

Testimony of The National Military and Veterans Alliance: Legislative Priorities and Views on FY15 Pentagon Plan, presented by Rick Jones, NMVA Co-Chairman, before the Subcommittee on Military Personnel, Committee on Armed Services, Wednesday, April 9, 2014, 2118 Rayburn House Office Building.

**Chairman Wilson, Ranking Member Davis and Members of the Subcommittee:**

**On behalf of the National Military and Veterans Alliance (NMVA), composed of military associations and veterans organizations representing nearly 3.5 million service members, including active duty, National Guard, Reserve, military retirees, veterans, families and survivors, I thank you for the opportunity to present our testimony at this hearing on NMVA legislative priorities for fiscal 2015 and views on the President's budget request.**

**NMVA testimony takes into consideration the interests of each individual association in all joint actions and testimony. Working together, we undertake to expand our resources and present a united voice to Congress and the Administration, promoting our goals and objectives concerning a wide range of military quality-of-life issues including pay, personnel, medical care, survivor benefits, military housing, education and related veterans issues and legislation.**

**NMVA receives no federal grants and has no federal contracts.**

**Member Organizations:**

1. American Logistics Association
2. American Military Retirees Assoc.
3. American Military Society
4. American Retirees Association
5. AMVETS (American Veterans)
6. Armed Forces Marketing Council
7. Army Navy Union
8. Assoc. of the United States Navy
9. Gold Star Wives of America
10. Hispanic War Veterans Assoc.
11. Japanese American Veterans Assoc.
12. Korean War Veterans Foundation
13. Legion of Valor
14. Military Families United
15. Military Order of the Purple Heart
16. Military Order of Foreign Wars
17. Military Order of the World Wars
18. National Association for Uniformed Services
19. National Defense Committee
20. Naval Enlisted Reserve Association
21. Reserve Enlisted Association
22. Reserve Officers Association
23. Senior Citizens League
24. Society of Military Widows
25. The Flag and General Officers Network
26. The Retired Enlisted Association
27. Tragedy Assistant Program for Survivors
28. Uniformed Services Disabled Retirees
29. Veterans of Foreign Wars of the United States
30. Veterans of Modern Warfare
31. VetsFirst, of United Spinal Association
32. Vietnam Veterans of America

## **Introduction**

One of the main concerns of the National Military and Veterans Alliance is the assurance of generous pay and benefits for the brave men and women who serve in uniform to defend this Nation and its citizens. Our top priority is to end sequestration of our military men and women and to protect the readiness of those who serve.

The National Military and Veterans Alliance urges Congress in this era of heightened partisan disputes to find a solution that secures the nation's commitment to military men and women, past and present.

## **Defense Reductions and Sequestration**

The national security environment we face today is as perilous as any in memory. Over the past several years, our defense budget has been struck time after time with reductions. The Budget Control Act started a \$487 billion loss in the defense budget and now we are at even greater risk threatened by a sequestration edict cutting another \$500 billion over the next decade.

We were told sequestration would never happen. But here we are in year two facing the blunt and irresponsible approach to taming our annual deficits and reining in the enormous debt we and future generations face.

Under sequestration, defense, which accounts for less than 15 percent of the budget, is forced to take 50 percent of sequester cuts. It is disproportional by any measure of understanding and incredibly detrimental to our national security.

The results of these cuts have already been devastating to our national security. The Air Force is approaching the smallest it has been since 1946; the Navy is at a historic low level of ships; the Army is on its way to the lowest troop level since before World War II; and the Marine Corps will be down two divisions.

## **Our readiness and capabilities are in decline**

In recent testimony, General Odierno, the Chief of Staff of the Army, said his forces are at the "lowest readiness levels" he has experienced in his 37 years of military service.

Admiral Greenert, Chief of Naval Operations, told Congress the Navy is "tapped out." The service does not have a strike force trained and ready to respond on short notice to quell a hot contingency.

Admiral Winnefeld, the Vice Chairman of the Joint Chiefs of Staff, said, "There could be, for the first time in my career, instances where we may be asked to respond to a crisis and we will have to say we cannot."

