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Testimony

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**DEFENSE FORCE
MANAGEMENT**

**Status of Military Force
Downsizing**

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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to provide preliminary information on our ongoing review of the Department of Defense's (DOD) military strength management during this time of military force reductions. By strength management I am referring both to accessions and losses and how the effects of the two achieve an overall goal referred to as the net reduction goal. In order to provide an overview of individual service and aggregate strength management, my comments will be more in the form of a briefing.

Today, I want to (1) focus on the magnitude of force reductions now underway and where DOD stands both in relation to its long-term reduction plans and to congressionally authorized strength levels; (2) outline programs designed to foster force reductions and minimize the adverse impact on individuals; (3) show the extent of reductions by various separation categories; and (4) discuss funding for two special separation incentive programs authorized by the Congress.

MAGNITUDE OF THE DRAWDOWN

Defense authorization legislation for fiscal year 1991 authorized strength levels totaling 1.6 million for active duty personnel as of September 30, 1995, a reduction of 561,000 positions, or nearly 26 percent, from the post-Vietnam peak strength level of 2,174,100

positions reached at the end of fiscal year 1987. Table 1 contrasts DOD's currently planned fiscal year 1995 end-strength levels with those authorized by the Congress as part of the fiscal year 1991 defense authorization legislation.

Table 1: Fiscal Year 1995 Military Force Levels

Numbers of personnel in thousands

<u>Service</u>	<u>Congressional authorization</u>	<u>DOD end strength currently planned</u>	<u>Difference</u>
Army	520	536	+16 (+3.1%)
Navy	501	509	+8 (+1.6%)
Marine Corps	177	170	-7 (-4.0%)
Air Force	<u>415</u>	<u>429</u>	<u>+14</u> (+3.4%)
Total	<u>1,613</u>	<u>1,644</u>	<u>+31</u> (+1.9%)

Sources: National Defense Authorization Act for Fiscal Year 1991, Office of the Secretary of Defense, and individual services as of March 23, 1992.

This table shows that for each service, other than the Marine Corps, current planned end strengths for fiscal year 1995, will exceed the congressionally authorized levels by a few percentage points. Service officials recognize this difference but indicate they believe the conference committee report permits them some flexibility. The Conference Committee Report to the National Defense Authorization Act for fiscal year 1991 states that "... the conferees agree that these end-strengths are prescribed for planning purposes and may be revised in the future as the Department of Defense makes force structure and force mix decisions based on threat and military strategy assessments." Questions

still exist regarding force mix issues and structure under a revised threat; given DOD's perception of flexibility regarding end-strength numbers, DOD has not proposed any legislation to date to change the authorized fiscal year 1995 end strength levels. DOD's currently planned reductions represent a 24-percent decrease in end-strength from the end of fiscal year 1987 to the end of fiscal year 1995; additional reductions planned between fiscal year 1995 and fiscal year 1997 produce a 25-percent net reduction from fiscal years 1987 to 1997. (See app. I for a broader overview of currently planned changes in DOD force strength levels from fiscal years 1980 through 1997.)

As of the end of fiscal year 1991, active military force levels have been reduced by about 189,000¹ from the high of 2,174,100 at the end of fiscal year 1987. Table 2 shows the magnitude of the force reductions made through the end of fiscal year 1991 in relation to those remaining to meet DOD plans for the end of fiscal year 1995.

¹This number excludes the effects of 17,059 mobilized reserves still on active duty as of September 30, 1991.

Table 2: Net Reductions in Military Forces

Numbers of personnel in thousands

<u>Service</u>	<u>FY 1987 baseline</u>	<u>FY 1991 end strength</u>	<u>Reductions through FY 1991</u>	<u>Reductions left</u>		<u>Total reductions</u>	<u>DOD's FY 1995 end-strength goal</u>
				<u>Number</u>	<u>Percent</u>		
Army	780.8	710.8	70.0	174.8	71	244.8	536.0
Navy	586.8	570.3	16.5	61.3	79	77.8	509.0
Marine Corps	199.5	194.0	5.5	23.7	81	29.2	170.3
Air Force	<u>607.0</u>	<u>510.4</u>	<u>96.6</u>	<u>81.5</u>	<u>46</u>	<u>178.1</u>	<u>428.9</u>
Total	<u>2,174.1</u>	<u>1,985.5</u>	<u>188.6</u>	<u>341.3</u>	64	<u>529.9</u>	<u>1,644.2</u>

Note: Numbers may vary slightly from other data arrays from published source cited due to rounding, and updating of data.

