

WRITTEN STATEMENT

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(MILITARY COMMUNITY & FAMILY POLICY)

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Chairwoman Davis, Representative McHugh, and Distinguished Members of the Subcommittee, I am honored to appear before you to testify about the commissary, exchange, and morale, welfare and recreation (MWR) programs.

The Department of Defense is committed to providing a high quality of life for military members serving our Nation and their families. In 2002, we published the first Department of Defense Social Compact, recognizing the reciprocal relationship among the military mission, the individual Service member, and the family. The Social Compact embodies the notion "families also serve" and that the MWR, children and youth, commissary, exchange, and other family support programs have a profound impact on the military quality of life and standard of living.

I would like to begin by thanking the Subcommittee for its steadfast support in helping the Department to advance and improve these programs for the past seven years. The Congress has provided tremendous support and the authorities needed for the Department to meet extraordinary demands to support our individual Service members and their families. We have garnered attention at the highest levels of our government.

PRESIDENT'S INITIATIVES

In the State of the Union Address on 28 January, 2008, the President addressed the sacrifice of military families and acknowledged the responsibility of the nation to provide for our military families while their loved one is serving far from home. The President, in an unprecedented call for support for military families, asked that Congress expand their access to child care, create new hiring preferences for military spouses across the federal government, and allow service members to transfer their unused education benefits to their spouses or children. The Administration will soon transmit to Congress proposals to provide this additional support to military families.

Child care is a major quality of life issue for military families. Active Duty Service members have 1.2 million children and National Guard and Reserve members

have 660,000 children. Statistics show that over 600,000 military children have had their parent(s) deploy once and almost 500,000 children have had their parent(s) deploy more than once. Newly and temporarily “single” parents need respite care; thousands of infants born to working military spouses need care. We have a robust child care program in DoD and our child development services continue to be a national model; yet, we still have unmet demand for thousands of children.

The Department has developed a plan to accelerate the child development center construction program and to increase public-private ventures with nationally recognized organizations. A 3-pronged approach will be applied to meet the needs of the total force, including Reserve Component families who are facing deployment.

First, in addition to the Military Construction (MILCON) program requests, an emergency intervention plan is underway to accelerate program availability through construction of both temporary child development centers and permanent renovations. Presently, the Department operates 800 Child Development Centers at over 300 geographic locations, both within the United States and overseas.

Second, the Department is using the expanded minor military construction authority that the Congress has granted through Fiscal Year 2009. Under this temporary authorization, the Services initiated projects which will result in an increase of 1,785 child care spaces.

Third, the Department will continue public-private ventures with nationally recognized organizations such as the Boys & Girls Clubs of America (B&GCA), 4-H, The National Association of Child Care Resource and Referral Agencies (NACCRRA), ZERO TO THREE, National Military Family Association (NMFA) with Operation Purple camps, Military Child Education Coalition (MCEC), and Armed Services YMCA.

The Department is exploring means of providing support to families and developing innovative new support systems. Strategies include:

- Programs that “buy-down” the cost of high quality child care available in the local community.
- Expand existing partnerships with national youth organizations to obtain youth programs and services.
- Expand weekend and short-term programs and services to support retention, mission readiness, and provide respite for families who stay behind.

Education and training is a morale builder that helps sustain families financially and encourages people to make a life in the military. Spouse employment is a critical factor to the financial stability of military families.

Our survey of active duty military spouses in 2006 not only confirmed that the vast majority of military spouses want to work (over 77%), but that they want a career. An overwhelming 87% of military spouses would like to further their education, but the cost of education is their primary reason for not enrolling in school or training. Military spouses earn on average three dollars per hour less than their civilian counterparts and their unemployment rate is three times as high. Contributing to this is the dramatic difference in residence mobility between military and civilian wives; only about 10 percent of military wives stay in the same home for five years; most move to another state or overseas.

In an effort to meet the educational needs of military spouses, the Department partnered with the US Department of Labor on a demonstration program in eight states at 18 installations. This three-year demonstration program provides military spouses with support for education, training and license/credentials (i.e., nursing and teaching certificates) necessary to advance them into portable careers in Health Services, Education, Information Technology, Financial Services or Trades (e.g., electrician, plumber).

PROGRESS AND OUTLOOK

We are managing considerable change and see progress being made on a staggering range of challenges and opportunities. From our military leaders, there is an unparalleled call for quality of life programs to accomplish the mission. The MWR, commissary and exchange programs are supporting military personnel and their families as the force mobilizes, deploys, and rotates in large numbers. The military community and our programs are adapting as we size, shape and posture globally and domestically. Our activities are meeting rising customer expectations formed by a global and networked marketplace. The programs are building partnerships and leveraging technology to reach out to the two-thirds of our active duty families who live off-base, Guard and Reserve families who are not close to installations, our digital generation of members at remote locations around the world, and the over half of our military spouses who work. All of this is being accomplished during the longest period of time that our All Volunteer Force has been at war. We still have much work to do.

One of our most resounding successes has been Military OneSource, our 24/7 telephone and Internet site for Service members and their families. Military OneSource delivers information and referrals on the full array of quality of life support and is especially beneficial to those geographically separated from installation services or those who are unable to seek assistance during traditional work hours.

Military OneSource offers free, convenient access to confidential resource and referral support for Service members and their families and recently deployed a world-wide telephonic consultation capability as an additional option for those unable to attend face-to-face counseling sessions. The areas most frequently addressed are deployment-related: parenting, child care, financial management and permanent change of station issues. Last year, approximately 550,000 Service members filed their federal income taxes using the Military OneSource on-line tax filing service – we surpassed that number last month for 2007 tax returns.

