTC is the only U.S.-based training facility where Army maneuver units can train against a dedicated force in an environment that closely resembles high-intensity combat. Currently, the Army funds the operation of the pre-positioned fleet of equipment at the NTC out of a central account. However, earlier this year, the Army decided to change their funding policy so that units training at the NTC would have to pay for the use of pre-positioned equipment out of funds provided for home station training. This change was reflected in the NTC funding level in the President's budget request. The conferees believe that such a policy change would diminish home station training, adversely affect the ability of units to reach desired proficiency levels, and, ultimately, degrade the critically important NTC training experience. Therefore, the conference report rejects the Army's plan to change the training funding policy and increases Army O&M funding by $60.2 million to pay for the costs associated with operating the NTC pre-positioned equipment.

Measuring Operations and Personnel Tempos. Currently, the services do not use common definitions for operations and personnel tempos, making it very difficult to assess the extent service members are away from their homes and families. Therefore, the conference report requires the Chairman of the Joint Chiefs of Staff to develop a common measurement for operations and personnel tempos.

Tiered Readiness Provisions. Recent debates over defense strategy in today's resource-constrained environment have brought the issue of "tiered" readiness to the table. (A tiered readiness system would allow DOD to maintain certain portions of U.S. military forces at lower levels of readiness according to the likelihood of having to respond to a military conflict and the amount of time it would take to do so.) The recent QDR concluded that tiering would increase risk to military readiness while producing only modest savings. The conferees therefore prohibit the implementation of any tiered readiness system unless the Secretary of Defense determines that such a system is in the interest of the United States. In that case, the Secretary must report to Congress on the rationale for that determination and submit a request for legislation to support such a change. The conferees also directed the Chairman of the Joint Chiefs of Staff to submit a report to Congress by January 31, 1998, that further evaluates tiered readiness and estimates the requirements necessary to maintain the U.S. military under such a system.

Chairman, Joint Chiefs of Staff (CJCS) Exercise Program. The conferees are concerned that the number of exercises under the CJCS Exercise Program is exceeding the ability of the services and units to meet requirements in an already high paced operational tempo environment. Of particular concern are reports that many of these exercises are conducted for reasons other than training, such as a show of military presence in a region or to foster relationships with other nations. Therefore, the conference report reduced the President's request for the CJCS exercise program by $76 million and directs the Secretary of Defense to report to Congress by February 16, 1998, on both past and planned joint training exercises sponsored by the CJCS Exercise Program and the Partnership for Peace program. The report must include the type, description, duration, objectives, percentage of service-unique training accomplished, and an assessment of the training value of each exercise. This information will allow Congress to assess the Exercise Program's overall impact on operational tempo, training and readiness.

Training Ammunition. During the House National Security Committee's review of military readiness, numerous interviews with military personnel revealed that each of the services are experiencing shortfalls in their stocks of training ammunition. In some instances, these shortfalls have forced the services to use war reserve ammunition for training purposes. In an effort to correct these shortfalls, the conferees authorized $54.8 million more than the President's request to procure sufficient training ammunition to ensure that military personnel are able to maintain an adequate level of readiness and, in some cases, at least the minimum level of training.

Active Duty Endstrengths. The conference report revises current end-strength floors contained in law and mandates the following active duty endstrength levels:

Fiscal Year 1998 Endstrength - Active Forces

Service	FY 1997 Level	FY 1998 Request	FY 98 Conference Authorization	Change from FY 1998 Request	Change from 1997 Level
Army	495,000	495,000	495,000	0	0
Navy	402,013	390,802	390,802	0	-11,211
Marine Corps	174,000	174,000	174,000	0	0
Air Force	381,087	371,577	371,577	0	-9,510
Total	1,452,100	1,431,379	1,431,379	0	-20,721

Selected Reserve Endstrengths. The conferees agreed to the following endstrengths for the Selected Reserve:

Fiscal Year 1998 Endstrength - Selected Reserve

Service	FY 1997 Level	FY 1998 Request	FY 1998 Conference Authorization	Change from FY 1998 Request	Change from 1997 Level
ARNG	366,758	366,516	361,516	-5,000	-5,242
USAR	215,254	208,000	208,000	0	-7,254
USNR	95,898	94,294	94,294	0	-1,604
USMCR	42,000	42,000	42,000	0	0
ANG	109,178	107,377	108,002	625	-1,176
ASAFR	73,311	73,431	73,447	16	136
USCGR	8,000	8,000	8,000	0	0
Total	910,399	899,618	895,259	-4,359	-15,140

Assistants to the Chairman of the Joint Chiefs of Staff for National Guard and for Reserve Matters. To improve the quality of advice on reserve component matters provided to the Chairman of the Joint Chiefs of Staff, the conferees agreed to create two assistant to the Chairman positions at the two-star level, one for National Guard matters and the other for reserve matters. Additionally, the conference report requires the Secretary of Defense to develop policy guidance to ensure that the level of reserve component officer representation on the Joint Staff is commensurate with the significant role of the reserve components in the Total Force.

Individual Ready Reserve (IRR) Activation Authority. During times other than war or national emergency, the President may involuntarily recall units of the Selective Reserve to active duty for up to 270 days (for a maximum of 200,000 reservists). Under current law, this authority cannot be used to recall members of the IRR. During the Gulf War, this restriction compelled the mobilization of elements of late-deploying Selective Reserve units in order to fill personnel shortfalls in early deploying units, and caused significant readiness problems for the late deploying units. Accordingly, the conference report establishes a new category of IRR in which individuals may be recalled to fill any unforeseen gap in recalled units. This category will consist of personnel with specialized military skills who volunteer prior to leaving active duty to become part of this new IRR category. The President will be able to recall up to 30,000 members of this new IRR category.

Recruiting Challenges. The conferees view recruiting sufficient numbers of high-caliber men and women to serve in the military, and then retaining them through Basic Training, as one of DOD's most difficult challenges. In the last recruiting cycle, the Army was unable to meet its recruiting goals, and subsequently lowered its goals for percentage of recruits with high-school degrees. In the past, the Army's recruiting problems have been accurate indicators of impending problems for the other services. In an effort to address these problems, the conference report includes the following provisions:

- **Recruiting Advertising.** The advertising recruiting efforts of the services have proven invaluable in the past. Accordingly, the conferees authorized $16.5 million more than the President's request ($7 million for the Army, $3 million for the Navy, $2.2 million for the Air Force, and $4.3 million for the Marine Corps);

- **Reforming the Military Recruiting Systems.** The conferees believe it is important that each of the services reform its recruiting system to reduce the attrition rate of its recruits while improving their quality. Therefore, the conference report directs the Secretary of Defense to undertake a series of department-wide reforms including: improving the military's understanding of reasons that recruits drop-out of training, encouraging recruiters to improve screenings of prospective recruits, and assessing trends in the use of waivers to permit enlistment of persons with disqualifying conditions. The Secretary of Defense is required to report his recommendations for accomplishing the reforms to Congress by March 31, 1998;

- **Improving Medical Prescreening.** A recent GAO study into the reasons that military personnel drop-out during their first term of enlistment revealed that attrition rates could be reduced through better medical prescreening of applicants for military service. The conferees agreed with the review's findings, and directed the Secretary of Defense to reform the screening process to more effectively evaluate potential recruits for medical fitness; and

- **Improving Recruit Physical Fitness.** The conferees were concerned that, in general, recruits are arriving at basic training with less-than-acceptable physical fitness levels. Not only does this increase the risk of injury to the recruit, but it reduces the value of the basic training experience. Accordingly, the conferees directed the Secretary of Defense to use incentives to encourage new recruits to improve their fitness levels prior to the start of basic training. In addition, the conferees directed the Secretary of Defense to structure a program that would allow recruits to use military fitness facilities for training purposes as well as military medical facilities if they should be injured during supervised conditioning activities.

