



In This Week's Legislative Watch:

[AUSN LOOKS AT CBO REPORT ON "DOC-FIX" LEGISLATION](#)
[AUSN ANALYZES QUADRENNIAL DEFENSE REVIEW OF 2014](#)
[SENATE ARMED SERVICES COMMITTEE HEARING ON FY15 DEFENSE BUDGET](#)
[HOUSE ARMED SERVICES COMMITTEE HEARING ON FY15 BUDGET AND COMBATANT COMMANDS](#)
[HOUSE ARMED SERVICES COMMITTEE HEARING ON FY15 DEFENSE BUDGET](#)
[AUSN BRIEFLY ANALYZES FY15 PRESIDENT'S BUDGET \(PB\) REQUEST](#)
[AUSN ON THE HILL](#)
[PRIORITY BILLS INTRODUCED THIS WEEK](#)
[NEW LEGISLATIVE ALERTS](#)
[NEXT WEEK OUTLOOK](#)

AUSN LOOKS AT CBO REPORT ON "DOC-FIX" LEGISLATION

*On 27 February 2014, the Congressional Budget Office (CBO) released its report to Congress on the cost estimates associated with "Doc-Fix" legislation being proposed in both the House and the Senate. Proposed legislation would replace the Sustainable Growth Rate (SGR) formula, which determines the annual updates to payment rates for physicians' services in Medicare, with new systems for establishing that payment rate. The proposed bills, S. 2000 and H.R. 4015, represent a policy agreement among three committees (Senate Finance, House Energy and Commerce, and House Ways and Means) and would cost **\$138.4 billion** for 2014 through 2024. This estimate comes as the current "Doc-Fix" patch is set to expire on 1 April 2014 and cause a 24 percent cut in physician Medicare payment rates.*

FURTHER READING:

Last week, with only one month left before the current "Doc-Fix" patch (P.L. 113-67) expires, the Congressional Budget Office (CBO) released to the Senate Committee on Finance a report, with an estimate on the cost associated with the bipartisan compromise measure to replace how Medicare pays physicians. Proposed legislation would replace the Sustainable Growth Rate (SGR) formula, which determines the annual updates to payment rates for physicians' services in Medicare, with new systems for establishing that payment rate. The CBO score, at **\$138.4 billion**, score is on the lower side of cost estimates for numerous proposed measures that would repeal Medicare's sustainable growth rate and replace it with a new payment system. Previous estimates regarding different versions of replacement legislation have ranged from **\$121.1 billion** over ten years to **\$153.2 billion** over ten years. This CBO estimate is different, in that it estimates for an eleven year period by including 2024. This estimate comes as the current "Doc-Fix" patch is set to expire on 1 April 2014 and cause a 24 percent cut in physician Medicare payment rates. The CBO's score illuminates for lawmakers the major challenge of offsetting the bills cost, with the CBO estimating that the bulk of the increase in spending it to come from updates in the rates paid for physician services. As a result, the bill has been moving slowly through both chambers and has triggered lawmakers to consider a "parallel track" of possibly implementing another short-term patch that could last through the rest of 2014 while they continue work on this bill.

The legislation has several different phases in which it would replace the current pay system of Medicare. For the rest of 2014, the bills would maintain current rates, but starting in 2015 it would give providers a 0.5 percent annual payment update each year until 2018. In 2018, individual providers' payments would be adjusted based on whether they participate in an approved Alternative Payment Model (APM) or a new Merit-Based Incentive Payment System (MIPS).

For 2024 and succeeding years, the payment rates for the services delivered by providers would be determined by which payment program the providers were on. For providers on the MIPS program, payment rates would be increased by 0.5 percent each year, while those on the APM program would have their payment rates increased by 1 percent each year.

For more details, see [AUSN's Capitol Hill Blog on CBO "DOC-FIX" Report](#).

AUSN ANALYZES QUADRENNIAL DEFENSE REVIEW OF 2014

On 4 March 2014, Secretary of Defense (SECDEF) Chuck Hagel delivered the 2014 Quadrennial Defense Review (QDR) to Congress. The QDR details the strategic direction of the United States Armed Forces, and specifies resource priorities required to meet strategic objectives. The updated defense policy can be categorized into three main pillars of strategy. The first pillar is to protect the homeland by disrupting the potential for future attacks and mitigating the effects of natural disasters. The second pillar is that the United States will engage in efforts to develop global security and preserve regional stability by deterring potential adversaries and engaging in cooperative efforts to pursue common security objectives. The third pillar is that the United States will retain and enhance its ability to project power and win decisively through the deterrence of aggression, the destruction of terrorist networks, and the distribution of humanitarian assistance and disaster relief. Key points in the QDR outline the Navy's role which, through an aggressive effort to reduce acquisition costs and temporary ship lay-ups, the Navy will modernize its fleets of surface ships, aircraft, and submarines to meet 21st Century threats.