MWR, COMMISSARY AND EXCHANGE PROGRAMS

The MWR, commissary, and exchange systems are designed to meet the day to day needs of our Service members and their families and must be capable at all times of supporting our forces deployed throughout the world. These systems support over 12 million authorized patrons at nearly 300 military installations in over 30 countries and military missions on board 157 ships and in 82 contingency operations.

MWR programs encompass a wide array of mission essential, community support and business operations. Participation in recreation, fitness, sports, cultural arts and other leisure activities is the key to active living, which leads to improved personal health and well-being and helps build strong military families and healthy communities. Active living can also reduce stress, loneliness, and depression and builds positive self-esteem and esprit de corps, so critical in the military environment. Family and spousal support and assistance programs, although closely affiliated and often managed with the MWR programs, are separate community programs on the installations that help families adapt to life in the military.

The commissary and exchange programs, or “the resale system,” are each components of the military compensation and benefit package and are important contributors to morale and readiness. The Defense Commissary Agency (DeCA) operates a world-wide system of commissary stores that sell name brand grocery and household necessities to military personnel and their families, who save an average 30 percent on their purchases. The Military Services run three world-wide Exchange systems that operate retail complexes, catalogs, and web sites that sell a wide range of merchandise and services to the military community, on board ships and in contingency operations. The exchanges price their goods to average at least 15 percent savings to the customer and to produce revenues to help finance the MWR programs.

Collectively, these programs contribute to the readiness and retention of the total force while supporting the well-being of their families. These programs comprise the interconnected framework of the military family and community support structure. These programs must work together as partners to overcome shared challenges and to fulfill their unique missions. As we move forward, continued Congressional support will be critical to our success.

PROGRAM OVERSIGHT

As indicated in earlier testimonies to Congress, investment in our people is vital. The Military Departments recognize their fiduciary responsibility to provide the resources and set the direction and goals to sustain the MWR and exchange benefits for the ultimate stakeholders, the military members. Each Military Service supervises their Exchange and MWR programs through a board of directors, except for the Air Force MWR program which is overseen by the Manpower, Personnel, and Services staff. The Military Departments, through their representation on the DeCA Board of Directors, advise the Under Secretary of Defense for Personnel and Readiness on the funding and operation of the commissary system and assist in the overall supervision of DeCA.

We take great pride in our important mission and in the tremendous efforts of the 130,000 employees of DeCA, the Army Family Morale, Welfare and Recreation Command, the Army and Air Force Exchange Service (AAFES), the Navy Installations Command, the Navy Exchange Service Command (NEXCOM), the Headquarters U.S. Air Force Services, and the Headquarters Marine Corps Personal and Family Readiness Division. Their amazing work is making a difference in the quality of life of our Soldiers, Sailors, Airmen, Marines and families.

In partnership with the Congress, I am confident that we have the leadership, the resources, and the drive necessary to see these important programs through these challenges. The Department places great confidence in the leadership of these

organizations, who also testify today. This team, with many new players, brings a wealth of experience and commitment to guide their organizations and to work together to guarantee future success.

APPROPRIATED BUDGET REQUESTS

The President's budget submission continues the Department's strong support for Service members and their families. The Fiscal Year 2009 President's Budget requests \$4.006 billion to operate the commissary, exchange, MWR, child care and youth programs. The DeCA FY 2009 budget request is \$1.2911 billion, which covers the \$1.3009 billion operating budget, adjusted for prior years. The \$245.6 million requested for the Armed Service Exchanges includes \$179.5 million to fully support transportation requirements to ship U.S. procured goods to overseas locations, as is required by the law. The Military Departments request \$2.1 billion for direct support of the MWR programs, with \$969 million designated to support child and youth development programs. In addition, the Fiscal Year 2009 budget requests \$375.1 million of MILCON and \$138 million of Base Realignment and Closure (BRAC) funding for commissary, child care, fitness, recreation, and lodging facilities.

RESALE SYSTEM OVERSIGHT

The commissaries and exchanges exist as government entities to deliver results that can not be entirely furnished by the private sector. We must, therefore, continue to demonstrate that our commissaries and exchanges, individually and in aggregate, are meeting the needs of our Service members and are contributing positively to recruiting, retention, and readiness. We set long term goals and monitor program performance through the DeCA Board of Directors, the respective Exchange Boards, and within my office. The commissary and exchange performance are components of the Quality of

Life Social Compact Improvement Index in the Performance Accountability Report and the Department's Annual Report to the President and the Congress.

The Defense Manpower Data Center periodically surveys our customers to understand how they value commissary and exchange benefits. In addition, the Department uses the American Customer Satisfaction Index (ACSI), a nationally recognized measure of customer satisfaction that includes the largest U.S. retailers, as a general measure of satisfaction with the commissary and exchange benefits. These tools, along with the customer satisfaction assessments by the commissaries and exchanges, help us identify improvement opportunities. The Department is encouraged by the Resale systems' initiatives to invest in technologies, partner with other programs, and expand communication channels that will give customers more information about best value and better access to their resale benefits.

Executive Resale Board. The Executive Resale Board advises the USD(P&R) on the complementary operation of commissary and exchange systems. Since its members may also serve on the Commissary Operating Board and the Exchange boards, the Executive Resale Board provides valuable insight where there are mutual interests. The Executive Resale Board reviews joint construction projects, resale information system standards, resale cooperative efforts, combined store operations, and evaluates merchandise authorized for sale, including the results of the impulse merchandise test in commissaries.