General Amos, the Commandant of the Marine Corps, testified that the current budget course will result in “fewer forces arriving less-trained and later to the fight,” allowing “the enemy more time to build its defenses.” He called the situation, “a formula for more American casualties.”

And to summarize the situation, General Dempsey, the Chairman of the Joint Chiefs of Staff, said the course we are on “will put the nation at greater risk of coercion, and it will break faith with the men and women in uniform.”

### **Administration Budget Plan**

The National Military and Veterans Alliance is deeply troubled by the Administration’s budget plan. The Pentagon plan makes steep reductions in force structure, compensation and benefits that we cannot support.

Under the current sequestration environment, the plan places unwarranted and disproportional cuts on national security without any meaningful reform to general government entitlement spending, the true source of the growing and threatening national debt.

While the National Military and Veterans Alliance agrees that progress must be made against the deficit and national debt, we call on Congress to end sequestration of our military. Something must be done to change this irresponsible and dangerous course that suggests we can gut our defense and still defend our nation and our interests.

### **Defense spending is not the driver of deficit spending**

Year after year, the National Military and Veterans Alliance has seen defense spending as a lower proportion of overall federal government spending. In the current DoD plan, the top line for the fiscal 2015 is little different from the previous two fiscal years, despite a lower but persistent inflation. Moreover, the plan is more than \$30 billion below fiscal years 2010, 2011, and 2012.

Though the Bipartisan Budget Act helps to partially diminish the adverse effect of sequestration on our national security, the law maintains spending caps and continues to designate defense spending to provide a seriously disproportional “contribution” against the deficit.

The National Military and Veterans Alliance believes it is wrong to hamstring our military. The disproportional reductions to defense seriously challenge our ability to meet our national security needs and to meet our obligation to protect our nation and its citizens and to carry through on promises made to the brave men and women who serve.

For those who serve and have served, we owe our respect and commitment. The National Military and Veterans Alliance member organizations believe strongly that defense of the nation is the first and primary responsibility of government. But we also

have a deeply held obligation to the people who served a career in uniformed service. It is an obligation made to people whose military careers are now done.

### **Lessons Learned from Past Experience**

Unfortunately, our history is replete with examples of an America ill-prepared to defend itself or its interests.

After World War I and throughout the depression America stood down most of its military. At the outbreak of WWII, Army units trained with broomsticks because they didn't have guns, and with cars with "tank" painted on the doors because they didn't have tanks.

Similarly, the nation's military investment dramatically dropped after World War II. When the nation stood in 1950 to challenge the expansion of communist tyranny, our military faced serious shortages not only in troop strength but in aircraft, clothing, ammunition, landing craft, artillery and vehicles. We had to rebuild and the time it took cost us dearly in the lives lost by those who held the line.

Coming out of Vietnam we downsized the force and shifted to an all volunteer structure. In the process we experienced incredible difficulties. Typical was the experience of the Marine Corps, one of our elite components. The Corps experienced numerous racial incidents and violence. Morale was sadly shaken. Company commanders were so involved in disciplinary actions it was difficult to maintain a semblance of Corps unity. The situation was as bad or worse in the other services.

Following the Gulf War, during the 1990s, the military took the brunt of the so-called peace dividend. We cut the Army 500,000 soldiers—active, Guard and Reserve. Our Navy, Air Force and Marine Corps were also sharply reduced.

When the need came in Afghanistan and later in Iraq, we had to regrow our forces. We found out what history should have already taught: it is easy to cut, but when we try to grow forces, it takes time, often at a premium, to grow them back.

Today we have perhaps the most capable, competent and effective military we have ever fielded against an enemy of our nation. It is truly a national treasure. It is a military that took us more than two decades, throughout the '70s, '80s and '90s, to create and build. It is an all volunteer force.

### **Individuals join and remain for a wide variety of reasons**

One of the many lessons we learned during the more than 20 years of rebuilding after the war in Vietnam was that individuals join and remain for a wide variety of reasons.

The current, carefully balanced package of incentives and earned benefits address those many recruiting and retention needs. Included are: Health Care, Retirement,

Commissaries & Exchanges, GI Bill, Pay, Social Security, Medicare, COLA, Tuition Assistance and Special pays and allowances.