Evaluating Basic Training. In response to concerns about whether the services' basic training programs are producing graduates with the levels of physical fitness, basic military skills, and discipline needed to serve in today's military, the conference report establishes a Congressional commission on military training and gender-related issues. The commission will review the basic training programs of each of the services, and make recommendations for improvements to each of them. The commission also will evaluate the basic training policies for each of the military services regarding gender-integration, as well as the regulations and policies pertaining to sexual misconduct and fraternization. The commission will be composed of 10 experts in military training, military job qualifications, combat or theater of war operations, legal matters, or gender-integration matters. Five members will be selected jointly by the chairman and ranking member of the House National Security Committee and five by the chairman and ranking member of the Senate Armed Services Committee. The commission must provide an initial report to Congress by April 15, 1998, and a final report by September 16, 1998, containing its findings and recommendations.

Reforming Army Drill Sergeant Selection and Training. Drill sergeants perform one of the most crucial, and difficult, missions in the U.S. Army. As such, the standards for entrance into, and graduation from, drill sergeant training should be rigorous. Therefore, the conference report requires the Secretary of the Army to institute a number of reforms to Army drill sergeant selection and training, including: requiring psychological screening of all drill sergeant candidates, providing drill sergeant trainees the opportunity to work with actual recruits in initial entry training, and revising the drill sergeant trainee evaluation system to include an assessment of the qualifications and suitability of a drill sergeant candidate. The report also requires the Secretary of the Army to report to Congress by March 31, 1998, on any reforms initiated.

Retention of Aviation Service Members. The conferees were very concerned by recent reports that unprecedented numbers of military aviation officers are leaving the services for the commercial aviation

industry. In an effort to slow the departure rate, the conferees agreed to increase aviation career incentive pay for aviators with more than 14 years of service, and to increase (retroactively through October 1, 1996) the maximum bonus for continuing an aviation career from $12,000 to $25,000. While the conferees hope that these changes will increase aviator retention, the conferees acknowledge that these measures will likely address only the symptoms of the problem – not the underlying causes. The conferees expect that the DOD report mandated by the House National Security Committee report accompanying H.R. 1119 (Report 105-132) will reveal more comprehensive solutions to this problem.

Retention of Nuclear Service Officers. Over the past 30 years, the Navy has developed bonuses and multi-year contracts to help encourage service members who are trained to operate nuclear power plants to remain in the service. As the Navy is currently having problems retaining the nuclear qualified officers, the conferees agreed to raise the maximum authorized rate for three nuclear special pays and bonuses. However, the conferees expect that DOD will report to Congress before next year's defense authorization bill on a more permanent solution to the Navy's retention problems.

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BUILDING TOMORROW'S MILITARY

The U.S. military's technological superiority depends on a steady investment in modernization of new and upgraded weapons systems and equipment. The President's $42.6 billion request for procurement represents a $1.5 billion reduction from enacted fiscal year 1997 levels and is $2.9 billion below the spending level forecast just last year for fiscal year 1998. This is the fourth consecutive year that the Administration has reduced the fiscal year 1998 procurement figure – by a cumulative total of $14.5 billion – relative to its earlier projections.

The conferees are concerned that the President's continuing lack of commitment to adequate procurement spending is resulting in obsolescent equipment that falls below the standards of performance, reliability and battlefield superiority established in the 1980s and demonstrated in the Gulf War. Therefore, for the third consecutive year, the conferees have added funds to modernization accounts ($3 billion to procurement for a total of $45.6 billion, and $570 million to R&D for a total of $36.5 billion).

Ballistic Missile Defense (BMD)

Ballistic Missile Defense Organization (BMDO) Funding. The conferees expressed support for a BMD program aimed at fielding effective theater and national missile defenses to counter existing and emerging ballistic missile threats, and authorized $3.7 billion for BMDO, approximately $1.1 billion more than the President's request. This includes an increase of $709.5 million and a transfer of $384.6 million from the service procurement accounts to the BMDO procurement account. The conferees directed this transfer in order to re-establish BMDO as the executive agent for BMD procurement, thereby protecting those programs from future budget pressures resulting from underfunded service modernization.

National Missile Defense (NMD). The conferees authorized $978.1 million for NMD, $474 million more than the President's request. Continued global proliferation of ballistic missile and weapons of mass destruction technology, combined with growing concerns about the security of ballistic missiles in the former Soviet Union, make the deployment of an NMD system a high priority. The conferees also approved a provision that requires the Secretary of Defense to structure the NMD program such that an integrated system test can be conducted in fiscal year 1999, and a system could be deployed by 2003.

Theater Missile Defense (TMD). The conferees continue to place very high priority on the rapid development and deployment of effective theater missile defenses. This priority is reflected in several key program actions:

- $406.1 million ($53 million more than the President's amended request) for the Theater High Altitude Air Defense (THAAD) program. In the wake of test problems, the increased funding will go toward extensive risk mitigation activities intended to put the program on sounder technical and programmatic footing;

- $344.9 million ($150 million more than the President's request) for the Navy's Theater Wide program. The extra funding will support additional early testing and accelerate the first integrated test of the Theater Wide interceptor to fiscal year 1999;

- $289.8 million ($22 million more than the President's request) for the Navy Area Defense program. The additional funds will again support a more robust test system; and

- The conferees approved the President's request of $206.1 million for research and development and $349.1 million for procurement of the Patriot Advanced Capability-Configuration 3 (PAC-3) and $48 million for the Medium Extended Air Defense System (MEADS) programs.

Cooperative Programs. The conferees supported cooperative international BMD programs and authorized $139.1 million for these efforts. This includes $50.7 million ($12 million more than the President's request) for the Arrow project, $16.4 million for the Unmanned Aerial Vehicle/Boost Phase Intercept project (UAV/BPI, an increase of $3.5 million) and $51 million for the Tactical High Energy Laser program (THEL; $34.5 million more than the President's request). Another $13 million was authorized for the Russian-American Observational Satellite project (RAMOS).

Improving Management of BMD Programs. In an effort to enhance the management and coherence of ballistic missile defense efforts, the conferees included provisions to:

- ensure that BMDO is adequately represented in the Pentagon by requiring the BMDO director, if he or she is a military officer, be of at least three star rank; and

- authorize the creation of a new program element to help manage international cooperative BMD programs starting in 1999. These programs include Russian-American and Israeli-American cooperative efforts.

Aircraft

E-2C Hawkeye. The conference report authorizes $324 million ($68 million and one aircraft more than the President's request) for four E-2Cs.

V-22 Osprey. The conference report authorizes $689.1 million ($155 million and two aircraft more than the President's request) for seven V-22 aircraft. The Osprey will replace the Marine Corps' aging fleet of CH-46 helicopters as its primary means of transporting Marines and their equipment into combat by air.

T-45TS Goshawk. The conferees provided $295.6 million for 15 T-45 aircraft ($45.4 million and three aircraft more than the President's request), the Navy's next generation jet pilot trainer.