We recently reported the two-year test results for the ten commissaries selling film, one-time use cameras, and telephone cards. Although we have not ruled out selling other items in the commissaries, the test did not indicate strong customer support for the commissaries to continue selling these particular items. Also, based on Board recommendations, the Department initiated a process to resolve competing interests over merchandise that is not clearly delineated between commissaries and exchanges. These reviews, along with the recent evaluations of combined stores, have encouraged progress in other areas that may provide value to commissary and exchange patrons worldwide.

The Resale Commanders are exploring new opportunities to operate collaboratively, such as cross promotion of merchandise and services and expanding on-site events for the Guard and Reserve.

Defense Commissary Agency Oversight. The DeCA Board of Directors provides critical advice on the commissary stores needed by the Military Services, management initiatives to improve DeCA's performance, and priorities for investing surcharge funds in systems and construction. The Board closely monitors the \$5.5475 billion resale stock fund and the \$1.3009 billion operating budget to ensure that DeCA is funded commensurate with its mission and the support provided to each Armed Service. DeCA's strong stewardship of taxpayer dollars has been demonstrated by the sixth consecutive unqualified audit opinion of its financial records.

Under the Board supervision, DeCA's management has a proven track record of achieving performance goals. Since 2000, DeCA steadily increased sales, improved the quality and availability of goods, sustained capital investment, and reduced costs through business process improvements – all while leading the grocery industry in customer satisfaction ratings and delivering customer savings averaging over 31 percent. The savings, while slightly down for all categories except produce in the U.S., climbed overseas due to the unfavorable currency exchange rate. Under the Office of Management and Budget (OMB) Program Assessment Rating Tool (PART), DeCA's PART Improvement Plan continues to focus on maintaining long-term customer satisfaction and reducing costs by restarting DeCA's competitive sourcing program in 2009.

Armed Service Exchanges Oversight. The exchanges are making progress toward producing more standardized performance measures against program and financial goals established by their Military Services. Each of the exchanges is improving business processes and modernizing technology to improve program delivery, operate more effectively, and to remain competitive in a challenging retail market. In addition, their Boards are pursuing enduring partnerships among the exchanges to improve customer

service and maximize efficiencies in systems, logistics, and supply. For example, under a cooperative initiative, customers can now redeem gift cards in all exchange activities anywhere in the world.

The audited financial statements report that the exchanges are in sound financial condition, with Standard and Poors ratings of A-1+. We continue to monitor exchange profitability and MWR dividends, which surpassed the FY 2007 goals. The NEXCOM expects to sustain these higher levels in FY 2008. The AAFES and the MCX expect profits and dividends to decline in FY 2008. All the exchanges are exceeding the goals set by their boards for savings to the customers and customer satisfaction. Customer satisfaction improved significantly and average savings to customers are now 20 percent or better – well above the 15 percent target.

CHILD CARE, YOUTH AND FAMILY PROGRAMS

The child care and youth programs are crucial elements of the MWR community support functions, providing service on a daily basis for the largest number of children of any employer in the United States. Readily available, quality and affordable child care and youth programs are a workforce issue with direct impact on mission readiness and mobilization preparedness, especially in today's higher operations tempo. Our families, like their civilian counterparts, include dual working couples and single-parent families. The military child care system includes services both on and off installations: installation Child Development Centers; in-home family child care; school-age care, and resource and referral partnership programs.

The Department continues to lead the nation with ninety-seven percent of DoD Child Development Centers accredited by the National Academy of Early Childhood Programs, as compared to 8%-10% of civilian child care centers. To be accredited, early childhood programs voluntarily undergo a comprehensive self-study and an external, professional review. Criteria are aimed at providing a safe and nurturing environment

while promoting the physical, social, emotional and intellectual development of young children. Additionally, a report released by the National Association of Child Care Resources and Referral Agencies in March 2007 rated the DoD child care system oversight and standards as the top ranking among all 50 states and the District of Columbia with a score of 117 out of 150 points, 27 points ahead of its nearest competitors (New York and Illinois).

Youth Programs

The Department of Defense has a long history of providing positive youth programs that focus on alternative activities for youth during out-of-school hours. Military Youth programs support the needs of school age children, older youth and teens, thereby resulting in reduced duty time for Service members due to conflict between parental responsibility and mission requirements. Youth programs and services also help minimize lost duty time due to youth misconduct during out of school hours, and have a positive influence on families.

Youth Programs offer a unique and wide variety of educational, recreational, cultural and social activities for youth between the ages of 6 and 18. Today, DoD provides more than 350 dynamic youth programs worldwide. DoD promotes positive youth development by designing programs to recognize the achievements of youth and by developing partnerships with other youth-serving organizations such as the Boys & Girls Clubs of America and 4-H that offer a variety of resources. Programs prepare teens and pre-teens to meet the challenges of military life, adolescence, and adulthood. Programs include physical fitness and sports, arts and recreation, training in leadership, life skills and career/volunteer opportunities, mentoring, intervention and support services. Many programs offer summer day camp programs and youth employment.

The construction of additional youth facilities will allow DoD to expand programming for youth. The 2008 Youth Center construction projects, totaling \$127 million in nonappropriated funds (NAF), constitute a critical aspect of supporting families by providing additional facilities to meet youth program needs. We recently

forwarded an “out of cycle” request for fifteen youth center projects at Army installations to better serve youth in after school programs and to help meet 35 percent of the youth demand by FY09.

