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HOUSE ARMED SERVICES COMMITTEE

Congressman McHugh, Congressman Snyder, distinguished Members of the Committee, thank you for the opportunity to appear before you today on behalf of America's Army. The United States Army owes its success to the All-Volunteer Force, which provides the high-quality versatile young Americans we depend on to serve as Soldiers. This is the first time in our history in which the Nation has tested the All-Volunteer Force during a prolonged war. Determining the kind of All-Volunteer Army we need and developing the environment, compensation, education, and other incentives to keep it properly manned may be the greatest strategic challenge we face.

The Soldier is the centerpiece of all that the Army is and does. On behalf of those brave men and women, I want to express my sincere gratitude for your continued and committed support. As I speak to you today, approximately 640,000 Soldiers are serving on active duty. Of those, 315,000 Soldiers are deployed or forward stationed in more than 120 countries to support operations in Iraq, Afghanistan, and other theaters of war, to deter aggression while securing our homeland. These soldiers are from all components: Active (155,000), Army National Guard (113,000), and Army Reserve (47,000). Soldiers participate in homeland security activities and support civil authorities on a variety of different missions within the United States. A large Army civilian workforce (over 250,000), reinforced by contractors, supports our Army – to mobilize, deploy, and sustain the operational forces – both at home and abroad. Our Soldiers and Department of Army Civilians will remain fully engaged across the full spectrum of the globe and we remain committed to fighting and winning the Global War on Terrorism.

The Army continues to face and meet challenges in the Human Resources Environment. In recent years, Congressional support for benefits, compensation and incentive packages has ensured the recruitment and retention of a quality force. Today, I would like to provide you with an overview of our current military personnel policy and the status of our benefits and compensation packages as they relate to maintaining a quality force.

Recruiting

The continuing Global War on Terrorism and engagements around the globe are the first sustained combat operations with our 30 year-old all-volunteer force. Recruiting Soldiers who will fight and win on the battlefield is critical to the success of our mission. These young men and women must be confident, adaptive, and competent; able to handle the full complexity of 21st century warfare in this combined, joint, expeditionary environment. Recruiting is highly competitive and very challenging. The competition with industry, an improving economy, and lower unemployment coupled with a decrease in support from key influencers have added to the challenges of recruiting solid candidates.

As we projected, we have experienced monthly goal shortfalls for all components starting in February 2005. The AC finished February 2005 at 73% accomplished with a year to date achievement of 94%. The United States Army Reserve finished February 2005 at 75% accomplished with a year to date achievement of 90%. The National Guard finished February 2005 at 69% accomplished with a year to date achievement of 74%. Though we may miss some monthly goals, the Active Army is

projected to make their annual mission. However, the annual missions for the Reserve and Guard are at risk.

Incentives include Enlistment Bonuses, the Army College Fund, and the Loan Repayment Program.

Bonuses are the primary and most effective tool for MOS precision fill:

The Army must maintain a competitive advantage to remain successful in attracting high quality applicants. The Army offers a range of bonuses that pay up to \$20,000 to qualified recruits. These bonuses are geared to the special needs of the Army and our applicants. The bonuses help us react to current market conditions and competitors, today and tomorrow. We are able to use the bonuses to target critical skills, the college market, and “quick-ship” priorities.

The Army College Fund is a proven expander of the high-quality market. College attendance rates are at an all-time high and continue to grow, with 68 percent of the high school market attending college within one year of graduation. The Army College Fund allows recruits to both serve their country and earn additional money for college.

The Loan Repayment Program, maximum of \$65,000, is another expander of the high-quality market. Whereas the Army College fund primarily targets those who have not yet gone to college, the Loan Repayment Program is the best tool for those who have college education credits and student loans. In fiscal year 2004, twenty-four percent of our recruits had some college education credits.

The Army's recruiters are most effective when given the proper tools such as incentives and advertising. The recruiting environment remains a challenge in terms of economic conditions and alternatives. Therefore we have increased our resources, including additional recruiters, incentives, and advertising as necessary to compete in the current and future markets and to ensure annual goals are met.

Enlisted Retention

The Active Army has achieved all retention goals for the past five years, a result that can be directly attributed to the Army's Selective Reenlistment Bonus (SRB) program and the patriotism of our Soldiers. The Active Army retained 60,010 Soldiers in fiscal year 2004, finishing the year 106% of mission. Both the Army Reserve and Army National Guard came in at 99% last year.