Sources: Department of Defense Manpower Requirements Report, FY 1993--Officer Flow Annex, Feb. 1992, Office of the Secretary of Defense, and supplemental data from the Office of the Secretary of Defense and the military services as of March 23, 1992.

The Air Force, which began to make sizeable reductions to its force in fiscal year 1988, is more than half way toward its force reduction goal. The Navy reached and maintained its peak strength in fiscal years 1988 and 1989 and began its reductions in fiscal year 1990. The Army has the largest number of reductions remaining; its overall force reductions are the largest of all the services, comprising 46 percent of the approximately 530,000 DOD military force reductions planned from the end of fiscal year 1987 through the end of fiscal year 1995.

DOD plans a net force reduction (after adjusting for gains and losses) of just over 218,000 positions within the current 2-year budget period. Table 3 contrasts current service end-strength plans for these 2 years in relation to strength levels authorized by the National Defense Authorization Act for Fiscal Years 1992 and 1993.

Table 3: DOD Military End-Strength Levels, Fiscal Years 1991 to 1993

Numbers of personnel in thousands

Service	FY 1991	Fiscal year 1992		Fiscal year 1993		Net change from fiscal year 1991 to fiscal year 1993 DOD plan	
		Authorized	DOD plan	Authorized	DOD plan		
Army							
Officer	103.7	96.8	94.9	90.8	88.9	-14.8	(-14%)
Enlisted	<u>607.1</u>	<u>563.4</u>	<u>545.8</u>	<u>527.4</u>	<u>510.0</u>	-97.1	(-16%)
Subtotal	710.8	660.2	640.7	618.2	598.9	-111.9	(-15%)
Navy							
Officer	70.8	69.8	69.4	67.6	67.5	-3.4	(-05%)
Enlisted	<u>499.4</u>	<u>481.6</u>	<u>481.9</u>	<u>468.4</u>	<u>468.3</u>	-31.1	(-06%)
Subtotal	570.3	551.4	551.3	536.0	535.8	-34.5	(-06%)
Marine Corps							
Officer	19.8	19.2	19.1	18.6	18.4	-1.3	(-07%)
Enlisted	<u>174.3</u>	<u>168.8</u>	<u>168.8</u>	<u>163.6</u>	<u>163.6</u>	-10.7	(-06%)
Subtotal	194.0	188.0	187.9	182.2	182.0	-12.0	(-06%)
Air Force							
Officer	96.6	92.0	91.8	86.6	85.0	-11.6	(-12%)
Enlisted	<u>413.8</u>	<u>394.8</u>	<u>393.4</u>	<u>371.5</u>	<u>364.9</u>	-48.9	(-12%)
Subtotal	<u>510.4</u>	<u>486.8</u>	<u>485.1</u>	<u>458.1</u>	<u>449.9</u>	-60.5	(-12%)
Total	<u>1,985.6</u>	<u>1,886.4</u>	<u>1,865.1</u>	<u>1,794.5</u>	<u>1,766.7</u>	<u>-218.9</u>	<u>(-11%)</u>

Notes:

1. Authorized numbers pertain to officers and total end strength; enlisted numbers (including cadets) represent the difference between authorized end strength and authorized officer personnel.
2. Numbers may not add due to rounding. Also, numbers may vary slightly from other data arrays from the published source cited due to rounding, and updating of data.
3. DOD's fiscal year 1991 end strength excludes the effects of 17,059 mobilized reserves still on active duty as of September 30, 1991.
4. The Secretary of Defense is authorized by the National Defense Authorization Act for Fiscal Years 1992 and 1993 to waive up to 2 percent of the active duty end strength authorized for fiscal year 1992 in order to avoid any involuntary separations.

Sources: National Defense Authorization Act for Fiscal Years 1992 and 1993, Department of Defense Manpower Requirements Report, FY 1993--Officer Flow Annex, Feb. 1992, and OSD and military service provided data as of March 23, 1992.

The Army's planned force reductions during fiscal years 1992 and 1993 are 3 percent greater than they would be if the reductions were being made to meet just the congressionally authorized level. Army officials indicated they have accelerated their drawdown due to budget constraints. Differences between authorized and planned reductions for the other services are less than 2 percent each.