Each of the Military Services has developed on-going partnerships with nationally recognized youth organizations such as the Boys & Girls Clubs of America (B&GCA) and 4-H, that offer well-established, research based programs. These organizations and programs are easily accessible to geographically isolated military families and Reserve Component members who do not live near an active installation. Strong partnerships with local school systems provide additional support to youth whose parent or loved-one has deployed. Programs designed to provide a safe place for youth during the summer months contribute to a comprehensive approach of providing support to youth. A few major initiatives include:

- Operation Military Kids (OMK) - a collaborative effort with America’s communities to support Reserve Component children and youth before, during, and after the deployment of a parent or loved one. *OMK* Teams in 42 states locate and serve Reserve Component youth living in the local community utilizing community support networks such as the American Legion and local Veterans’ service organizations, B&GCA, county 4-H Agents and local clubs, the Military Child Education Coalition and state and local schools, and the National Association of Resource and Referral Agencies (NACCRRRA). The teams work together to increase the community’s capacity to support youth when the Service member is deployed.
- Speak Out for Military Kids – includes state *OMK* Teams working with nearly 2,300 citizens within the state to better understand the military lifestyle, to identify community support services needed during the military deployment cycle, and to identify resources to help military children and youth cope with the stress of absent parents who may be in harm’s way.
- State Military Liaisons – 4-H Military Liaisons have been established in every state to serve as a link between the resources of the Land Grant University Extension System

and Military Child and Youth Programs. State 4-H Military Liaisons lead the OMK State teams.

- Mission: Youth Outreach - A Services sponsored youth outreach initiative with the B&GCA allows geographically dispersed Reserve Component youth to attend a local Boys & Girls Clubs (B&GC) at no cost. B&GCs provide a safe and positive place for youth to spend their out-of-school time. Youth and teens have access to all B&GC programs and may participate in local and national events.
- Youth of the Year is a recognition program administered by the Army, Marines, Navy, and Air Force in conjunction with the B&GCA. The Youth of the Year program recognizes youth's outstanding contributions to a member's family, school, community and youth center, as well as personal challenges and obstacles overcome. National Guard and Reserve youth participate in Youth of the Year events.
- Training for School Personnel includes "Supporting Children of the National Guard and Reserve" Institutes, two-day forums designed to provide professional development for school educators, guidance counselors, and family support specialists who work with the National Guard and Reserve. The school-based training is conducted by the Military Child Education Coalition (MCEC), a non profit organization, and is designed to respond to the needs of the "suddenly military" child. Institute offerings have been concentrated in eleven states and areas most affected by deployments. More than 1,100 school personnel have attended the Army, MCEC, and State sponsored institutes.
- School Support Services vary by location and need. In Hawaii, families of activated Soldiers were served by the Deployment Response Team. Overseas, impact on school transitions were improved when the Department of Defense Dependent Schools (DoDEA) changed policy to allow Reserve Component military members activated for more than 180 days to enroll their children in DoDEA Schools. Additionally,

Domestic Dependent Elementary and Secondary Schools in Guam were able to accommodate children of activated Reserve Component Members.

- Operation Purple Camps – National Military Family Association (NMFA) with funding from private foundations developed this no cost summer camp program in response to the need for increased support for military children, especially those whose parents are or will be deployed. Specific curricula were designed to help children develop strategies for coping with their parent's deployment.

Future of Warfighter and Family Service Programs

As discussed earlier, unlike child and youth programs, Warfighter and Family Services (WFS) programs are not part of the Department's MWR reporting structure. Taken together MWR and WFS programs build the social fabric of the military community and provide an integrated approach to service delivery for troops and families and comprehensive support to commanders. The Department is currently working with MWR and WFS programs of the Military Departments to review all opportunities for greater flexibility in the use of resources, and will seek future congressional support to achieve the goal of flexible support to MWR and WFS programs.

SUPPORTING GUARD, RESERVE AND GEOGRAPHICALLY DISPERSED PERSONNEL

We continue to emphasize programs that target our geographically dispersed military personnel and their families, including the National Guard and Reserves. The John Warner National Defense Authorization Act for FY 2007 required the Department to carry out a joint family support assistance program for families of members of the Armed Forces in not more than six areas of the United States, of which up to three of the areas were to be geographically isolated from military installations. To address this, the Department launched a pilot program in six states (Arkansas, Hawaii, Minnesota, New Hampshire, Ohio, and Oregon). The response was overwhelmingly positive and an

additional nine states were included (Alabama, California, Colorado, Florida, Indiana, Nebraska, Tennessee, Texas and West Virginia). We are taking steps to open the program in all 50 states, as it serves as the primary underpinning to the new Congressional direction for Yellow Ribbon reintegration. This initiative created a "high-tech, high touch" web-enabled community to connect military families with each other and with supportive resources 24/7 regardless of where families are located. Additionally, the initiative enhances the availability of resources for family members by augmenting the activities of active duty and Guard and Reserve family centers and programs. Partnering with the Red Cross, this program facilitates a federal, state and local team that can offer benefits and transition assistance throughout each of the participating states.

Providing child care for the Reserve and Guard presents unique challenges. Many families do not live close enough to military installations to use on-base child care and off-base care is not always affordable. The availability, affordability, and access to high quality programs for children and youth are critical elements of support for families of the National Guard and Reserves. An initiative designed to address these challenges is Operation: Military Child Care, which reduces but does not fully subsidize the cost of child care. Services are provided through partnership with a national nonprofit organization that helps parents locate child care, at reduced rates in their own communities, when they are unable to access child care on military installations.