In fiscal year 2005, the Active Army must retain approximately 64,162 Soldiers to build to desired manning levels. This is an increase of 8,000 over last year's mission and we are on glide path and ahead of last year's pace. We remain confident that we will achieve all assigned retention goals. Thus far, the Active Army has achieved 100 percent of year-to-date mission, while the Army Reserve has achieved 97 percent of year-to-date mission and the Army National Guard has achieved 98 percent of their year to date mission. A robust bonus program will facilitate achievement of our retention goals.

We continue to review our Reenlistment Bonus Programs and its association with the retention of sufficient forces to meet combatant commander and defense strategy needs. It is imperative for the Army to

receive complete future funding of the SRB program to ensure program flexibility during the foreseeable future. Developing ways to retain Soldiers directly engaged in the ongoing Global War on Terrorism is critical. We are now using an SRB-Deployed as a tool to attract and retain quality Soldiers. The SRB-Deployed aggressively targets eligible Soldiers assigned to units in Afghanistan, Iraq and Kuwait. Soldiers can receive a lump sum payment up to \$15,000 to reenlist while deployed to Afghanistan, Iraq, or Kuwait. All components are benefiting from this program and we are realizing increased reenlistments among deployed Soldiers.

Worldwide deployments and an improving economy potentially affect retention. All components closely monitor leading indicators including historic reenlistment rates, retirement trends, first term attrition, Army Research Institute Surveys, and Mobilization/Demobilization Surveys, to ensure we achieve total success.

Moreover, all components are employing positive levers including Force Stabilization policy initiatives, updates to the reenlistment bonus program, targeted specialty pays, and policy updates to positively influence retention program. Ultimately, we expect to achieve FY05 retention success in the Active Army, the Army National Guard, and the United States Army Reserve.

Officer Retention

The Army continues to monitor officer retention rates as an important component of readiness. Overall retention of Army Competitive Category officers in FY04 decreased slightly at both the company grade and field grade ranks. The aggregate fill rate is still greater than 100

percent, however, at 101.3 percent. There was an increase in attrition for Lieutenants and Captains in FY04, this after a historically low attrition year in FY03. The FY04 attrition rate for Lieutenants and Captains was 8.5% which is slightly above the average, 7.3% but lower than the attrition witnessed in FY99 and FY00. I am encouraged that 1st Quarter attrition in FY05 came in slightly lower than FY04.

The Army has steadily increased basic branch accessions beginning in FY00 with 4000, capping at 4,600 for FY05 to build a sustainable inventory to support Captain and Major requirements. We accessed 4,484 officers in FY04. The Army can meet current and projected active Army officer accession needs through current commissioning sources (Reserve Officer Training Corps, Officer Candidate School, United States Military Academy, and United States Army Recruiting Command). Reserve Component Lieutenant accessions present near and long-term challenges, but the numbers have improved significantly over the past few years, and are expected to continue to improve.

Stop Loss

The Army is rotating forces in support of on-going operations in Iraq and Afghanistan. Over the next few months, the Army will have eight of its ten active duty divisions either deploying or redeploying from operations in support of the Global War on Terrorism. Consequently, the current and projected operational tempo continues unabated, placing stress on units, Soldiers, and their families. Based on the commitment to pursue the Global War on Terrorism for the foreseeable future and to provide our combatant commanders with the cohesive, trained and ready forces necessary to decisively defeat the enemy, required us to re-institute the

Active Army Unit Stop Loss program and to retain the Reserve Component Unit Stop Loss program currently in effect.

Department of Defense guidance to the Services is to discontinue Stop Loss policies as soon as operationally feasible. Consequently, our policy requires a quarterly review to determine continuation or termination. As of January 2005, the current Stop Loss program affects a total of 13,445 Soldiers of all Components.

Military Benefits and Compensation

Maintaining an equitable and effective compensation package is paramount in sustaining a superior force. A strong benefits package is essential to recruit and retain the quality, dedicated Soldiers necessary to execute the National Military Strategy. In recent years, the Administration and Congress have supported compensation and entitlements programs as a foundation of Soldier Well-Being. An effective compensation package is critical to efforts in the Global War on Terrorism as we transition to a more joint, expeditionary, unit-centered, and cohesive force.