Legislative Guidance And DOD Actions
Affecting Strength Management

The fiscal year 1991 defense authorization legislation provided some guiding principles for DOD and the services to follow as they draw down the military forces. The legislation stipulated that the services could not involuntarily separate military personnel without first having implemented procedures to: (1) limit accessions, (2) increase retirements among those eligible to do so, and (3) limit the number of personnel with more than 2 but less than 6 years of service. In emphasizing this, the conference report to the 1991 Defense Authorization Act stated that

"the conferees expect the Secretary of Defense to exercise prudent judgement in approving accession levels and force profiles by grade and years of service to guide the personnel strength reduction process in the military services as forces draw down over the next five years."²

The conferees also stated their expectation that the military services would maintain the same relationship between officer and enlisted strengths as existed at the end of fiscal year 1990 in making active duty end-strength reductions in the future.

DOD and the services are pursuing a policy of trying to achieve and maintain a degree of balance between their accessions and losses in order to "shape" the military force in terms of rank, years of service, and specialties. Thus, the services have taken actions

²We are planning a more detailed assessment of planned accessions in relation to future force requirements.

to: (1) reduce, yet maintain needed accessions; (2) encourage retirements among those eligible to do so; (3) reduce force levels by providing for voluntary selected early release of officer and enlisted personnel before the expiration of normal obligation or enlistment periods; (4) tighten quality controls over reenlistees; and (5) reduce the maximum amount of time persons may remain on active duty from the time they were last promoted. DOD recognizes that without this multi-faceted approach, the services would be faced with skill imbalances, promotion and career stagnation; a more senior work force with higher personnel costs; and many senior persons doing lower level work. Shaping the force to avoid these problems requires a larger number of attritions than would be the case if the focus was primarily on limiting the intake of personnel to achieve end strength reduction goals. Table 4 shows the extent of accessions and losses projected by each of the services for fiscal years 1992 and 1993 in meeting their end-of-fiscal-year reduction targets.

Table 4: Accessions and Losses by Military Service

Numbers of personnel in thousands

<u>Service</u>	<u>FY 1991</u>	<u>Fiscal year 1992</u>			<u>Fiscal year 1993</u>		
	<u>end strength</u>	<u>Accessions</u>	<u>Losses</u>	<u>Net reduction</u>	<u>Accessions</u>	<u>Losses</u>	<u>Net reduction</u>
Army	710.8	84.6	154.7	70.1	91.6	133.4	41.8
Navy	570.3	79.1	98.1	19.0	80.1	95.6	15.5
Marine Corps	194.0	34.0	40.0	6.0	33.3	39.4	6.1
Air Force	510.4	47.1	72.3	25.2	47.3	82.3	35.0
Total	<u>1,985.5</u>	<u>244.8</u>	<u>365.1</u>	<u>120.3</u>	<u>252.3</u>	<u>350.7</u>	<u>98.4</u>

Note: Numbers may vary from other data arrays because DOD source documents we used had slight differences between them; however, the net effect in terms of total numbers and net reductions is relatively minor.

Sources: From budget justification data submitted to the Congress by the military services in conjunction with their Amended FY 1992/FY 1993 Biennial Budget Estimates and other data provided by the individual military services as of March 23, 1992.

During the 2-year period, DOD expects net reductions (gains minus losses) totaling about 218,000 positions. Total losses during that same period are much higher, totaling about 716,000. However, even during normal times, without downsizing, there would be losses on the order of 330,000 per year or 660,000 for 2 years. According to OSD officials, of the 218,000 net reduction, approximately 140,000 are additional reductions over what would have occurred without a drawdown, plus approximately 80,000 fewer accessions.

Proportion of Officers to Enlisted Personnel

As indicated earlier the conferees to the fiscal year 1991 defense authorization legislation set the expectation that, in making active duty end-strength reductions, the services would maintain the same relationship between officer and enlisted strengths as existed at the end of fiscal year 1990. Table 5 presents those officer-to-enlisted ratios for each service as of the end of each fiscal year represented.

Table 5: Officers Expressed As a Percentage of Enlisted Personnel

<u>Service</u>	<u>Fiscal year 1990--actual</u>	<u>Fiscal year 1991--actual</u>	<u>Fiscal year 1992--planned</u>	<u>Fiscal year 1993--planned</u>	<u>Fiscal year 1994--planned</u>	<u>Fiscal year 1995--planned</u>
Army	16.35	17.20	17.52	17.57	17.91	17.72
Navy	14.47	14.31	14.54	14.54	14.72	14.79
Marine Corps	11.30	11.35	11.29	11.27	11.31	11.35
Air Force	23.22	23.59	23.57	23.55	23.56	23.54

Source: Derived using data contained in the Department of Defense Manpower Requirements Report FY 1993--Officer Flow Annex, February 1992, and from budget justification data submitted to the Congress in conjunction with Amended FY 1992/FY 1993 Biennial Budget Estimates.