F-22 Raptor. The F-22 Raptor, the Air Force's next-generation air superiority fighter, blends a decade of technological advancement in aerodynamic shaping, advanced propulsion and avionics, and low observability into one aircraft. The conferees supported the President's $2.1 billion request for research and development and authorized $74.9 million for advance procurement.

Joint Strike Fighter (JSF). The JSF is planned to be an affordable, next-generation multi-role combat aircraft based on a common airframe and components for use by the Air Force, Navy, and Marine Corps. The recently-released QDR made only small changes to planned JSF production, recommending a small reduction (from 2,978 to 2,852) and a two year delay in reaching maximum production rate (from 2010 to 2012). The QDR also proposed a significant increase in Navy JSF aircraft quantities. The conferees believe that the JSF should be accelerated to meet Navy requirements as soon as possible and that a fully funded alternate engine program is essential. Accordingly, the conference report authorizes:

- $463.9 million for the Navy JSF development ($15 million more than the President's request);
- $458.1 million for Air Force JSF development (matching the President's request); and
- $23.9 million for JSF development in the Defense Advanced Research Projects Agency budget (matching the President's request).

B-2 Spirit. The conferees authorized $331.2 million ($156.9 million more than the President's request) for long-lead activities related to the procurement of additional B-2s, or for the modification and repair of the existing B-2 fleet, should the President certify to Congress that additional aircraft are not needed. In addition, the conferees directed the Secretary of Defense to ensure that all necessary actions are taken to preserve the option to build more B-2 bombers until the panel on long-range airpower (established by the Fiscal Year 1998 Defense Appropriations Act) submits its report to Congress.

Helicopters

RAH-66 Comanche. The Comanche began development in 1982 to fulfill the Army's requirement for an armed reconnaissance helicopter. Recent warfighting experiments at the National Training Center continue to validate the need for such a helicopter. The conference report authorizes $282 million (matching the President's request) to accelerate Comanche development and production.

UH-60 Blackhawk. The conferees authorized $297.2 million ($89 million and 10 helicopters more than the President's request) for a total of 28 UH-60 Blackhawks. The additional aircraft are to be procured for the Army National Guard. Of the increased funds, the conference report authorizes $6 million to procure kits to configure UH-60Q medical evacuation aircraft.

Munitions

Precision-Guided Munitions (PGMs). PGMs have demonstrated that they can reduce the risk to our forces and increase the effectiveness of every weapons platform that carries them. Therefore, the conference report authorizes:

- $25 million ($23.5 million more than the President's request) for AGM-130 missiles – the F-15E's only 2000-pound weapon that can strike from outside point-defense range;

- $50.9 million ($15.3 million more than the President's request) to upgrade older Standard Missiles to the improved Block III configuration;

- $20 million (the President did not request any funds) for Hellfire II missiles, an anti-armor and anti-ship weapon that the Navy and Marine Corps use on their SH-60B and AH-1W helicopters;

- $83.8 million ($24 million more than the President's request) for the Navy and the Air Force to procure Joint Stand Off Weapons;

- $59.1 million ($17 million more than the President's request) for Javelin anti-tank missiles for the Marine Corps;

- $25 million (the President did not request any funds) for medium-range, air-launched AGM-142 missiles; and

- $175.5 million to continue development of the Air Force/Navy Joint Air-to-Surface Standoff Missile (JASSM), $28.9 million to continue development of the Navy's near-term Standoff Land Attack Missile-Enhanced Response (SLAM-ER), and $21.7 million for modification of SLAM to the SLAM-ER configuration. The conferees noted the lack of agreement between the Navy and the Air Force about the JASSM program, which gave rise earlier this year to Navy proposals to replace the current JASSM program with the SLAM-ER Plus. Accordingly, conferees directed the Secretary of Defense to include SLAM-ER Plus and the two JASSM candidates that are currently in the program definition and risk reduction phase in the JASSM analysis of alternatives that is scheduled to be completed next year. The conferees also directed the Secretary to review and report on the SLAM-ER and JASSM program and potential program alternatives within 60 days of enactment of this bill.

Naval Programs

CVN-77 and CV(X). The CVN-77 will serve as the transition ship from the Nimitz-class of nuclear aircraft carriers to the next-generation CV(X) aircraft carrier. Therefore, it is critical that the Navy use development of the CVN-77 to its maximum potential. Accordingly, the conferees placed a priority on increasing research and development for the CVN-77 and reducing that for the CV(X). The conference report authorizes $34.9 million ($17 million more than the President's request) to evaluate advanced technologies for inclusion in the CVN-77 aircraft carrier while reducing the R&D increase for CV(X) by recommending $12.2 million ($78 million less than the President's request). The conferees also authorized $50 million (the President did not request any funds) for advance procurement of long-lead components for the CVN-77.

LPD-18. The conferees provided $100 million (the President did not request funds for the program) for advance procurement of the LPD-18, the second in the new class of amphibious ships. The Chief of Naval Operations listed the LPD-18 among his top unfunded procurement priorities for fiscal year 1998.

Arsenal Ship/Maritime Fire Support Demonstrator (MFSD). The conferees expressed concern that although the stated purpose of the original arsenal ship program changed significantly with the Navy's announcement of the new Maritime Fire Support Demonstrator strategy in April 1997, the Defense Advanced Research Projects Agency (DARPA) and the Navy continue to pursue the MFSD program without any apparent near-term change in the original program direction and without addressing the issues that have been previously raised by the congressional defense committees. The conferees believe that a relevant MFSD program must focus on development and demonstration of new processes and procedures for the development and construction of Navy ships, and on development and demonstration of technologies that might be used in the DD-21, the Navy's next generation land attack destroyer, or in other future Navy ship construction programs. Therefore, the conferees authorized $35 million for the program ($115 million less than the President's request) and directed the Secretary of Defense to submit to the Congress a plan for development, demonstration, and evaluation of the MFSD and of the various technologies that are under consideration.

Naval Surface Fire Support. The conferees strongly support a naval surface fire support program that focuses on near term and future improvements in naval fire support systems. Therefore, the conference report authorizes $60.8 million ($23 million more than the President's request) for the program. The increase includes:

- $8 million to accelerate development and demonstration of the Extended Range Guided Projectile (ERGM);
- $3 million for a land attack variant of the Navy's Standard Missile;
- $10 million for a naval variant of the Army Tactical Missile System (ATACMS); and

- $2 million for the development of advanced microelectromechanical systems guidance and control technology.

New Attack Submarine (NAS). The conferees approved the President's request to allow the nation's two submarine-building shipyards to team together to build the first four NASs.

Large Medium Speed Roll-on/Roll-off (LMSR) Sealift Ships. The conferees approved the President's $581.3 million request for LMSRs, leaving only one ship left to be procured in order to fulfill the prepositioning and surge sealift requirements established by the DOD Mobility Requirements Study.

Ground Weapons and Vehicles

High Mobility Multi-Purpose Wheeled Vehicle (HMMWV). The conference report authorizes $131.2 million ($65 million more than the President's request) to procure HMMWVs for the Army, including "Up-Armored" variants that provide increased blast protection for vehicle occupants. The "Up-Armored" versions' additional protection was responsible for saving the lives of soldiers whose vehicles were struck by mine blasts in Bosnia. Additionally, the conferees authorized an increase of $30 million for HMMWV replacements for the Marine Corps.