Direct mailings, Military OneSource, unit events, and the Internet are used to inform Guard and Reserve members about the value of their commissary and exchange benefits. Joint commissary and exchange special events, such as "case lot" and "tent sales," also attract geographically dispersed personnel, including retirees, to our retail complexes on military installations. To increase Guard and Reserve accessibility to the commissary benefit without costly infrastructure, DeCA is expanding their "on-site" truckload sales and on-line grocery ordering programs. In Fiscal Year 2007, DeCA introduced "on site" truckload sales at 21 Guard and Reserve locations that are not near a

military installation. There are plans to significantly increase the number of Guard and Reserve events this year, with participation by the exchanges. The exchange catalog and Internet stores offer another way for our military community to remotely access their exchange benefits.

The Department is exploring other ways to expand the military MWR benefit to active duty, Guard and Reserves who do not have access to installation MWR programs. This includes on going efforts to establish national partnerships to provide discounts for fitness and recreation programs. We are working with many non-profit organizations that provide recreation and also the National Recreation and Park Association, as the nation's leading professional association for personnel working in community, and military parks and recreation programs. The goal: to create awareness within State and local communities on the need to engage military personnel and their families, who do not have access to installation-based MWR programs that promote active, healthy lifestyles and create a sense of community. We also plan to better use Military OneSource as a virtual one-stop-shop for recreation opportunities - both those found in the local community and installation based MWR programs that can be accessed off the installation, such as the virtual library materials and discounted tickets, hotels, and travel opportunities.

MIGRATING TO THE NEW GLOBAL POSTURE AND DOMESTIC STRUCTURE

Base closure and realignment (BRAC), restationing, and Grow the Force may require changes to our activities that support domestic and overseas military communities. DoD is partnering with other Federal Agencies and the affected civilian communities to formulate quality of life programs at locations where there will be a sufficient concentration of active duty members. We recognize that access to benefits is a pressing concern for communities after bases close and realign. We would continue an operation only if there is a significant active duty population remaining in the area that

would otherwise not be supported. As a general rule, we do not continue commissary, exchange or MWR operations after an installation closes. By divesting the operations that are no longer required to support active duty missions, resources can be redirected to support the military communities that will experience a significant increase of active duty personnel.

Implementing Joint Basing

For the twelve joint installations created under BRAC legislation, we are working with the Military Departments and the installation commanders to manage the change. The initial implementation guidance was recently issued. We are nearing completion of the supplemental guidance for nonappropriated fund instrumentalities and civilian human resources to ensure processes used to implement Joint Bases are effective and fair. Supplemental guidance will specifically address the concerns raised by the Services, the affected installations, and the Subcommittee. We will report those results to the Defense committees, as you have requested.

The warfighter and family services, lodging programs and a portfolio of MWR activities, to include children and youth, will merge at all but one location (Fort Myer/Henderson Hall). The programs will be provided to Service members and their families based on an assessment of mission, demographics, geography, and market requirements of each Joint Base. The Components are collaborating to develop common standards and levels of support for fourteen major MWR mission sustaining programs (Category A), warfighter and family services, and community support programs (Category B), children and youth development programs, and lodging. These DoD-wide standards will first be introduced at joint bases, as a means to provide consistent quality, available, and affordable programs, regardless of military affiliation. The exchange operations are not merged at joint bases, so exchange earnings should be unaffected. The Components will adjust their dividends when necessary to ensure equitable distribution to MWR programs at joint bases

Supplemental Civilian Human Resources guidance ensures that DoD installations involved in joint basing take into account the mix of APF employees, NAF employees, military members, and DoD contractors who currently accomplish the functions affected by the joint basing action, and work to mitigate adverse effects on employees. The guidance addresses labor relations obligations, potential reductions in force, transfer of function and transfer of work, work classifications, and NAF personnel issues. NAF employers participated in the development of supplemental guidance applicable to nonappropriated positions, which will address placement procedures in the new Joint Base organization, separation and severance pay, and portability of NAF retirement benefits.

Commissary and Exchange Stores at Closed Installations

Under DoD policy, commissary and exchange operations are generally closed when an installation closes. Independent commissaries and exchanges may be authorized to continue operations at a closed installation where there is a significant Active Duty population, the nearest installation authorized support is over 20 miles away, no new construction is required, there is local community support, and other specific criteria are met. Exchanges must be profitable.

Where independent operations can not be continued at closed installations, the law allows the exchanges to operate up to ten “combined commissary and exchange stores” that sell groceries at cost plus 5 percent, with DeCA providing up to 25 percent of the previous APF support for the location to offset grocery losses. Under this authority, the exchanges operated four “combined stores” for many years. Three of the four locations have closed, due to persistent financial losses that lowered dividends to MWR. We recently notified the Congress of our intention to close and convert the last location to an independent exchange operation.

Our exhaustive reviews have not produced a successful model for combining commissary and exchange stores as a way to continue operations at BRAC locations in the United States. Several studies, conducted by the Resale Commanders at the request

of the Executive Resale Board, concluded that the grocery losses could not be fully offset by the level of appropriations permitted by law and that a statutory change would sacrifice the savings identified within the BRAC recommendations. A concept for the commissary and exchange to operate within a “shared facility” would also lower exchange profits and dividends to MWR and increase DeCA’s APF costs. The Department plans to determine future operating formats, on a case by case basis, within the current statutory and policy structure.

Commissary Openings and Closures

DeCA currently operates 259 stores worldwide. The commissary system is operated entirely with appropriations and goods are sold at cost plus a 5 percent surcharge. This fiscal structure is designed to save military families an average 30 percent and produce \$279 million annually to support capital investment in store systems and shopping facilities. Within these funding constraints, the Department must assure that criteria are met when establishing new operations, including a full-time active duty mission and at least 100 active duty personnel are assigned to the installation. The Department has never waived this policy and has no plans to change it.