The data shows fluctuating changes in the proportion of officers to enlisted personnel within the services but an increase of less than 1 percent for all services, except for the Army; the Army shows a 1.4 percent increase between the end of fiscal year 1990 and fiscal year 1995. However, all of the services are under their authorized ceilings for officers in fiscal years 1992 and 1993 (see table 3 for officer authorization levels). The Army attributes some of its higher officer levels to congressional mandates such as the requirement for increased support to reserve components, and a mandate not to reduce medical support, etc.

PROGRAMS TO FOSTER FORCE REDUCTIONS AND
MINIMIZE IMPACT ON INDIVIDUALS

The National Defense Authorization Act for Fiscal Year 1991 as well as fiscal years 1992 and 1993 authorized or expanded several programs to induce voluntary separations, minimize the adverse impact on individuals affected by the military drawdown, and help shape the remaining force. These included:

- expanded authority for selected early retirement, reduction in force, and reduced time in grade/service requirements pertaining to officers;
- expanded provision of lump sum separation pay for officer and enlisted personnel involuntarily separated; and
- authority for two special financial incentive programs to induce voluntary separation of personnel having between 6 and 20 years of service.

One of the financial incentive programs is the Voluntary Separation Incentive (VSI) and the other is the Special Separation Benefit

(SSB) program. VSI provides an annual payment for double the number of years of service while SSB provides for a lump sum payment. (See app. II for comparative examples of separation pay between these programs and involuntary separation pay for selected pay grades.)

The National Defense Authorization Act for Fiscal Year 1991 expanded authority for transition benefits and services including counseling and job placement assistance for persons involuntarily separated; this authority was further expanded by the fiscal year 1992 and 1993 authorization act to include persons who voluntarily separate under the lump-sum SSB program (see app. III for the range of transition benefits available to military personnel).

Each year the military services lose large numbers of personnel voluntarily and involuntarily for a variety of reasons ranging from normal end of enlistment, retirement, denied reenlistment, or involuntary separations based on performance or other reasons. These losses continue during this time of force drawdown with some increases due to tightened retention quality standards and use of other special programs designed to induce or facilitate additional separations. Table 6 summarizes the projected losses for fiscal years 1992 and 1993 by various separation categories.

Table 6: Projected Losses During Fiscal Years 1992 and 1993

<u>Reason</u>	<u>Army</u>		<u>Navy</u>		<u>Marine Corps</u>		<u>Air Force</u>	
	<u>FY 1992</u>	<u>FY 1993</u>	<u>FY 1992</u>	<u>FY 1993</u>	<u>FY 1992</u>	<u>FY 1993</u>	<u>FY 1992</u>	<u>FY 1993</u>
Expired term of service/contract	56,102	61,666	36,914	32,500	19,249	18,539	18,599	20,470
Early out/release programs (generally under 6 years of service)	21,578	709	138	174	2,196	2,196	0	4,000
Retirement (regular and disability)	18,595	16,444	10,162	8,463	2,695	2,562	17,862	16,583
Use of special boards to select individuals for early retirement (SERB)	1,870	2,269	350	400	125	125	0	0
<u>Induced voluntary separation programs</u>								
Voluntary Separation Incentive (VSI)	8,632	4,834	[3,075]	[1,023]	[412]	[698]	5,410	8,812
Special Separation Benefit (SSB)	19,102	11,087	[1,025]	[297]	[553]	[867]	6,914	8,803
<u>Involuntary separations</u>								
With pay	10,004	10,038	743	1,001	2,490	2,335	4,155	7,863
Without pay	3,941	4,917	0	0	0	0	87	83
Other	<u>14,854</u>	<u>21,450</u>	<u>49,786</u>	<u>53,079</u>	<u>13,219</u>	<u>13,637</u>	<u>19,271</u>	<u>15,676</u>
Total Losses	<u>154,678</u>	<u>133,414</u>	<u>98,093</u>	<u>95,617</u>	<u>39,974</u>	<u>39,394</u>	<u>72,298</u>	<u>82,290</u>

Notes:

1. Bracketed numbers, where used in induced voluntary separation programs, indicate personnel not counted in service totals; these numbers are already counted in other categories which are additive.
2. See app. IV for a separate break-out of losses by officer and enlisted personnel.
3. The number of losses occurring from involuntary actions and reductions in force will increase or decrease depending on the actual results of the ongoing VSI and SSB programs.
4. Individual services vary somewhat in the extent to which they indicate losses through "involuntary separation" and "other" categories. The category "other" includes separations for not meeting physical requirements, hardship, death, trainee losses, unsuitability, misconduct, desertion, attrition of active duty reservists (non-Desert Shield/Storm related), miscellaneous adjustments, and others. Both "other" and "involuntary separation without pay" categories appear to be closely related.