Family of Heavy Tactical Vehicles (FHTV). The FHTV is the Army's family of heavy trucks, which includes the Heavy Expanded Mobility Tactical Truck, the Palletized Load System, and the Heavy Equipment Transporter System – the only truck capable of carrying the 70-ton M1 Abrams tank and other heavy equipment. The conferees authorized $114.1 million (the President did not request any funds) for FHTV.

Marine Corps Assault Vehicles. The conference report authorizes $68.1 million ($8 million more than the President's request) for continued development of the advanced amphibious assault vehicle (AAAV). The AAAV is a high water speed, amphibious, armored personnel carrier that will replace the Marine Corps' aging fleet of amphibious assault vehicles.

Reserve Component Modernization Programs

National Guard and Reserve Equipment (NGRE). The conferees recognize that active forces are increasingly dependent upon the reserve component to fulfill critical roles in worldwide deployments and are concerned that the funding levels for reserve component modernization programs have been shortchanged. Furthermore, they believe that it is essential that both the active and reserve component leadership work together to identify Total Force modernization requirements and ensure that they are adequately funded. Therefore, the conferees authorize a total of $2.2 billion for NGRE and aircraft, allocated as follows:

- $968.5 million for items contained within the various service accounts (approving the President's request);
- $365 million for miscellaneous equipment apportioned among the various reserve components (the President did not request any funds separately for the reserve components); and
- $851.9 million for the following equipment:
    - $89 million for 10 UH-60 Blackhawk helicopters;
    - $56 million for 36 M109A6 Paladin howitzers;
    - $40 million for 36 Field Artillery Ammunition Support vehicles;
    - $45 million for 96 Heavy Equipment Transporter System vehicles;
    - $95 million for 82 Bradley Operation Desert Storm Fighting Vehicle upgrades;
    - $18 million for Theater Deployable Communications;
    - $7.5 million for Airborne Mine Counter-Measure equipment;
    - $52 million for re-engining two KC-135 aircraft;
    - $16 million for F-16 Improved Avionics Intermediate Shop; and
    - $433.5 million for seven C-130 aircraft.

Unmanned Aerial Vehicles

UAVs have the unique ability to provide "first-hand" reconnaissance of opposition forces without placing American lives at risk. As they will become a key component of tomorrow's military force, the conferees are concerned by reports of failures and spiraling costs of several of the UAV programs. Thus, the conference report authorizes:

- $141.5 million ($25 million more than the President's request) for attrition Predator UAVs and additional spares. In addition, the conference report authorizes $8 million to provide Predator assets to support development of the Tactical Control System;
- $192 million (the requested amount) for high-altitude endurance UAVs (HAE UAVs; Global Hawk, and DarkStar). In order to accelerate DOD's decision on production of HAE UAVs, the conference report directs that procurement of Global Hawk and DarkStar for the advanced technology concept

demonstration production be ended after a total of five prototypes of each and that the UAVs be transferred to Air Force Air Combat Command to accelerate evaluation of their performance to support a decision on full production; and

- the transfer of $45 million from the Defense Airborne Reconnaissance Organization (DARO) to the Army for completion of Outrider development and evaluation to fulfill the Army's tactical UAV requirements. This transfer is part of the conferees effort to reestablish control over UAV programs within the services while maintaining oversight control within the Office of the Secretary of Defense.

Miscellaneous Provisions

Chemical-Biological Defense and Counter-Terrorism Response. The conferees applaud DOD's actions in coordination with other federal agencies to enhance domestic preparedness and the capability to respond to a terrorist attack, and the actions taken to improve the readiness of U.S. forces to fight under the threat of use of chemical or biological weapons. The President's request included $321 million for chemical-biological defense research and development and $49.5 million to improve domestic emergency response preparedness. The conferees supported the President's request to develop further improvements in the capabilities and training of local emergency first responders and U.S. armed forces.

Countermine Technology Development. The conference report authorizes $183 million for development of technology to support clearing unexploded ordnance, including an additional $7.7 million to ensure a robust program for the development and evaluation of advanced countermine technologies and an additional $9 million for demining technologies.

Manufacturing Technology. The conferees strongly endorsed DOD's manufacturing technology program, authorizing increases of $55 million for the Navy's manufacturing technology program and $15 million for Army munitions manufacturing technology. The conferees also endorsed the need to tie the development of manufacturing technology closely to the needs of defense acquisition programs and to stabilize the annual funding level for the program. To this end, the conferees recommended the DOD establish an annual funding level of 0.25 percent of the amount programmed by the military departments and defense agencies for their acquisition development and procurement programs. The conference report also directs the Secretary of Defense to prepare a 5-year plan for the manufacturing technology program addressing annual program objectives, milestones, priorities, and funding levels.

Marine Corps Warfighting Laboratory (MCWL). The conference report authorizes $53.7 million ($17.5 million more than the President's request) for the Marine Corps' advanced technology demonstration, which focuses on developing warfighting concepts for the next century. Both the Marine Corps and the Chairman of the Joint Chiefs of Staff identified the MCWL as an unfunded requirement;

Cooperative Engagement Capability (CEC). The conferees provided $172.2 million ($40 million more than the President's request) to accelerate research and development of CEC, a naval system that integrates sensor data from multiple ships and aircraft into a single, real-time depiction of the battlefield. They also provided $75 million to restore the Navy's CEC fielding plan, which was zeroed out in the President's request; and

Information Systems Superiority and Security. Applying information systems and information technology in U.S. military forces and supporting critical defense and national infrastructures offers greatly increased capabilities, but also creates potentially serious vulnerabilities that could be exploited by an adversary. The vulnerability of the information infrastructure to attack has increased the scope and potential of the information warfare threat. The conferees agreed that information technology is a vital strategic resource and that potential vulnerability to the national and defense information infrastructure must be addressed. Accordingly, in support of a robust information systems security program, the conferees provided the President's request for $306 million for information security research and development.

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REFORM

The reality of a balanced budget environment, coupled with the growing need for additional resources for readiness, quality of life, and modernization shortfalls, points DOD increasingly in the direction of a more cost efficient Pentagon that is able to maintain necessary combat capability at lower cost.

As defense spending has been reduced and American military forces face billions of dollars in shortfalls, reforming DOD goes beyond merely saving money – it represents the most viable option for retaining an adequate level of combat capability into the future.

Workforce, Staff, and Organizational Reforms

In an effort to continue the process of reforming DOD that was initiated in the 104th Congress, the conferees included a number of provisions to continue downsizing DOD's bureaucracy:

- **Military Department Headquarters' Staff Reductions.** The conference report directs a reduction of 25 percent (approximately 12,500 personnel) in management headquarters and headquarters support personnel (including USTRANSCOM and its component commands) by October 1, 2002. This reduction begins in fiscal year 1998 with a five percent reduction and continues with five additional percent in each subsequent fiscal year. The conferees also directed the Task Force on Defense Reform to examine the missions, functions, and responsibilities of DOD's various management headquarters and headquarters support activities in an effort to reduce and eliminate redundancies where possible.

- **Acquisition Workforce Reductions.** The conferees directed DOD to reduce its acquisition workforce by 25,000 acquisition positions in FY98. However, the Secretary may waive a portion of the cut if he certifies to Congress by June 1, 1998, that such reductions would adversely affect military readiness and overall acquisition efficiency. In addition, the conferees required the Secretary of Defense, as well as the Task Force on Defense Reform, to report to Congress on future opportunities to restructure and streamline the Department's various acquisition organizations.