Under these criteria, the Department established a commissary store at Naval Air Station, Joint Reserve Base, Fort Worth, Texas on March 25, 2008 in conjunction with the disestablishing of the AAFES operated combined store. Two commissaries have already closed in Fiscal Year 2008: Buedingen and Gelnhausen, Germany. In Fiscal Year 2009, one commissary is scheduled to close due to BRAC and three commissaries are planned to close in Germany. There are five additional commissaries scheduled to close in 2010 – 2011, due to installation closures under BRAC action.

FACILITIES REQUIREMENTS

It is essential to have predictable and adequate funding for construction and sustainment, restoration, and modernization of facilities. During preparation of the Fiscal

Year 2009 budget request, the Department reiterated longstanding policy that requires programming appropriations for those facilities that are required to establish, activate or expand a military installation, including implementing BRAC, global restationing, and Grow the Force actions; relocation of facilities for convenience of the Government; replacement of facilities denied by country-to-country agreements; and restoration of facilities and improvements destroyed by acts of God, fire or terrorism. Fiscal law precludes using the commissary surcharge in the place of appropriations. New and more stringent criteria, to include the prerequisite to program appropriations, should limit the number and circumstances where waivers are granted to use NAFs instead of appropriations.

These policies should help to preserve our commissary surcharge and NAFs for other construction and capital requirements. We await the Senate's action on the Fiscal Year 2008 commissary surcharge and NAF construction program, which contains 42 major projects totaling \$415 million, with \$86 million for overseas locations. The smaller Fiscal Year 2008 program is attributed to our withholding two commissary and three MWR projects pending Army review of their necessity to implement BRAC and restationing, which would dictate appropriated funding; decreases in all MWR programs, with no major construction by the Air Force; and cost avoidance through expanded public-private venture programs.

The Fiscal Year 2009 President's Budget requests BRAC and MILCON funding for 42 community facilities totaling \$513 million. The projects include child development centers, youth centers, fitness centers, lodging facilities, recreation and community activity centers, a library and two commissaries.

The Subcommittee requested that the Department conduct a review to determine if projected resources over the next 10 years will be sufficient to meet facility requirements. The initial reviews by the Military Departments, who have funding responsibility for these programs, identified unfunded requirements at locations affected by mission-directed changes. Based on the funding policy clarifications and leadership support for

addressing quality of life considerations, the Military Services are re-examining those requirements and making necessary changes to their facilities programs and budget requests. Our report will be provided with the Fiscal Year 2009 commissary surcharge, nonappropriated, and privately funded construction program.

Also based on these reviews, the Army and Navy have identified additional resources available for several Fiscal Year 2008 commissary, exchange, MWR, and youth center projects. We generally avoid incremental requests of construction projects, since it is not in the best interest of an overall review of Department-wide construction priorities. Consequently, we will transmit only the highest priority projects that are both necessary and must commence construction in Fiscal Year 2008, in order to support the influx of troops and families at gaining installations.

CAPITAL INVESTMENT PROGRAMS

In addition to facilities construction programs reported to the Congress, the commissary surcharge and nonappropriated resources fund capital programs for equipment, information systems, and sustainment, restoration, and modernization projects. The latter projects are increasingly preferred to extend the useful life of a facility, rather than replacing it with new construction. Overall capital investment and the investment in facilities have steadily increased over the past five years.

DeCA forecasts sales over \$5.5 billion in FY 2009. The current surcharge rate of 5 percent supports the capitalization of store level systems and construction, with appropriations funding BRAC, restationing, and facility relocations. In Fiscal Year 2009, DeCA plans nearly \$280 million of capital investment, with \$72 million earmarked for information technology modernization and \$208 million for facilities and equipment.

AAFES, NEXCOM, and the Marine Corps Exchange (MCX) are operated predominantly with self-generated nonappropriated resources and with Military Service appropriations authorized for limited purposes. The exchanges price their goods to

provide savings to the customer and to produce revenues at a level set by their Military Service to sustain exchange capitalization requirements and to help finance their MWR programs. Collectively, the exchanges estimate profits of \$628 million for the retail year 2007, which closed at the end of January 2008. The exchanges continue to plan for capital investment averaging \$528 million per year, with \$158 million identified for information technology modernization and \$370 million designated for facilities and equipment. On a combined basis, the exchanges plan to distribute \$349 million (56 percent) of their 2007 profits as dividends, up from \$316 million in FY 2006. Dividends are projected to fall to \$283 million in Fiscal Year 2008.

The MWR programs plan to increase their average capital investment to \$401 million per year, with \$24 million identified for information technology modernization and \$377 million designated for facilities and equipment. In addition, the Lodging program is planned to increase average capital investment to \$230 million per year, with \$222 million designated for facilities and equipment.

MORALE, WELFARE AND RECREATION (MWR) FUNDING

Within Secretary of Defense policy and fiscal guidance, each Military Service manages and funds its MWR program using a combination of appropriated and nonappropriated resources. The continued vitality of the MWR programs depends on sound management, meeting command and customer needs, a predictable stream of NAF revenues, and also solid APF support of Category A and B activities.

All the Military Departments report that their MWR programs were profitable in Fiscal Year 2007. The combined MWR profits of \$117 million represent a \$73 million increase over Fiscal Year 2006. Fiscal Year 2007 APF of \$2.1 billion, with \$1.5 billion in direct support, represents 51 percent of total MWR program costs. The remaining 49 percent of MWR program costs was supported with NAFs. However, not all of the

Services met the minimum DoD standard percentages of appropriated support for Categories A and B activities.