FURTHER READING:

First and foremost, AUSN took notice of the regional security objectives within the QDR which will largely be focused upon the Pacific Pivot strategy as outlined in the 2012 Defense Strategic Guidance, intended to right the strategic balance of power in the key Asia-Pacific region. The United States has commanded regional power over this area for over a century. Its presence there ensures peace and prosperity, open commerce, and a just international order. Despite continued American dominance, in the last decade, the Asia-Pacific has seen an elevated level of instability. Fueling this instability is the increasing military capability of smaller states, along with the rise of new regional powers. This imbalance disrupts the established order both politically and economically, and increases the possibility for competition to escalate into regional conflict. China's continued rise is particularly concerning.

In regards to the Navy, AUSN noted that there are key end strength and force structure decisions in this QDR which includes reserving Naval capacity to build security globally and responding to various national and international crises. Through an aggressive effort to reduce acquisition costs and temporary ship lay-ups, the Navy will modernize its fleets of surface ships, aircraft, and submarines to meet 21st Century threats. However, despite this modernization, the Department of Defense (DOD) has decided, as noted in the Fiscal Year 2015 (FY15) President's Budget (PB), that no new negotiations beyond 32 Littoral Combat Ships (LCS) will go forward, and the Navy will submit alternative proposals to procure a capable and lethal small surface combatant. Of additional concern within the QDR, is the position that if sequestration-level cuts are imposed in Fiscal Year 2016 (FY16) and beyond, the USS *George Washington* (CVN-73) aircraft carrier would need to be retired before scheduled Refueling and Complex Overhaul (RCOH). DOD will have to make this decision, which would leave the Navy with ten carrier strike groups, in the Fiscal Year 2016 (FY16) budget submission.

For more details, see [AUSN's Capitol Hill Blog on 2014 QDR](#).

SENATE ARMED SERVICES COMMITTEE HEARING ON FY15 DEFENSE BUDGET

*On 5 March 2014, the Senate Armed Services Committee (SASC) held its hearing on the Department of Defense (DOD) Budget Request for Fiscal Year 2015 (FY15) and the Future Years Defense Program (FYDP). The witnesses present were the Secretary of Defense (SECDEF), the Honorable Charles Hagel, and General Martin E. Dempsey, USA, Chairman of the Joint Chiefs of Staff (CJCS). The hearing was held by SASC Chairman, Senator Carl Levin (D-MI), and Ranking Member, Senator James Inhofe (R-OK). Chairman Levin expressed his concern about what the overall effect on DOD's budget that the nearly **\$1 trillion** dollars scheduled to be cut over the next 10 years due to the Budget Control Act (BCA) of 2011 and sequestration will be. Some of his specific concerns centered around the compensation reform proposed in the FY15 budget including the one year pay freeze for all general and flag officers, the phase reduction in basic allowance for housing (BAH) for off-base housing (bringing the out of pocket costs from zero to five percent), reduction in funding and support for Commissaries on military bases and increased fees to TRICARE being proposed. Ranking Member Inhofe noted that the tide of war is not receding as the global security networks are more*

complex and volatile than any time since WWII. The Senator then expressed concern over cuts in the FY15 budget and the future plan that would bring the Navy to a historically low ship level, including the proposed reduction of our carrier fleet from 11 to 10. This was noted in the FY15 President's Budget (PB) request looking at such a change to be proposed next fiscal year, Fiscal Year 2016 (FY16), by DOD for reducing our carrier presence.

FURTHER READING (*Full AUSN Transcripts & After Action Reports (AARs) available upon request*):

The hearing then began with opening statements from the both witnesses. SECDEF Hagel stated that the current budget proposal provides funding levels that would allow the Department of Defense (DOD) to execute the strategic priorities outlined in the 2014 Quadrennial Defense Review (QDR) but with added risk in some areas (which he outlined in his written, submitted testimony). The Secretary also discussed compensation reform, saying that there is a very serious need to balance fair compensation with the proper training and tools to perform for members of the armed services which is why the compensation cuts proposed are one time cuts and that pay increases are still recommended, but at lower levels. CJCS, General Dempsey, testified that that the one-time compensation cut proposals would provide savings directly returned to the services into their readiness accounts to maintain force readiness and capability and that these proposals were carefully crafted over the past year in order to ensure the best possible balance between compensation and the proper preparation that SECDEF Hagel mentioned.

Following opening statements and testimony, SASC members began rounds of questions started by Chairman Levin. The Chairman noted the additionally requested **\$115 million** from the Future Years Defense Program (FYDP) and DOD's public statements on how this money would be used (amongst other things) to maintain the crucial 11 aircraft carrier (CVN) fleet. In expressing his support for maintaining an 11 carrier fleet, Chairman Levin noted that the budget documents provided by DOD included the FYDP funding, yet still planned for a reduction in the fleet size, reducing to 10 carriers for example, and asked Secretary Hagel why there was this glaring discrepancy. SECDEF Hagel responded that there is time to make decisions about the future fleet size when the allocation of resources becomes clearer and that DOD needs to plan for the worst scenarios. Senator Jack Reed (D-RI) asked General Dempsey about what effect there would be on the active forces and on benefits if the proposals for compensation cuts were not accepted by Congress. General Dempsey reiterated that there is a careful balance between long term responsibilities for troop readiness and capabilities and the earned compensation, benefits, and pay that members of our Armed Services sacrifice for. The General also said that there has been an open dialogue with Active Duty soldiers, retired Veterans, and Veteran's advocacy groups and that while compensation cuts are obviously not going to be widely accepted or supported, there has been support at different levels for different aspects of the cuts.