- **Defense Airborne Reconnaissance Organization (DARO).** DARO was originally established to provide centralized oversight of the airborne tactical reconnaissance programs of each of the services. Over the years, however, DARO has developed into DOD's airborne reconnaissance program manager, effectively wresting control over all airborne reconnaissance programs from the individual services. DARO's inability to successfully field an operational UAV to date clearly indicates that DOD's structure for airborne reconnaissance programs is in need of reform. Accordingly, the conference report includes legislation to require that only the oversight function for reconnaissance programs be retained at the Office of the Secretary of Defense (OSD) level, and

directs that the individual services assume responsibility for executing defense airborne reconnaissance acquisition programs. The conferees note that the reorganization of a much smaller DARO follow-on is in agreement with recommendations of the Hick's Report and expect it will also be supported by emerging recommendations of the Task Force on Defense Reform.

- **Terminating the Armed Services Patent Advisory Board.** The Armed Services Patent Advisory Board is responsible for coordinating security reviews of patent applications to determine if they contain sensitive technical information that cannot be publicly released for national security reasons. However, the Defense Technology Security Administration (DTSA) performs essentially the same security review function during their review of export license applications. The conference report terminates the Patent Advisory Board and transfers its functions to DTSA.

Reforming DOD Business Practices

The conferees are concerned that the warfighting "tooth" of the military services is being reduced while the infrastructure "tail" remains robust. This is increasingly untenable at a time when combat forces continue to be cut to address budgetary shortfalls. Therefore, the conferees directed the following process and business practice reforms:

- **Government Purchase Cards.** The conference report requires the Secretary of Defense to ensure that 60 percent of all DOD micro-purchases (purchases costing less than $2,500) be conducted through government purchase cards instead of formal contracts by October 1, 1998, and that 90 percent of all micro-purchases be made with government purchase cards by October 1, 2000. The conference report also requires the Secretary of Defense to define categories of purchases for which government purchase cards should not be used. The conferees expect that this provision will reduce paperwork and streamline the purchase process, saving DOD both time and money.

- **Ophthalmic Services Contract.** The conference report requires the Secretary of Defense to compete ophthalmic services related to providing military members with single-vision and multi-vision eyewear, except those services needed to meet readiness requirements or those that can be accomplished more cost-effectively by the Department. A competitive arrangement will ensure that service members' eyewear needs are filled at a significantly lower cost to the government.

- **Utility Conveyance .** The conferees authorized the secretary of a military department to convey certain base utility systems to public or private utility companies for fair market value if it is financially sound to do so. This provision will result in a more efficient modernization of basic defense infrastructure at a lower cost to the taxpayer.

- **Competition for Defense Automation and Printing Service (DAPS) Activities.** DAPS manages all of DOD's printing and duplication services. Since fiscal year 1996, Congress has annually required DAPS to outsource at least 70 percent of its printing and duplication work. Prior to fiscal year 1996, DAPS outsourced only about 50 percent of its work, even though printing services in the civilian sector were (and continue to be today) easily accessible and significantly less expensive. As required, DAPS rates reflect all costs including Government Printing Office (GPO) charges, DAPS overhead, surcharges for overseeing contracts with GPO and private contractors, and materiels. The result is a compounding of costs to the customers. Therefore, continuing the commitment to saving taxpayer dollars through privatization, the conferees extended the 70 percent outsourcing requirement through fiscal year 1998 and added the authority for the military departments and defense agencies to choose to send work to DAPS or directly to GPO.

- **Contractor Guarantees.** Under current law, DOD is required to obtain contractor guarantees as part of all major weapons contracts. GAO estimates that this provision costs DOD $271 million annually without providing any significant benefit in return. Accordingly, conferees repealed this provision and directed the Secretary of Defense to establish regulations to ensure that program managers evaluate and pursue guarantees for major systems for which they are warranted.

- **Contract Advisory and Assistance Services (CAAS).** In recent years, DOD has made increasing use of advisory and assistance services, which contracts experts and consultants to conduct studies and evaluations, and to provide various management support and technical services. The fiscal year 1998 budget request was particularly worrisome, as it included $2.9 billion for CAAS, a 248 percent increase since 1992 and a significant increase over current spending. Therefore, the conference report reduces CAAS accounts by $174 million ($112 million from O&M accounts and $62 million from procurement accounts).

- **Reforming DOE Budget Practices.** Over the past several years, DOE has not expended all of the funds that it has been appropriated, allowing it to accumulate significant sums in a carryover balance account. This accounting practice is not the norm for most other government agencies, including DOD. Accordingly, the conference report requires DOE to phase out this system over the next several years.

Other Cost Saving Initiatives

Fiber-Optics-Based Network Telecommunication Service. The communications market has changed significantly over the last decade, driven by proven technologies such as fiber-optics and semiconductors. These changes have significantly reduced the cost of telecommunication services while providing greater flexibility and security. Unfortunately, DOD is not looking aggressively enough at new telecommunications technologies to take advantage of cost-effective technologies and a deregulated market. Accord-

ingly, the conferees directed the Secretary of Defense to compete, among regulated and unregulated companies, the installation of a fiber-optics based telecommunication network at a minimum of one high military density locale.

Reimbursement of Academies for Foreign Students. Current law authorizes up to 40 international students to attend full-time each of the respective service academies and requires the foreign country sponsoring a student to reimburse the U.S. government for the cost of the education, as well as any pay and/or allowances provided to the student by the U.S government. Current law also allows the Secretary of Defense to waive the reimbursement, in whole or in part. Unfortunately, the Secretary of Defense has used the waiver authority extensively, waiving the full costs of attendance for 106 of the 115 international students enrolled in 1997 – costing DOD $7.2 million annually. Therefore, the conferees directed the Secretary of Defense to re-negotiate the current agreements with the nations who have students at the service academies. They also directed that the Secretary of Defense's waiver authority be constrained to no more than 35 percent of the per-person cost of attendance by an international student. However, in exceptional cases, the Secretary of Defense would be permitted to waive more than the 35 percent of the cost for up to five international students at each of the service academies. This provision will apply to students who enroll in classes after May 1998.

OTHER INITIATIVES

U.S. Troops in Bosnia. The conferees included a provision that would cut off funding for the deployment of U.S. ground forces in Bosnia past June 30, 1998 (the President's announced duration of the Bosnia deployment), unless the President certifies to the Congress that the deployment is in the U.S. national security interest and that it will remain U.S. policy that U.S. ground forces will not be used as civil police in Bosnia. The conference report also requires that, concurrent with the submission of the certification and report, the President shall submit to the Congress a fiscal year 1998 supplemental appropriations request for the amounts necessary for any continued deployment beyond June 30, 1998. Additionally, concurrent with the submission of the certification, the conferees require the President to submit a report that provides the:

- rationale for a continued U.S. armed force presence in Bosnia;
- number of United States military personnel participating is the deployment;
- mission and objectives of U.S. military forces deployed in and around Bosnia;
- exit strategy; and
- costs associated with any deployment beyond June 30, 1998.