Sources: Budget justification data submitted to the Congress by the military services in conjunction with their Amended FY 1992/FY 1993 Biennial Budget Estimates and other data provided by OSD and the individual military services as of March 23, 1992.

Table 6 indicates that 11 percent of the total service losses during the 2 years are attributable to use of the VSI and SSB programs. Of the 218,000 net reductions, 37 percent are attributable to VSI and SSB in fiscal years 1992 and 1993.

Table 7 indicates the number of officers and enlisted personnel from each service who have requested separation under the VSI and SSB programs as of March 1992.

Table 7: Military Personnel Requesting Separation Either Under VSI Or SSB

Rank	Army		Navy		Marine Corps		Air Force	
	VSI	SSB	VSI	SSB	VSI	SSB	VSI	SSB
Officer	1,574	2,145	0	0	3	1	1,144	987
Enlisted	<u>1,184</u>	<u>14,897</u>	<u>146</u>	<u>562</u>	<u>21</u>	<u>142</u>	<u>1,776</u>	<u>15,600</u>
Total	<u>2,758</u>	<u>17,042</u>	<u>146</u>	<u>562</u>	<u>24</u>	<u>143</u>	<u>2,920</u>	<u>16,587</u>

Note: Numbers indicate persons applying for separation under these programs; all have not been approved. Further, individuals have the option of switching programs prior to actual separation.

Source: Data provided by OSD and the individual military services, as of March 23, 1992.

As of March 23, 1992, DOD reports that 40,182 persons (out of a fiscal year 1992 goal of 45,123) have requested separation under either the VSI or SSB programs. Approximately 85.4 percent of those persons electing separation under these programs have opted for the lump-sum SSB program and 14.6 percent have chosen VSI. This reflects a somewhat greater preference for the SSB program at this point than DOD officials had expected. DOD's Amended FY 1992/1993 Biennial Budget Estimates projected that, of those persons electing a voluntary separation incentive pay, 62 percent would take SSB and 38 percent VSI. However, DOD officials have noticed some lessening of this preference for SSB within the past couple of weeks; it is too soon to tell whether this signals a longer term trend change. According to DOD officials, junior officers and enlisted personnel are among those most frequently opting for the SSB program.

While authority for the VSI and SSB programs exists through fiscal year 1995, the extent of its use varies by service and it is not clear to what extent each of the services will use this authority in future years. For example, the Army indicates it is trying to

maximize its use of these programs during this first year of availability. Its offering to its officer and enlisted force is broader than any of the other services, and it is giving special emphasis to personnel in over-strength skill areas and personnel likely to be affected by changes in reenlistment quality criteria or application of the criteria.

As compared with the Army, the Navy is making less use of these separation incentive pay programs to reduce end strength--the Navy has less need for these programs since its reductions during the 2-year period are less than a third of the Army's. The Navy states it is offering the separation incentive programs to enlisted personnel only, particularly E-5s and E-6s, to selectively target over-strength skill areas. After offering the program for a short time period to ascertain the extent of takers, the Navy told us it has launched a second effort offering the incentives to a much broader range of over-strength personnel. The Marine Corps is making selected use of the special separation incentive programs for officer and enlisted personnel. The Marine Corps has the smallest reductions of all the services and as a result has less need of the incentive pay programs. It is, however, using the incentive pay programs as a vehicle for voluntarily separating marines in obsolete specialty codes.

The Air Force intends to use the special separation incentive programs through calendar year 1992, targeting both officer and

enlisted personnel, with a larger emphasis on E-4s and E-5s with 9 to 15 years of service, except for those in critical skill areas. It is also offering the program to personnel at bases and units slated for closure.

FUNDING OF SPECIAL SEPARATION INCENTIVE PROGRAMS

Some funding questions remain regarding the special separation incentive programs. Significant personnel savings will not be likely during fiscal year 1992 since, according to DOD officials, most personnel who are leaving the military under these programs will be doing so during the last 3 months of the fiscal year and most will be departing with a lump-sum payment that must be paid out of this year's military appropriations account. Others, departing this calendar year under VSI, will also receive their initial annual payment, paid out of the services' military personnel accounts, when they leave the service. Under legislation authorizing the program, the present value of future years' benefits then becomes an unfunded liability. VSI payments made after January 1, 1993, will come out of an accrual funded Voluntary Separation Incentive Fund.