We have made tremendous strides in reducing median out-of-pocket housing costs for our Soldiers. Basic Allowance for Housing (BAH) is intended to provide sufficient recompense to meet the average basic housing needs of all Soldiers based on their Regular Military Compensation. The fiscal year 2005 BAH reduces the median out-of-pocket expenses to zero. Our commanders have been instrumental in ensuring BAH program estimates and housing cost data collection are accurate thereby generating allowances to cover the average cost of adequate housing. This ensures our Soldiers and their families receive adequate allowances which makes housing in safe, prosperous communities affordable.

The Reserve Components represent a significant portion of the capability of the Total Force and are an essential element in the full spectrum of worldwide military operations. Both the Department and Congress recognize the importance of appropriate compensation and benefits for these Soldiers. The National Defense Authorization Act for fiscal year 2005 amended many of the Reserve Component bonus authorities allowing the department to offer programs similar to those for active duty forces to these critical Soldiers. We continue to look for ways in working with Congress to provide compensation for the unique sacrifices these Soldiers are asked to make in service to our nation.

The Army continues to develop programs that address the unique challenges we face as an expeditionary force. The legislation authorized by Congress provides the flexible tools needed to encourage Soldiers to volunteer for difficult to fill assignments in less desirable places or to extend their tours in these places. This past year the Department of the Army implemented Assignment Incentive Pay (AIP) for Soldiers assigned to Korea. This program has been a tremendous success in providing Soldier stability while enhancing readiness for units stationed in Korea. To date, over 12,000 Soldiers: officer, warrant officer, and enlisted, applied to serve an additional one or two year tours resulting in increased stability, predictability and improved readiness in Korea while reducing personnel turbulence Army-wide. The Army has used Assignment Incentive Pay (AIP) as an incentive for voluntary and involuntary extensions for Soldiers serving in Iraq and Afghanistan. Using AIP in this manner provides the Army flexibility in maintaining unit stability and retaining the necessary Soldier experience gained from serving in these countries. The Army is using Critical Skills Retention Bonus (CSRB) to retain the valuable

experience factor of our senior Soldiers who are in high-demand, low-density critical skills such as Explosive Ordnance and Special Operations. Congressional authorization for increased special pay associated for our warfighters has allowed the Army to take care of Soldiers and their families while they serve in the most difficult and stressful duty. The increases to Hostile Fire Pay, Family Separation Allowance and authorization of per diem for family members of injured Soldiers, offers comfort and stability to our Soldiers while they serve in combat and recover from serious injury. The Army appreciates your recognition that our Soldiers need to know their families will be supported financially should the Soldier pay the ultimate price for their country. Soldiers perform best when they know their families are in good care.

We continue to look for ways to compensate our Soldiers for the hardships they and their families endure and we appreciate your commitment in this regard.

FY05 Personnel and Budget & Manning:

The FY05 Budget provides military pay to support an active Army 482.4K end strength (78,500 officers and 399,700 enlisted and 4,200 cadets) and the Reserve Components at 555K end strength. It fully funds the Army Reserve Annual Training (109 K participating Soldiers), Active Guard and Reserve (AGR-14,970 Soldiers), and Individual Manning Augmentees (IMA-6K Soldiers). The Army Reserve is funded at 70 percent of the Inactive Duty Training (IDT) program (83K Soldiers out of 123K participating soldiers). The FY05 Budget funds the Army National Guard Annual Training at 82 percent (170K Soldiers), Inactive Duty Training (IDT) program at 85 percent (194K Soldiers), and Active Guard and Reserve (AGR-25K Soldiers) including 102 Ground Missile Defense (AGR) and 76 AGRs for four additional Civil Support Teams (CST). The FY05 budget also continues the Residential Communities Initiative (RCI)

program, bringing the number of installations operating under the RCI program to twenty. This initiative improves the well-being of our Soldiers and families and contributes to a ready force by enhancing morale and retention.

Conclusion

To ensure our Army is prepared for the future, we need full support for the issues and funding requested in the FY05 Supplemental and the FY06 President's Budget to support the Army manning requirements given the current operational environment. In the event the Department determines additional resources are needed in an FY06 supplemental request - we would also ask for your full consideration and support of that request.

In the manning arena, we need Congress to change the maximum enlistment time from 6 years to 8 years in order to help us stabilize the force for longer periods of time. We would like your support to permanently amend the reserve affiliation bonus authority, which is proposed in the 2005 supplemental budget request. Increasing this bonus will significantly help us attract already trained and experienced soldiers for continued service in the Guard and Reserve.

Once again thank you for the opportunity to appear before you today. I look forward to answering your questions.