Virtually all of these benefits are now targets of the Pentagon plan for cuts, reductions or elimination.

### **Defense Spending as Federal Government Priority**

It must be recognized that the defense budget is not the cause of this country's fiscal woes. In historic terms, our federal government spends only a small portion on defense. The base budget for fiscal 2015 provides \$496 billion, a bare 3 percent of the Gross Domestic Product (GDP), estimated at \$17.4 trillion in January 2014.

During the Cold War defense spending was 7.5 percent of our national economy as expressed by GDP. And at the height of the Reagan buildup in 1986, defense was 6.3 percent. Even in the peacetime years, between 1940 and 2000, national security spending averaged 5.7 percent of the nation's total economy.

If we go forward with this budget proposal, by 2024, we are down to 2.3 percent of our GDP on defense.

The argument that military spending should be reduced because it accounts for half of all discretionary spending, overlooks the growing impact on national debt of non-discretionary spending. With non-discretionary spending taken into account, defense spending is less than one-fifth of annual government spending.

In fact, defense spending is declining as a percentage of overall federal spending. In the Administration's fiscal 2015 budget requesting \$3.7 trillion, our national security costs come in at less than 14 percent of total federal government spending.

If the United States is to meet the challenges that confront us, it is imperative that we exercise common sense and devise a responsible approach to decisions on public policy.

It took more than 20-years to rebuild a quality all-volunteer force. We have made some mistakes along the way, but we've been able to move ahead. All taken together, these are very crucial issues to our national security.

The National Military and Veterans Alliance asks you to be very cautious and careful as you deliberate these matters. If our nation should choose wrongly, we will endanger our national security and put our citizens at risk.

The lessons learned in experience are clear and the danger of unintentionally creating a "hollow Force" is real.

### **Major Concerns**

The National Military and Veterans Alliance has major concerns regarding the proposed cuts. Do the cuts honor the moral contract between the nation and those who have served and are currently serving? Are we keeping the promises that have been made? What are the 2nd, 3rd and 4th level of unintended consequences and the potential impact on recruiting and retention and ultimately the quality of the force? Readiness, training and equipment are essential, but not as important as the high caliber people willing to serve and needed to operate that equipment. To assist and on behalf of the membership of NMVA, we offer the following:

### **Uniformed Service Benefit Plans: Health Care**

The provision of health care for the retiree and his family is the most important non-cash benefit provided in exchange for a career in uniformed service. Generations of recruits for military service may have joined for the pay and experience, but they stay in the service on the promises by their own government that if they served a career of 20-years in uniform, they and their dependents receive health care upon retirement.

It is inconceivable to the National Military and Veterans Alliance that the healthcare benefit earned by career service members would be considered as a means to help meet readiness, training and equipment needs of America's national security. If such a plan were enacted, it would demonstrate that the promised earned benefits of a military career are not viewed as a priority.

It is imperative that the Administration and Congress do the right thing. To renege on the commitment to provide adequate funding for benefits earned through a career in armed service would send the wrong signal to those who serve and have served in America's Armed Forces, especially in a time of war. Approving such a message would likely not be well received by the military community.

Again, The National Military and Veterans Alliance is seriously concerned about the potential for dramatic, negative affect on maintaining a skilled force in the event the promise of TRICARE is radically changed. The National Military and Veterans Alliance urges your personal commitment to the brave men and women who defend this great country.

### **Uniformed Service Benefit Plans: Military Retirement**

The National Military and Veterans Alliance is also concerned about a rising chorus of calls for major changes in the military retirement system. These proposals suggest an end to the Pentagon's 20-year retirement system and the establishment of a corporate-style benefit program that provides matching contributions rather than payment of a future monthly retirement.

These plans devised mostly by civilian businessmen with little direct military experience, would radically alter the military retirement system, scrapping the 20-year model and replacing it with a 401(k)-type account. Retirement payments would be payable without

penalty at age 60 to 65. Early withdrawal would require payment of a penalty, except for education, health care or other emergencies.