Supercomputer Export Controls. The conferees are increasingly concerned over reports that U.S.-origin high performance computers – computers with a computational capability of over 2,000 million theoretical operations per second (MTOPS) – have been shipped to military-related facilities in Russia and China without proper government review and licensing and that these supercomputers may be used to help both countries develop and maintain their nuclear weapons arsenals. Therefore, the conferees approved several provisions intended to close a loophole in supercomputer export control policy that put exporters in the position of determining, on their own, whether intended recipients in countries of proliferation concern are safe or dangerous end-users. Specifically, the conference report:

- provides the Secretaries of Commerce, Defense, Energy, State, and the Director of the Arms Control and Disarmament Agency with a 10-day review of potential exports or re-exports to countries of proliferation concern of computers performing at over 2,000 MTOPS. If any of the agency heads has concerns about the potential export, they can require the exporter to apply for an export license. The provision also allows for increases in the review threshold to levels above 2,000 MTOPS;
- requires the Commerce Department to conduct post-shipment verification of all future exports of supercomputers shipped to countries of proliferation concern;

- requires a report on all sales of high performance computers to countries of proliferation concern since January 1996; and

- requests GAO to conduct a study of the foreign availability of high performance computers, and the national security risks of exporting supercomputers to proliferation prone nations.

Antipersonnel Landmines (APLs). In light of international negotiations on a global ban on antipersonnel landmines, as well as a provision of law requiring a one-year moratorium on the use of APLs by U.S. forces starting in February 1999 (except along national borders or within militarily established and maintained demilitarized zones), conferees expressed the sense of Congress that:

- the U.S. should not implement a moratorium on the use of APLs by U.S. forces in such a way that would endanger U.S. personnel or undermine their effectiveness; and

- the U.S. should develop alternatives to APLs.

The conferees also directed the Secretary of Defense to report to Congress annually on the military need for antipersonnel landmines, the effect of a moratorium on production, stockpiling, and use of APLs on the effectiveness of U.S. forces, the costs associated with removing APLs from the U.S. inventory, and progress in developing effective substitutes.

Cooperative Threat Reduction (CTR). The conferees maintained their historically strong support for the core purpose of CTR– the accelerated dismantlement of former Soviet strategic offensive arms that threaten the United States. Therefore, the conference report authorizes $382.2 million (matching the President's request) for CTR activities in fiscal year 1998, including:

- $77.9 million for strategic offensive arms elimination in Russia;

- $76.7 million for strategic nuclear arms elimination in the Ukraine;

- $55.4 million for chemical weapons destruction activities in Russia; and

- $57.7 million to design a fissile material storage facility in Russia.

As CTR funds are most effectively used to support the original purposes of the CTR program, the conference report prohibits the use of CTR funding for peacekeeping-related activities in Russia, or for housing, environmental restoration, or job retraining.

The conferees also prohibited the use of FY98 funds for actual construction of a chemical weapons destruction facility in Russia and established a number of Congressional reporting requirements that must be met by the Secretary of Defense before FY98 CTR funds may be obligated or spent on certain CTR projects.

DOD Depot Policy. The conferees included provisions to ensure that DOD to maintains a robust depot maintenance capability while also taking steps to ensure that the depot workload is managed as cost-effectively as possible. These provision:

- require DOD to maintain certain "core" logistics capabilities (core workloads represent essential requirements such as the capability to maintain and repair mission essential weapons systems or materiel) in the public depots in order to preserve DOD's ability to support military operations across the entire spectrum of conflict;

- promote competition for all non-core workloads; and

- provide new flexibility to DOD by adjusting the long-standing 60/40 restriction to 50/50, thereby, increasing from 40 percent to 50 percent the share of depot work that can be done by the private sector.

Department of Energy (DOE) Funding Levels. DOE maintains a number of programs critical to our nation's defense, including R&D programs in support of the armed forces, the production and protection of nuclear materials, and management of radioactive defense waste and environmental restoration. The conferees authorized $11.5 billion ($2.1 billion less than the President's request) for the following programs:

- **Privatization Initiative.** The conference report authorizes $224 million ($776 million less than the President's request) for the environmental management privatization initiative. Because the conferees were concerned by DOE's failure to adequately define the total cost and scope of the proposal, they prohibited the use of any privatization funds until 30 days after DOE reports to Congress on anticipated contractual commitments, costs, and plans to maintain financial and programmatic accountability;

- **DOE Construction Funding Practices.** Currently, new construction projects for DOE are funded incrementally. This year, the President requested full funding of all new construction projects as well as "catch up" funding for projects authorized in previous years. This change in policy added $1.5 billion to DOE's request as compared to last year. For both sound management and policy reasons, the conferees rejected this proposal and continued the traditional practice of funding DOE construction projects on an incremental basis;

- **Core-Weapons Programs.** The conference report authorizes the requested $4.1 billion for DOE's weapons programs (including $1.9 billion for stockpile stewardship, $2 billion for stockpile management, and $250 million for program direction). Within this account, the conference report increases O&M funding for stockpile management by $85 million to fix manufacturing and infrastructure problems at the Pantex (Texas), Kansas City (Missouri), and Y-12 (Tennessee) produc

tion plants. In addition, in light of a recently completed management study of the DOE weapons complex, the conference report reduces federal and support service contractor employment levels, and salary and travel accounts for DOE weapons programs to $250 million ($53.5 million less than the President's request);

- **Environmental Management Programs.** The conferees authorized $5.5 billion, $1.2 billion less than the President's request (which included additional funds for privatization and full-funding of construction projects), but approximately matching the fiscal year 1997 authorization level for these programs) for DOE's environmental cleanup and management programs. Within these accounts, the conference report transfers funding from the environmental restoration account to the Closure Fund to ensure that the Rock Flats site near Denver and the Fernald site in Ohio are closed within the next ten years. Closing these two sites will save the program over $800 million per year in mortgage and other related costs. The conferees authorized an additional $47 million for the operation of the F and H canyons at the Savannah River Site, SC. Finally, the conference report makes reductions in federal and support service contractor employment levels by authorizing $345 million ($43 million less than the President's request) for program direction;

- **Office of Naval Reactors.** The conferees authorized $670.5 million ($22.7 million more than the President's request) for the Office of Naval Reactors; and

- **Nonproliferation and Arms Control.** The conference report authorizes $649.3 million ($18.7 million less than the President's request) for nonproliferation and arms control programs. This reduction does not reflect a lack of support for the operating programs for these activities, but instead reflects the decision to reduce excessive federal employment and contractor service support levels.

Department of Defense (DOD) Environmental Funding Levels. The conferees authorized $1.19 billion, $7 million less than the President's request, for DOD environmental programs.

Air Pollution Emission Reduction Pilot Program. The conference report authorizes the Secretary of Defense to establish a pilot program permitting the sale of credits earned by military facilities for their compliance with federal and state air pollution emission standards. Proceeds from the sale of these credits would be retained by the facilities that earned them and used for further environmental cleanup and compliance activities. Because of budgetary considerations, not more than $500,000 in proceeds from the sale of credits may be retained defense-wide per fiscal year during the existence of the pilot program.

Counterdrug Activities. Because the U.S. military is able to make a unique contribution to U.S. counterdrug activities, the conferees authorized $822.9 million ($14.3 million more than the President's request) for military counterdrug activities.

Restoration of Missing Persons Authorities. The National Defense Authorization Act for Fiscal Year 1997 (Public Law 104-201) repealed several provisions of law that provided due process for the families of missing service members seeking information about their loved ones' fates and that encouraged prompt investigations into missing personnel. The conference report restores many of the provisions stricken by the fiscal year 1997 Defense authorization bill and makes additional changes to the law to improve the process for accounting for missing persons.