Category A activities (fitness, libraries, recreation centers, single Service member programs, intramural sports, and unit activities) should be entirely funded with appropriations. The Department sets a minimum standard requiring at least 85 percent of total expenses being supported with APF. The Army achieved 83 percent in FY 2007. Category B activities (child and youth development programs, outdoor recreation, crafts and hobby shops, and small bowling centers) should be supported with a minimum APF of 65% of total expense. This year, Navy dropped below the minimum standard with 61 percent and the Air Force had 64 percent.

The FY 2008 APF budget is \$1.7 billion in direct funding for MWR programs, of which \$660 million is for child and youth development programs, and there are 7 MILCON projects totaling \$120 million. The FY 2009 MWR budget request for direct support is \$2.1 billion dollars, with most of the increase going to child and youth development programs. The FY 2009 budget request includes 36 construction projects for \$448 million funded from appropriations, with \$96 million to support those installations gaining populations under base realignment, closure, and restationing actions.

MWR PROGRAM INITIATIVES.

Our MWR programs continue to evolve to meet the contemporary needs of our members and their families. These programs are vibrant and reflect the diverse leisure time interests of our modern day force of combat veterans and families.

Libraries: Online library portals provide continuous access to academic materials, regardless of location. Virtual resources are located on the Army's General Library Information System, the Navy's Library Multimedia Resource Centers on ships, and the Air Force's Learning Resource Centers. This service greatly enhances the outreach

capabilities of the Department's 207 installation libraries. Currently 103 libraries meet one hundred percent of DoD core standards and this number increases each year. Of particular note, all of Marine Corps libraries meet DoD standards and they are the only Service to have three libraries with certified "DoD premiere status."

The Department recently launched a Lean Six Sigma study of library material purchases, to ensure that DoD takes advantage of economies of scale, since purchase of paper or electronic recreation materials varies among the Services. DoD is funding a joint purchase of library materials, recommended by the Service librarians, to jumpstart this initiative and immediately make available more library materials to deployed troops and active duty, guard and reserve members and their families. This joint procurement adds to the Services' collections of electronic and audio books, and provides several data bases that include animated e-books for children (three years through high school age), do-it-yourself reference centers for home and auto repairs, career planning, and lifelong learning centers. These materials will be able to be downloaded through Military OneSource and from the Services library portals, making them available virtually anywhere.

Single Service Member Programs: The Department also understands the importance of focusing efforts on single Service members, not just families. Our single Service members tell us they enjoy exercising, electronic social networking, weekend trips, music, computer games, movies, and high adventure sports. Single Service Member programs are targeted to 18-25 year olds and provide opportunities to socialize with friends, learn new skills, travel, and experience new adventures in and out of the military community.

Fitness: Based on Defense-wide fitness standards, all of the military Services continue to expand and provide innovative fitness programs that sustain a physically fit, healthy force in our military communities and for deployed men and women around the world. Long term plans will modernize the fitness infrastructure beginning with the

Services request for seven fitness center MILCON projects in FY 2008 and another 67 fitness centers programmed through FY 2013.

Professional entertainment: Entertainment helps build morale and nowhere is this support more important than in the austere locations where Service members are performing duty. Armed Forces Entertainment (AFE), in cooperation with the USO, continues to provide much welcomed celebrity and professional entertainment to our forces overseas. In 2007, AFE conducted 130 tours with 1300 shows in over 25 countries. Nineteen of those tours were with USO coordination. Entertainers included Gary Sinise, World Wrestling Entertainment, Harlem Globetrotters, Bret Michaels of Poison, Comedy Corps and numerous other bands, comedians, and entertainment groups.

Each of the military Services also provides entertainment opportunities both in the United States and overseas. The Spirit of America Tour provides a brief reprieve from the stresses of deployments at military installations within the continental United States. From 2002 through 2007, the Robert and Nina Rosenthal Foundation worked closely with the country music industry to provide 92 celebrity entertainment shows at no cost to military personnel and their families. Through this program, performers, such as Clint Black, Travis Tritt, Dennis Miller, Oakridge Boys and many others have given generously of their time and talents.

Information and Leisure Travel: The Department has 342 Information, Ticket and Tours (ITT)/Travel offices located worldwide to encourage military personnel and their families to get out and enjoy their duty location wherever it may be. Experienced staffs provide information brochures, advice and often reservations for local and regional attractions; local or regional group tours; discounted tickets to local movie theaters, concerts, plays, sports events, museums; admission to regional or national theme parks; and discounted hotels, resorts, and even cruises. Customers consistently rank ITT/Travel offices as an important MWR benefit as it can help provide significant savings for the individual or family entertainment and travel budget.

Return and Recreate: The Department, working with the Services, recognized the need to develop a post-deployment recreational program. Service members returning from the intense conditions of war can get their adrenaline pumping and fill their bodies with good endorphins in our high-adventure recreation programs, like rappelling, rock climbing, mountain biking, jet skiing, white-water rafting, paintball, or windsurfing. With free time for the first time in a long time, they have many choices on how to spend it, including MWR outdoor recreation programs. The Army, for example has created Warrior Adventure Quest (WAQ), which offers high adventure programs that are fun, challenging, supervised, and provided in a safe environment. WAQ is currently targeted for fourteen installations with high rates of deployment; family members can also participate.

Heroes to Hometowns: The American public's strong support especially shows in their willingness to help Service members who are severely injured in the war and their families as they transition from the hospital environment and return to civilian life. Heroes to Hometowns' focus is on reintegration back home, with networks established at the national and state levels to better identify the extraordinary needs of returning families before they return home. They work with local communities to coordinate government and non-government resources necessary for long-term success.