To date, The National Military and Veterans Alliance members, without exception, have disagreed with virtually every portion of the proposed changes. One member called it an unworkable solution to a manufactured problem. In fact, Dr. Jo Ann Rooney, former principal deputy secretary of defense for personnel and readiness, testified before this Subcommittee that the current system is “neither unaffordable nor spiraling out of control,” noting that retirement costs as a percentage of outlays have remained reasonably constant over the years.

In addition, Dr. Rooney rebutted accusations of the retirement system being too costly. In testimony before Congress, she indicated that the system does appear expensive, but it is not unaffordable or out of control as has been suggested. She also indicated that most service members would not support a plan similar to 401 (k) plans found in the private sector.

“It generally takes 15 to 20 years to generate the next generation of infantry battalion commanders and submarine captains,” said Dr. Rooney. “As a result, the department must ensure military compensation, promotions and personnel policies all foster greater retention and longer careers necessary to create these experienced leaders. This need for greater longevity and continuity suggests there are valid reasons why mirroring a private sector compensation package might not be a proper approach for the military.”

Of course, the most consistent concern is that plans to move toward a civilianized 401(k) type plan are no more attractive than any other investment portfolio. In brief, they fail to enhance retention. If the traditional retirement plan is replaced with a hybrid saving plan, NMVA believes, the real incentive will be for service members to leave earlier rather than later.

The National Military and Veterans Alliance is particularly concerned about the potential loss of mid-level officers, NCOs and Petty Officers who are so critical to service leadership, experience, know-how and training so vital to readiness. Why stay 20 or 30 years when you can leave at 5, 10, or 15 and still get some retirement?

We must learn from the past. In the most recent change in the retirement system, Congress passed in 1986, over the objection of the Department of Defense, the Military Retirement Reform Act of 1986 (known as the REDUX system). The enactment of REDUX adversely affected midcareer decisions and, effectively, undermined retention. Mid-level leadership went wanting. When the Joint Chiefs of Staff made repeal of REDUX their number one readiness priority Congress repealed the program, 12-years after its enactment.

Prior experience with radical reform of the retirement system is not, therefore, an unknown. We know how this will play out. We have gone down this road before with the “peace dividend” after Desert Storm and many earlier experiences. And we ask you

to give this important matter your careful consideration on its potential for adverse affect on retention and the military's ability to ensure national security.

NMVA is opposed to changing the military retirement system to something more like what is available for private-sector civilian retirement benefits for active-duty military. We reject the comparison of the military retirement system to a civilian retirement system.

### **Uniformed Service Benefit Plans: Commissaries and Exchanges**

As you consider the Pentagon plan, please, understand, as we know you do, that commissaries are an integral part of the total compensation package for our military families.

The Pentagon plan is to phase out two-thirds of its support for the commissary system over the next three years. The National Military and Veterans Alliance is very concerned that enactment of this proposal would curtail much needed and critical quality of life programs for military families.

While the Department spent \$1.5 billion to support the commissaries (\$1.3 billion) and exchanges (\$200 million) last year, the purpose of the commissaries and exchanges must be understood. These operations ensure that military families are cared for and have access to affordable food and quality basic goods, especially overseas.

For a family of four, shopping at the commissary means a market basket savings of \$4,400 per year. And the cost-efficiency of the exchange returned \$300 million last year to help support morale, welfare and recreation programs for the services.

Those most impacted by the Pentagon plan are young military families and retirees, many of whom are on limited budgets. The strangulation of the subsidy will cause family food costs to increase and commissaries, as a result, will become less attractive to the military community. As fewer customers visit commissary operations, fewer will shop at the Exchange system, as well. The revenue loss at commissaries and Exchanges will impact MWR programs, including childcare and related family programs. It will also impact young military families in that many employees are military members who badly need the extra incomes to get by.

The National Military and Veterans Alliance would also note that exchange consolidation was studied between 2003 and 2006 and \$17 million was spent on that effort and related studies. Consistently, these studies have shown that consolidation is the wrong path. It is too costly and increases the costs of basic goods for service members and their families. Cooperation between the systems offers efficiencies and savings without the risks and enormous costs.

The National Military and Veterans Alliance believes efficiencies can be achieved in a military resale system that maintain the high-quality of the benefit military families currently enjoy. Draconian measures are not the answer. We respectfully ask that you

reject any proposal that would end the appropriation for the commissary and exchange system or that mandates consolidation, and that you reject any changes to Title X that would introduce selling products at a profit in commissaries.