Display of the POW/MIA Flag. Out of respect for the thousands of Americans who remain missing in action or unaccounted for, the conferees expanded the dates and locations at which the POW/MIA flag must be flown. In doing so, America will honor POWs and MIAs who have been lost in all U.S. conflicts (not just in Vietnam) and signify the nation's commitment to fully account for any American who was lost or may be lost in the future.

Decorations for Operation Joint Endeavor and Joint Guard. The conference report requires the Secretary of Defense to award the Armed Forces Expeditionary Medal to service members who served in Operation Joint Endeavor or Operation Joint Guard.

Study of Military Criminal Investigative Organizations. The conference report requires an independent review of military criminal investigative organizations and their ability to effectively investigate allegations of criminal sexual misconduct in the armed services. The review will evaluate agent training, the screening and recruitment of investigators, policies for ensuring properly conducted subject and witness interviews, and the accuracy and timeliness of reporting sex crimes to the National Crime Information Center maintained by the Department of Justice.

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Actions on Major Programs in the Fiscal Year 1998 Defense Authorization Act

(dollars in millions)

Major Army Programs

	FY 1998 Budget Request			Conference Report		
	R & D	Quantity	Procurement	R & D	Quantity	Procurement
Apache Longbow*	n/a	44	$511.8	n/a	44	$511.8
M1A2 Abrams*	$33.3	120	$594.9	$33.3	120	$594.9
Bradley ODS	n/a	n/a	$34.6	n/a	n/a	$129.6
Paladin/FAASV	n/a	0/0	$0.0	n/a	36/36	$56.0/$40.0
Family of Heavy Tactical Veh.	$0.0	n/a	$9.1	$1.3	n/a	$114.1
RAH-66 Comanche	$282.0	n/a	n/a	$282.0	n/a	n/a
Crusader	$322.3	n/a	n/a	$322.3	n/a	n/a
HMMWVs	$10.0	774	$66.2	$10.0	1,739	$131.2
UH-60 Blackhawk*	n/a	18	$208.2	n/a	28	$297.2

Major Navy and Marine Corps Programs

	FY 1998 Budget Request			Conference Report		
	R & D	Quantity	Procurement	R & D	Quantity	Procurement
V-22 Osprey	$529.5	5	$541.7	$529.5	7	$689.1
AAAV	$60.1	n/a	n/a	$68.1	n/a	n/a
Joint Strike Fighter	$448.9	n/a	n/a	$463.9	n/a	n/a
F/A-18E/F	$267.5	20	$2,191.6	$241.5	20	$2,191.6
E-2C Hawkeye	$64.9	3	$256.0	$64.9	4	$324.0
Arsenal Ship	$150.2	n/a	n/a	$35.0	n/a	n/a
New Attack Sub	$311.1	1	$2,599.8	$328.1	1	$2,599.8
CV(X)	$90.2	n/a	n/a	$16.5	n/a	n/a
DDG-51	$0.0	3	$2,823.5	$0.0	4	$3,543.5
T-45TS Goshawk	$0.0	12	$250.2	$0.0	15	$295.6
LPD-17	$0.5	n/a	n/a	$0.5	n/a	$100***

Major Air Force Programs

	FY 1998 Budget Request			Conference Report		
	R & D	Quantity	Procurement	R & D	Quantity	Procurement
F-22 Raptor	$2,071.2	n/a	$80.9	$2,077.2	n/a	$74.9***
B-2 Spirit	$355.8	0	$174.1	$355.8	0	$331.0
F-15E Strike Eagle	$137.5	3	$170.0	$137.5	5	$237.3
F-16C/D Fighting Falcon	$100.2	n/a	$0.0	$100.2	3	$66.0
Airborne Laser (ABL)	$157.1	n/a	n/a	$157.1	n/a	n/a
C-17*	$113.6	9	$2,201.5	$110.6	9	$2,179.8
SBIRS High	$338.4	n/a	n/a	$338.4	n/a	n/a
SBIRS Low	$222.4	n/a	n/a	$217.2	n/a	n/a
Joint Strike Fighter	$458.1	n/a	n/a	$458.1	n/a	n/a
JPATS	$63.4	18	$65.4	$63.4	22	$77.6

Major Defense-wide Programs

	FY 1998 Budget Request			Conference Report		
	R & D	Quantity	Procurement	R & D	Quantity	Procurement
Ammunition (all services)	n/a	n/a	$1,477.4	n/a	n/a	$1,644.2
Ballistic Missile Defense	$2,582.0	n/a	n/a	$3,676.1	n/a	n/a
THAAD	$353.4**	n/a	n/a	$406.1	n/a	n/a
Navy Theater Wide	$194.9	n/a	n/a	$344.9	n/a	n/a
Navy Area Defense	$267.8	n/a	n/a	$289.8	n/a	n/a
PAC-3	$206.1	52	$349.1	$206.1	52	$349.1
National Missile Defense	$504.1	n/a	n/a	$978.1	n/a	n/a
Nat. Guard and Res. Equipt.	n/a	n/a	$0.0	n/a	n/a	$643.0

* Net funding for multi-year procurements

**Amended DOD Budget Recommendation -- Original THAAD Request: $556.1 million

*** Advance Procurement

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INDEX

—A—

Academies and Foreign Student Costs 28
Active Duty Endstrengths 10
Advanced Amphibious Assault Vehicle (AAAV) 20
AGM-130 Missile 18
AGM-142 Missile 18
AH-1W Helicopters 18
Air Combat Command 22
Air Force Housing 3
Air Pollution Emission Reduction Pilot Program 32
Airborne Mine Counter-Measure 21
Aircraft 16
Antipersonnel Landmines (APLs) 30
Armed Forces Expeditionary Medal 33
Armed Services Patent Advisory Board 26
Arms Control 32
Arms Control and Disarmament Agency (ACDA) 29
Army Housing 3
Army National Guard 7
Army Tactical Missile System (ATACMS) 19
Arrow Project 16
Arsenal Ship 19
Assistants to the Chairman, Joint Chiefs of Staff for National Guard and for Reserve Matters 11
Aviation Career Incentive Pay (ACIP) 13
Aviation Service Members, Retention of 12
Awards 33

—B—

B-2 Spirit 17
Ballistic Missile Defense 15
Ballistic Missile Defense Organization (BMDO) 15
Barracks Program 3
Base Operations 8
Basic Allowance for Quarters (BAQ) 1
Basic Allowance for Subsistence (BAS) 2
Basic Military Pay Increase 1
Basic Training 11, 12
Biological Weapons 22
Blackhawk Helicopter 17, 21
Block III Configured Missile 18
Bosnia 5, 7, 20, 29
Bradley Operation Desert Storm Fighting Vehicle 21
Building Tomorrow's Military 15

—C—

C-130 21
CH-46 Helicopters 16
Chairman, Joint Chiefs of Staff (CJCS) Exercise Program 9
Chemical Weapons 22
Chemical Weapons Destruction 30
Chemical-Biological Defense 22
Child Development Centers 3
Comanche 17
Commissaries 5
Consolidation of Housing Allowances 1
Contract Advisory and Assistance Services (CAAS) 27
Contractor Guarantees 27
Cooperaive Programs 16
Cooperative Engagement Capability (CEC) 23
Cooperative Threat Reduction (CTR) 30
Core-Weapons Programs (DOE) 31
Counterdrug Activities 32
Countermine Technology 22
Counter-Terrorism Response 22
Criminal Investigative Organizations 33
CV(X) Aircraft Carrier 19
CVN-77 Aircraft Carrier 19