In approving legislation for the VSI program, the Congress mandated accrual funding rather than a pay-as-you-go approach. The legislation charged the Defense Retirement Board of Actuaries with establishing a fixed period of time for amortizing the unfunded

liability.³ The Secretary of Defense then is required by legislation to make deposits to the fund in accordance with that amortization schedule. For personnel who leave the services under the VSI program after December 31, 1992, the Secretary of Defense must pay into the account an amount equal to the present value of the future benefits payable as determined by the Board of Actuaries.

The Defense authorization legislation stipulates that amounts paid into the Voluntary Separation Incentive Fund will be paid from funds available for the pay of members of the armed forces under the jurisdiction of the secretary of each military department. The budget justification books of each military service submitted to the Congress, in conjunction with the Amended FY 1992/FY 1993 Biennial Budget Estimates, state that the budget estimates include specifically identified amounts for projected SSB requirements and for VSI payments associated with those who accept VSI before January 1, 1993. Since the number opting for the SSB rather than the VSI is greater than DOD anticipated in developing its new budget estimates for the amended fiscal year 1992/1993 biennial budget, this indicates that not enough funds will have been set aside for payments required this year. DOD officials told us they are still accumulating data on the proportion of persons opting for

³The three-member Defense Retirement Board of Actuaries is charged with performing the same functions for the Voluntary Separation Incentive Fund as it performs for the DOD Military Retirement Fund.

VSI and SSB and will have to calculate a new funding requirement that will likely require a reprogramming action for this current fiscal year.

Financing requirements and decisions affecting the VSI program will be dependent on the number of personnel who opt for VSI and SSB, and may also be affected by upcoming decisions by the Department of Defense Board of Actuaries. In anticipation of future years VSI funding requirements, the services' budget justification documents state that

"... the Board of Actuaries is reviewing assumptions related to real rate of return and real wage growth [of the Military Retirement Account] in light of continuing trends which deviate significantly from current assumptions. The budget anticipates that the Board of Actuaries will approve economic assumption changes effective in FY 1993 and that adequate resources will become excess to finance required VSI payments into the Voluntary Separation Incentive Fund."

The Chairman of the DOD Board of Actuaries told us that the Board, which only meets a few times a year, has had limited discussions to date regarding the VSI program; it will address the VSI issue at its next regularly scheduled meeting in July 1992.

The Chairman also indicated that the Board will also be reevaluating economic assumption issues related to funding the Military Retirement Account and the use of excess investment returns at its next meeting. Currently, excess investment income is returned to the Treasury. Depending on actions of the Board,

there could be a lessening of the ongoing obligation of DOD in terms of its payments into the retirement account. The Board will be discussing whether a portion of those excess funds should be credited to DOD. A decision to request a change in the distribution of excess investment returns and passage of any required legislation to credit some portion to DOD could provide DOD with additional resources to help meet VSI funding requirements. Actions of the Board to change economic assumptions affecting DOD payments into the retirement fund would not normally take effect until fiscal year 1994.

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Mr. Chairman, this concludes my prepared remarks. I would be happy to respond to any questions from you or Members of the Subcommittee.