The Department has partnered with the National Guard Bureau, The American Legion and the National Association of State Directors of Veterans Affairs, to tap into corporate and non-profit resources at all levels to garner community support. Support has included help with paying bills, adapting homes, finding jobs, arranging welcome home celebrations, help navigating through the bureaucracy, providing entertainment options, mentoring, and most importantly, garnering hometown support.

Adaptive sports and recreation: The ability of injured Service members to engage in recreational activities is a very important component of recovery. We continue to work with the United States Paralympics Committee and other organizations so that our severely injured have opportunities to participate in adaptive sports programs, including

skiing, running, hiking, horseback riding, rafting, or kayaking. We are also mindful of the need to ensure installation MWR programs can accommodate the recreation needs of our severely injured Service members and their families. Recreation programming for injured troops is underway at installations with Warrior Transition Units and MWR staffs are increasingly partnering with local communities to develop programs to benefit the returning warfighter suffering from mental and physical injuries. Additionally, at Congressional request, we studied the current capabilities of MWR programs to provide access and accommodate eligible disabled personnel and have initiated plans to make available adaptive golf carts for use on military golf courses.

DEPLOYMENT SUPPORT

Internet Service: The ability to communicate with families and friends is the number one factor in being able to cope with longer and more frequent deployments. When deployed, service members have free access to the non-secure military Internet by using their military e-mail address, including aboard ships. They also have free Internet access at 560 MWR Internet cafes in Iraq, increasing to 885 cafes by September 2008 and 45 MWR Internet cafes in Afghanistan, growing to 65 cafes in September. This will represent increases of 264 percent and 117 percent respectively in the number of Internet cafes operating since 2006.

MWR Internet cafes offer webcams and headsets so they can make video calls and voice calls over Internet at less than \$.04 per minute. During the past year, the Department funded an increase in satellite bandwidth to provide better speed and reliability, and antennae size was increased to allow more data to be sent over the Internet using less power. Service members have access to You-Tube, MySpace, Facebook, and all the popular, widely used websites to better communicate with family and friends. MWR Internet cafes are also being installed in Education Centers, so Service members can complete on-line classes and conduct research. In addition, the Marine Corps launched MotoMail, a HQMC-sponsored regular mail alternative program developed to

support deployed Marines and families. Through this enhanced capability, individuals can access an established web site and deliver a letter to deployed Marines in 24 hours or less.

Back home, computers and Internet service located in our family support centers, recreation centers, installation libraries, and youth centers help ensure families can send and receive e-mails from their deployed loved ones. In fact, between home computers and family support and MWR sponsored computer centers, families are connected to their Service members in near real-time, which has a dramatic effect on readiness both at home and overseas.

Telecommunications. In theater, members may use official lines for “health, morale, and welfare” calls directed through military installations and there is only a charge to the service member if the call must be connected to long distance within the U.S. The Armed Services Exchanges also provide the unofficial telephone service at low international rates for both land and sea based deployed members. As of January 2008, AAFES ran 73 call centers with 1,664 phones in Iraq, Afghanistan, and Kuwait. NEXCOM supports most deployed ships in theater with one, 10, or 20 telephone lines depending on the size of the ship.

Programs for Deployed Personnel: Sustaining morale and readiness during deployment and contingency operations is the essence of the mission support role of MWR and exchange programs. Service members have access to a full spectrum of MWR activities and exchange retail services specifically implemented for forces deployed to fight the global war on terrorism.

Recreation activities include cardiovascular and weight equipment, sports and recreation equipment, monthly shipments of paperback and Playaway audio books, and newspapers, magazines, board games, large screen televisions, DVD/CD players, up-to-date electronic games, first-run movies, a rest and recuperation program, and continuing education support. MWR recreation kits are sized to fit the needs of the deployed unit and this March, eleven Army MWR Specialists deployed to Iraq on 179 day tours to

organize and implement recreation programs and special events. Larger, more established locations (and ships) have full fitness centers, libraries, movie theaters, and MWR Internet cafes.

AAFES, augmented by Marine Corps personnel, provides 82 exchanges in Iraq, Afghanistan, Kuwait, Qatar, United Arab Emirates, Kyrgyzstan, Cyprus, and other contingency operations. These exchange facilities are selling items such as electronics, health and beauty aids, and bringing a “little bit of home” to a far away place. AAFES also provides 196 food facilities and 548 concessions offering varied goods and services.

Donations. Support from the American public for deployed troops remains strong and the millions of care packages and other support continue to supplement the military Service's efforts to enhance morale. For example, in 2007 the USO implemented the “Combat USO Program” to provide sources of recreation and entertainment outside the fence lines of our deployed installations. Working closely with the Service Senior Enlisted leadership and with input from troops in the field, the USO has designed easily transportable morale kits known as "USO in a Box." These kits contain everything from DVDs, to cards, to digital books, to snacks and energy bars. Whether at a Forward Operating Base in the Anbar Province or a remote outpost in Afghanistan, you can throw a “USO in a Box” kit in the back of your Humvee and have hours of entertainment to help pass the time between missions and until returning home to families.

In support of OEF/OIF, the Department authorizes the Armed Services Exchanges to sell prepaid phone cards to the general public for donation or gifts to military members and their families. Since inception of the "Help Our Troops Call Home" campaign, the American public has donated 249,107 phone cards valued at nearly \$6M. Similarly, DeCA and the Exchanges offer “Gifts from the Homefront” programs to contribute gift cards that can be redeemed in the commissary or exchange – at any location throughout the world.

CONCLUSION

Madam Chairwoman, I would like to conclude today by thanking the brave women and men who defend our Nation and their family members. I thank the Congress for your genuine concern for their welfare and continuing support for these quality of life programs.