### **Reserve Force**

The National Military and Veterans Alliance believes that the nation needs to continue to use the Reserve Components as an operational force and sustain a surge capacity for unexpected contingencies. With DoD willing to accept risks, the Reserve and Guard represent the only insurance policy.

As you consider the Pentagon plan, the National Military and Veterans Alliance asks members to recognize the importance of retaining the combat experience gained by Reserve forces of veterans during development of any plan for reduction in the Reserve Force.

The National Military and Veterans Alliance also would caution against making the Administration's compensation cuts to the Reserve Force. DoD's suggested changes in monthly reimbursement and retirement and reductions in benefits may produce unintended consequences that will make achieving readiness goals even more difficult. Reducing pay will drive away the best, as they reap higher rewards elsewhere. And the suggested changes to retirement will also be less attractive to continued service.

The National Military and Veterans Alliance asks the Subcommittee to look at eliminating a barrier that denies Reserve members a 90 day credit toward early retirement if active service crosses between two fiscal years. For credit under current law, a 90 day service must occur in one fiscal year.

Regrettably, transitions between different military healthcare programs are not seamless. Serving members need to reenroll at various points as they transition on and off Active Duty. This has caused many Reserve members to hesitate to use TRICARE Reserve Select. NMVA supports an option to pay a stipend to employers during mobilization, so family members can retain civilian medical insurance.

The National Military and Veterans Alliance also asks that the Subcommittee assure family members receive the same benefits provided families of active duty when those in the Reserve and Guard fall in final sacrifice in the line of duty. There is no part-time when a man or woman is in the war zone.

### **Improve Absentee Voting for Military Personnel**

Allow the National Military and Veterans Alliance to take this opportunity to praise the Members of the Subcommittee for addressing the important issue of overseas absentee voting in the Military and Overseas Voter Empowerment (MOVE) Act, passed as part of the National Defense Authorization Act of 2010.

As you know, the MOVE Act removes a number of obstacles that have blocked as many as one-quarter of uniformed and overseas voters from successfully casting their absentee ballots.

No piece of legislation, however, is perfect. The National Military and Veterans Alliance urges the Subcommittee to eliminate waivers for States that fail to mail ballots overseas 45 days before an election. The State hardship waiver is no longer needed four years after passage of the MOVE Act.

Also we encourage you to consider a requirement for States that miss the 45-day deadline to be automatically required to mail the ballots by express mail and, in extreme cases for compliance with vote deadlines, to pay for the returning votes as well.

The National Military and Veterans Alliance firmly believes that the men and women who serve to defend our right to vote should not be denied that right themselves.

### **Reform the Survivor Benefit Plan and Dependency and Indemnity Compensation Offset**

The National Military and Veterans Alliance strongly supports action that would end the dollar-for-dollar offset that is applied to the military Survivor Benefit Plan (SBP) due to receipt of veterans Dependency and Indemnity Compensation (DIC).

As members of the Subcommittee know, SBP and DIC payments are paid for different reasons. SBP is provided through the Department of Defense to active-duty and retirement-eligible individuals with a spouse or children. In the case of a retiree, it is coverage elected and purchased by the retiree to provide a portion of retired pay to the survivor. DIC payments are provided through the Department of Veterans Affairs as a special compensation to a survivor when the service member's death comes as a result of or due to injuries received during military service.

Under current law, there is a dollar-for-dollar reduction in the payment of the SBP annuity for each dollar of DIC compensation. Survivors, upon eligibility for DIC, lose a majority -- or all too often -- the entire amount of their monthly SBP annuity. For survivors with a rank below E-6, this effectively negates most, if not all, of the SBP payment.

This is an important issue, and we urge you to fix the Survivor Benefit Plan and restore it to its full coverage as the servicemember intended it to provide.

### **Concurrent Receipt of Military Retired Pay and Veterans Disability Compensation.**

A grateful nation must keep faith with its military retirees. If a retiree has the misfortune of becoming disabled as a result of service, VA disability compensation is available. To receive this compensation, however, the disabled retiree must waive, dollar-for-dollar, an

equal amount of retired pay. No other federal employee is treated similarly, only the military.