MILITARY AND CIVILIAN END-STRENGTH LEVELS, FISCAL YEARS 1980 THROUGH 1997

	<u>FY 1980</u>	<u>FY 1987</u>	<u>Net change from FY 1980 to FY 1987</u>	<u>FY 1997</u>	<u>Net change from FY 1980</u>	<u>Net change from FY 1987</u>
Active duty						
Army	776,500	780,800	4,300 (+01%)	536,000	-240,500 (-31%)	-244,800 (-31%)
Navy	527,200	586,800	59,600 (+11%)	501,200	-26,000 (-05%)	-85,600 (-15%)
Marine Corps	188,500	199,500	11,000 (+06%)	158,800	-29,700 (-16%)	-40,700 (-20%)
Air Force	<u>558,000</u>	<u>607,000</u>	<u>49,000 (+09%)</u>	<u>430,000</u>	<u>-128,000 (-23%)</u>	<u>-177,000 (-29%)</u>
Total	2,050,200	2,174,100	123,900 (+06%)	1,626,000	-424,200 (-21%)	-548,100 (-25%)
Guard and Reserves						
Army	581,500	765,500	184,000 (+32%)	567,400	-14,100 (-02%)	-198,100 (-26%)
Navy	97,000	148,300	51,300 (+53%)	117,800	+20,800 (+21%)	-30,500 (-21%)
Marine Corps	35,700	42,300	6,600 (+18%)	34,900	-800 (-02%)	-7,400 (-17%)
Air Force	<u>155,200</u>	<u>195,000</u>	<u>39,800 (+26%)</u>	<u>200,000</u>	<u>+44,800 (+29%)</u>	<u>+5,000 (+03%)</u>
Total	869,400	1,151,100	281,700 (+32%)	920,100	+50,700 (+06%)	-231,000 (-20%)
Combined military						
Army	1,358,000	1,546,300	188,300 (+14%)	1,103,400	-254,600 (-19%)	-442,900 (-29%)
Navy	624,200	735,100	110,900 (+18%)	619,000	-5,200 (-01%)	-116,100 (-16%)
Marine Corps	224,200	241,800	17,600 (+08%)	193,700	-30,500 (-14%)	-48,100 (-20%)
Air Force	<u>713,200</u>	<u>802,000</u>	<u>88,800 (+12%)</u>	<u>630,000</u>	<u>-83,200 (-12%)</u>	<u>-172,000 (-21%)</u>
Total	2,919,600	3,325,200	405,600 (+14%)	2,546,100	-373,500 (-13%)	-779,100 (-23%)
Civilian						
Army	360,500	418,000	57,500 (+16%)	294,644	-65,856 (-18%)	-123,356 (-30%)
Navy/Marines	308,700	353,000	44,300 (+14%)	261,265	-47,435 (-15%)	-91,735 (-26%)
Air Force	244,300	264,000	19,700 (+08%)	202,767	-41,533 (-17%)	-61,233 (-23%)
DOD agencies	<u>76,821</u>	<u>98,000</u>	<u>21,179 (+28%)</u>	<u>145,669</u>	<u>+68,848 (+90%)</u>	<u>+47,669 (+49%)</u>
Total	990,321	1,133,000	142,679 (+14%)	904,345	-85,976 (-09%)	-228,655 (-20%)

Note: Some increases in personnel numbers for DOD agencies shown in fiscal year 1997 represent the consolidation of some activities and the shifting of personnel from individual services to DOD agencies.

Sources: DOD Manpower Requirements Reports and the Office of the Secretary of Defense with updated data provided by the Department of the Navy as of March 23, 1992. Prior-year data is actual while future-year data is projected as of March 23, 1992.

MILITARY SEVERANCE PAY OPTIONS

Table II.1 illustrates the levels of severance payments military personnel are eligible to receive in fiscal year 1992 under three separation options. The options include: (1) the Voluntary Separation Incentive (VSI) program, which provides an annual payment for twice the number of years of service; (2) the Special Separation Incentive (SSB) program, which is a lump-sum payment paid upon separation; and (3) involuntary separation pay.

Table II.1 Separation Pay Options

	<u>Rank</u>	<u>Years of service</u>	<u>Involuntary separation</u>	<u>SSB</u>	<u>VSI</u>	
					<u>Annually</u>	<u>Total</u>
1.	O-4	14	\$58,559	\$87,840	\$14,640	\$409,918
2.	O-3	10	36,090	54,135	9,023	180,450
3.	E-7	12	26,131	39,198	6,533	156,790
4.	E-5	12	21,349	32,024	5,337	128,097

Notes:

1. Eligibility for involuntary separation pay requires 6 years minimum service; it is provided in one lump sum. Involuntary separated members are paid based on type of discharge and reason for separation. Honorable discharge at end of active obligated service normally results in full separation pay--as shown above. Examples of persons separating with full involuntary separation pay would include persons exiting under a RIF action and denied reenlistment. Other persons may be involuntarily separated and be eligible for half pay. Examples of persons exiting with half pay includes persons not qualified and barred from reenlisting and persons with physical profiles such as being overweight. Persons involuntarily separated without any separation pay would include those being let go for misconduct and unsatisfactory performance.

2. VSI and SSB eligibility also require 6 years minimum service; VSI payments are made annually for twice the number of years of service. Present value of the total VSI payments would be less than that shown and would vary according to the investment rate of return. An SSB payment is given in one lump sum.