—D—

DarkStar EUAV 21
DECA Financing 6
Decorations and Awards 33
Defense Advanced Research Projects Agency (DARPA) 19
Defense Airborne Reconnaissance Organization (DARO) 22, 25
Defense Automation and Printing Service (DAPS) 27
Defense Commissary Agency (DECA) 6
Defense Health Plan (DHP) 3
Defense Technology Security Administration (DTSA) 26
Depot Maintenance 7
Depot Maintenance Policy 31
DOE Budget Practices 27
DOE Construction Funding Practices 31
DOE Funding Levels 31
Drill Sergeant Selection and Training 12

—E—

E-2C Hawkeye 16
Education and Training 3
Endstrengths, Active Duty 10
Endstrengths, Selected Reserve 10
Environmental Funding Levels (DOD) 32
Environmental Management Programs (DOE) 32
Environmental Restoration and Waste Management (DOE) 32
Exchange Integration 6
Extended Range Guided Projectile (ERGM) 19

—F—

F-15E Strike Eagle 18
F-16 Improved Avionics Intermediate Shop 21
F-22 Raptor 17
Family Housing 3

Family of Heavy Tactical Vehicles (FHTV) 20
Family Separation Allowance 2
Fiber-Optics-Based Network
Telecommunication Service 27
Field Artillery Ammunition
Support Vehicles (FAASVs) 21
Flying-hour shortfalls 7

—G—

Gender-Integration 12
Global Hawk EUAV 21
Goshawk 16
Government Purchase Cards 26
Ground Weapons and Vehicles 20
Gulf War Illness 4

—H—

Hardship Duty Pay 2
Hawkeye 16
Hazardous Duty Incentive Pays 2
Healthcare 3
Heavy Equipment Transporter System (HETS) 21
Heavy Expanded Mobility Tactical Truck (HEMTT) 20
Helicopters 17
Hellfire II Missiles 18
Hick's Report 26
High Mobility Multi-Purpose Wheeled
Vehicle (HMMWV) 20
Housing 3

—I—

Impact Aid 5
Income Insurance 5
Individual Ready Reserve (IRR) Activation Authority 11
Information Systems Superiority Security 23
Information Warfare 23
International BMD Programs 16

—J—

Javelin Anti-Tank Missile 18
Joint Air-to-Surface Standoff Missile (JASSM) 18
Joint Endeavor, Operation 33
Joint Guard, Operation 33
Joint Stand Off Weapons (JSOWs) 18
Joint Strike Fighter (JSF) 17

—K—

KC-135 21

—L—

Landmines 30
Large Medium Speed Roll-on/Roll-off (LMSR)
Sealift Ships 20
LPD-18 Amphibious Ship 19

—M—

M1 Abrams Tank 20
M109A6 Paladin Howitzers 21
Mail Order Pharmaceuticals 4
Manufacturing Technology 22
Marine Corps Warfighting Laboratory (MCWL) 22
Maritime Fire Support Demonstrator (MFSD) 19
Measuring Operations and Personnel Tempos 9
Medical Care for Certain Reservists
Who Served in the Persian Gulf War 4
Medical Prescreening 12
Medicare 4
Medium Extended Air Defense System (MEADS) 16
Military Construction 3
Military Department Headquarters Staff Reductions 25
Military Leave for Federally-Employed
Civilian Reservists 4
Military Readiness 1997
Rhetoric and Reality 1
Military Recruiting System Reform 11
Miscellaneous 22
Missing Persons Authorities 33
Mobilization Income Insurance Program 5
Morale, Welfare, and Recreation (MWR) 5
Munitions 18

—N—

National Guard 3, 7
National Guard and Reserve Construction 3
National Guard and Reserve Equipment (NGRE) 20
National Missile Defense (NMD) 15
National Training Center (NTC) 8
Naval Programs 19
Naval Reactors, Office of 32
Naval Surface Fire Support 19
Navy Area Defense 16
Navy Housing 3
Navy Theater Wide 16
New Attack Submarine (NAS) 20
Nonproliferation and Arms Control 32
Nuclear Service Bonus 13
Nuclear Service Officers 13
Nunn-Lugar Program 30

—O—

Operation Joint Endeavor and Joint Guard 33
Operations and Maintenance Funding (O&M) 7
Operations Tempos 9
Ophthalmic Services 26
Organizational Reform 25
Osprey 16
Other Cost Savings Initiatives 27
Other Initiatives 29
Outrider UAV 22
Overseas Housing (OHA) 1

—P—

Paladin Howitzers 21
Palletized Load System (PLS) 20
Patriot Advanced Capability-Configuration 3 (PAC-3) 16
Pay and Allowances 1
Persian Gulf Illness 4
Persian Gulf War 5
Personnel Tempos 9
Pharmaceuticals 4
Pilot Program, Sale of Air Pollution Emmission Reduction Credit 32
POW/MIA Flag 33
Precision Guided Munitions (PGMs) 18
Predator UAV 21
Privatization Initiative 31
Public-Private Partnerships for the Benefit of MWR Activities 6
Purchase Cards 26

—Q—

Quality of Life 1, 3

—R—

RAH-66 Comanche 17
Raptor 17
Readiness Accounts, Oversight of 7
Readiness Realities 7
Readiness Reports 8
Real Property Maintenance (RPM) 7, 8
Recruit Physical Fitness 12
Recruiting 11
Recruiting Advertising 11
Recruiting Challenges 11
Reform 25
Reforming DOD Business Practices 26
Reserve Component Modernization Programs 20
Retention of Nuclear Service Officers 13
Roll-on/Roll-off (RO/RO) Sealift Ships 20
Russian-American Observational Satellite project (RAMOS) 16

—S—

Selected Reserve Endstrengths 10
Selective Reserve 11
Service Academies 28
SH-60B Helicopter 18
SORTS 8
Special Duty Pay for Hardship Duty Locations 2
Spirit 17
Stabilizing Service Members' Pay 1
Staff Reform 25
Standard Missile 18, 19
Standoff Land Attack Missile-Enhanced Response (SLAM-ER) 18
Status of Resources and Training System (SORTS) 8
Strike Eagle 18
Supercomputer Export Controls 29

—T—

T-45TS Goshawk 16
Tactical Control System 21
Tactical High Energy Laser program (THEL) 16
Task Force on Defense Reform 26
the Heavy Equipment Transporter System (HETS) 20
Theater Deployable Communications 21
Theater High Altitude Air Defense (THAAD) 15
Theater Missile Defense (TMD) 15
Tiered Readiness System 9
Total Force 7, 20
Training Ammunition 9
Transportation Command (USTRANSCOM) 25
TRICARE 4
TRICARE Prime 4
Troop Housing 3

—U—

UH-60 Blackhawk Helicopter 17, 21
Unmanned Aerial Vehicle/Boost Phase Intercept project (UAV/BPI) 16
Unmanned Aerial Vehicles (UAVs) 21
Up-Armored HMMWVs 20
Utility Conveyance 26

—V—

V-22 Osprey 16
Variable Housing Allowance (VHA) 1

—W—

War Reserve Ammunition 9
Workforce Reform 25