Progress has been made in overturning the bar on disabled military retirees from collecting their full retirement for serving a minimum of 20 years in the service. Since the fiscal 2003 National Defense Authorization Act (NDAA) authorized a special compensation for certain military retirees injured in combat, Congress has advanced concurrent receipt to include benefits to most military retirees with combat related disabilities and to personnel with service-connected VA disability ratings of 50 percent or higher.

Tens of thousands of disabled retirees welcome what Congress has done, yet many more disabled retirees await their inclusion. More can be done and it should.

The National Military and Veterans Alliance urges members of the Subcommittee and other champions in Congress to press legislation for full and complete concurrent receipt for all disabled retirees. It is the right thing to do.

### **ADAPT Act Can Save Lives**

As you know, NMVA was very supportive of the GAIN Act a year or two ago, and we won that battle to support research for new antibiotics that would treat the new “super bugs” that are killing our soldiers, sailors and Marines.

The Generating Antibiotics Incentives Now (GAIN) Act gave innovative new companies the incentive to find drug therapies to combat the rising numbers of antibiotic-resistant bugs that threaten Americans in hospitals, on the battlefield, in their homes, and in our schools.

Unfortunately, there are still regulatory barriers to getting promising new antibiotics approved. The clinical trials necessary to get a drug approved can be difficult and expensive, but sometimes only a limited subset of the population really needs the drug. Studying drugs for the limited population that needs them most would make clinical testing more feasible and affordable.

New legislation, named ADAPT, would take the next step. It has bipartisan support, but, like any legislation whether in DoD or Veterans’ Affairs, the measure requires heavy lifting to enact. The Antibiotic Development to Advance Patient Treatment (ADAPT) Act, HR 3742, advances drug development in order to combat the growing public health threat of “super bugs,” which the Center for Disease Control (CDC) warned of earlier this year.

The National Military and Veterans Alliance would appreciate your consideration in cosponsoring ADAPT, which could be called “Son of GAIN,” and urging your colleagues to help move this legislation to enactment. It will save the lives of service men and women, who currently will die without treatment.

## **Uniformed Services Former Spouses Protection Act Reform (USFSPA)**

The National Military and Veterans Alliance respectfully requests a hearing of the Military Personnel Subcommittee to examine the numerous problematic issues surrounding the Uniformed Services Former Spouse Protection Act (USFSPA) and the detrimental impact it is having on those who currently serve and have served their country. Since passage in 1982, States have not consistently applied the USFSPA in military divorce actions.

The USFSPA (codified at 10 U.S.C. § 1408), passed by Congress in direct response to the U.S. Supreme Court decision of *McCarty v. McCarty*, 453 U.S. 210 (1981), held that military retirement pay (MRP) is the sole property of the service member. The USFSPA law allows States to consider MRP to be property for the purpose of division of marital property in a divorce. Serious and substantial problems have arisen in the implementation of USFSPA by the States, often resulting in severe financial crises for service personnel including retired disabled service members and female veterans with dependents.

The National Military and Veterans Alliance urges the Subcommittee to identify address and correct Uniformed Services Former Spouse Protection Act (USFSPA) inequities such as award of imputed income of active duty members; continued payments after former spouse remarriage; and, provision of the “windfall provision” that bases payment to a former spouse on the member’s military pay at the time of retirement, not that earned at the time divorce.

### **The National Military and Veterans Alliance Appreciates the Opportunity to Testify Before the Military Personnel Subcommittee.**

The National Military and Veterans Alliance thanks you for your leadership and commitment on the core issues of military pay and benefits. And we thank you, as well, for holding this hearing and allowing us a chance to present testimony.

Over the years, your panel’s leadership has helped make it clear that the military package of pay and benefits continues to be a high priority, and you have our appreciation and support in remembering those brave men and women who serve and have served in uniform.

We sincerely appreciate your vigilance in efforts to secure earned benefits, and we look forward to working with you and others in the Congress to protect, improve, and strengthen the benefits America’s servicemembers earn and deserve.

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