SEPARATION BENEFITS FOR DOD MILITARY PERSONNELInvoluntary separation with pay

Lump-sum separation pay
 (payment = monthly basic pay x 12 months x 10 percent x years of service)
 Counseling and job-placement services
 Transition health care (60 to 120 days), plus special provision for pre-existing conditions
 Commissary and exchange privileges (2 years)
 Extended use of military family housing (180 days at reasonable cost)
 Extended use of DOD dependent schools overseas (up to 1 year)
 Expanded travel and transportation allowances
 Excess leave (30 days) and permissive temporary duty (10 days) for relocation transition
 Free furniture storage (1 year)
 Priority affiliation with Reserve and National Guard

Special Separation Benefit Program--(SSB)

One lump-sum separation payment
 (payment = monthly basic pay x 12 months x 15 percent x years of service)
 Counseling and job placement services
 Transition health care (60 to 120 days), plus special provision for pre-existing conditions
 Counseling and job placement services
 Commissary and exchange privileges (2 years)
 Extended use of military family housing (180 days at reasonable cost)
 Extended use of DOD dependent schools overseas (up to 1 year)
 Expanded travel and transportation allowances
 Excess leave (30 days) and permissive leave (10 days) for relocation transition
 Free furniture storage (1 year)
 Priority affiliation with Reserve and National Guard

Voluntary Separation Incentive Program--(VSI)

Annual payments for twice the number of years of service
 (annual payments = monthly basic pay x 12 months x 2.5 percent x years of service)
 Counseling and job placement services
 Free furniture storage (6 months)

PROJECTED OFFICER AND ENLISTED LOSSES DURING FISCAL YEARS 1992 AND 1993

<u>Reason</u>	<u>Army</u>		<u>Navy</u>		<u>Marine Corps</u>		<u>Air Force</u>	
	<u>FY 1992</u>	<u>FY 1993</u>	<u>FY 1992</u>	<u>FY 1993</u>	<u>FY 1992</u>	<u>FY 1993</u>	<u>FY 1992</u>	<u>FY 1993</u>
<u>Officer personnel</u>								
Expired term of service/contract	2,172	952	551	696	438	535	2,769	1,989
Early out/release programs (generally under 6 years of service)	878	709	138	174	0	0	0	0
Retirement (regular and disability)	5,147	5,251	2,396	2,132	685	552	3,710	4,415
Use of special boards to select individuals for early retirement (SERB)	1,570	1,969	350	400	125	125	0	0
<u>Induced voluntary separation programs</u>								
Voluntary Separation Incentive (VSI)	3,072	1,831	0	[198]	[80]	[80]	1,270	2,242
Special Separation Benefit (SSB)	1,304	969	0	[22]	[185]	[185]	1,854	573
<u>Involuntary Separations</u>								
With pay	303	969	565	709	315	315	518	3,379
Without pay	0	0	0	0	0	0	87	83
Other	738	79	4,154	4,225	646	656	625	117
Subtotal	15,184	12,729	8,154	8,336	2,209	2,183	10,833	12,798
<u>Enlisted personnel</u>								
Expired term of service/contract	53,930	60,714	36,363	31,804	18,811	18,004	15,830	18,481
Early out/release programs (generally under 6 years of service)	20,700	0	0	0	2,196	2,196	0	4,000
Retirement (regular and disability)	13,448	11,193	7,766	6,331	2,010	2,010	14,152	12,168
Use of special boards to select individuals for early retirement (SERB)	300	300	0	0	0	0	0	0
<u>Induced voluntary separation programs</u>								
Voluntary Separation Incentive (VSI)	5,560	3,003	[3,075]	[825]	[332]	[618]	4,140	6,570
Special Separation Benefit (SSB)	17,798	10,118	[1,025]	[275]	[368]	[682]	5,060	8,230
<u>Involuntary separations</u>								
With pay	9,701	9,069	178	292	2,175	2,020	3,637	4,484
Without pay	3,941	4,917	0	0	0	0	0	0
Other	14,116	21,371	45,632	48,854	12,573	12,981	18,646	15,559
Subtotal	139,494	120,685	89,939	87,281	37,765	37,211	61,465	69,492
Total	154,678	133,414	98,093	95,617	39,974	39,394	72,298	82,290

Notes:

1. Bracketed numbers, where used in induced voluntary separation programs, indicate numbers not counted in service totals; these numbers are also reflected in other categories, which are additive.
2. The number of losses occurring from involuntary actions and reductions in force will increase or decrease depending on the actual results of the ongoing VSI and SSB programs.
3. Individual services vary somewhat in the extent to which they indicate losses through "involuntary separation" and "other" categories. The category "other" includes separations for not meeting physical requirements, hardship, death, trainee losses, unsuitability, misconduct, desertion, attrition of active duty reservists (non-Desert Shield/Storm related), miscellaneous adjustments, and others. Both "other" and "involuntary separation without pay" categories appear to be closely related.

Sources: Budget justification data submitted to the Congress by the military services in conjunction with their Amended FY 1992/FY 1993 Biennial Budget Estimates and other data provided by the individual military services as of March 23, 1992.

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