Senator John McCain (R-AZ) expressed grave concern with the cuts bringing the Navy to its smallest level since WWII at a time when the world is the most unsettled it has been since WWII and when China has recently announced they will be increasing their military budget by 12.2 percent. Next, Senator Saxby Chambliss (R-GA) asked SECDEF Hagel about his thoughts on the recently introduced bill, S. 2075, which would halt any cuts on commissary funding in FY15 until the report of the Military Compensation and Retirement Modernization Commission (MCRMC) has been sent to Congress. SECDEF Hagel stated that DOD knew where commissary funding was headed and felt that they should act now, not wanting to wait for the report. Senator Kay Hagan (D-NC) asked the SECDEF Hagel to promptly respond to her recent letter in regards to TRICARE deciding to stop reimbursement of critical medical tests. Senator Kelly Ayotte (R-NH) noted that from the mid-1940's until the mid-2000's, defense spending was about six percent of GDP on average where it is now 3.4 percent of GDP in Fiscal Year 2014 (FY14) and by 2024 defense spending is projected to be 2.3 percent of GDP and asked the Secretary if this was sufficient now, and if it would continue to be sufficient in 10 years. Secretary Hagel responded that this is the exact reason why the President is requesting an additional **\$115 billion** over the next five years as well as an additional **\$26 billion** this year via the Opportunity Growth and Security Initiative.

HOUSE ARMED SERVICES COMMITTEE HEARING ON FY15 BUDGET AND COMBATANT COMMANDS

On 5 March 2014, the House Armed Services Committee (HASC) held a hearing to discuss the budget needs for the Fiscal Year 2015 (FY15) from the U.S Pacific Command (PACOM), U.S. Central Command (CENTCOM) and U.S. Africa Command (AFRICOM.) The hearing was presided over by Chairman Buck McKeon (CA-25) and Ranking Member Adam Smith (WA-09.) The witnesses testifying were Admiral (ADM) Samuel Locklear, PACOM Commander; General (GEN) Lloyd Austin, CENTCOM Commander; and General (GEN) David Rodriguez, AFRICOM Commander. HASC Chairman, Representative Buck McKeon (R-CA-25), began the hearing indicating his desire to assess the United States' ability to rebalance the military to the Asia-Pacific while maintaining strength in the Middle East based on the

implications of these budget cuts, i.e. sequestration, noting the significant reduction within the President's Budget (PB) request for FY15. HASC Ranking Member, Representative Adam Smith (D-WA-09), stressed in his opening statement that he viewed these cuts as necessary, although undesirable.

FURTHER READING (*Full AUSN Transcripts & After Action Reports (AARs) available upon request*):

After the Chairman and Ranking Member welcome the witnesses, each of them had the opportunity to give brief remarks from their opening written statements. Most notably, ADM Locklear from PACOM outlined the main issues that he was concerned about in his command region: the potential for a natural disaster and humanitarian relief, North Korea, territorial disputes in the region, regional transnational groups, and the emergence of China as an economic and military power. Next, Chairman McKeon opened the round of questioning, stating that he personally believed that too much had been cut from the defense budget and asking each of the witnesses about their individual gaps in capability resulting from decreases in funding. ADM Locklear replied that his follow-up force had been weakened because most of the force was now forward-deployed to maintain readiness. With PACOM encompassing 52 percent of the world, ADM Locklear stressed that the minimized support force would be vulnerable in the event of a crisis.

Representative J. Randy Forbes (R-VA-04) stated the importance of PACOM to the nation's defense strategy and asked about the role of aircraft carriers and the ideal size of the Navy's fleet to achieve global security goals. ADM Locklear replied that aircraft carriers were at the forefront of contingency efforts. He also stated that while size was not the most important factor in an effective Navy, the U.S. was getting close to losing its credibility as a global force. ADM Locklear also stressed the importance of stations for ship repair with dry-dock capabilities in Japan when asked about them by Representative Madeleine Bordallo (D-GU). Representative Rob Wittman (R-VA-01) expressed concerns about the cruisers (CG's) in "suspended animation" and the Littoral Combat Ship (LCS) cuts and the effects on the Navy's abilities to accomplish its missions. ADM Locklear responded that while capacity is an important component to a strong fleet, a ship can only be in one place at one time, which makes the quantity of ships equally as important. Currently, he stated his command region was having difficulties with numbers but was managing the force by highlighting the most dangerous areas and also distinguishing the areas where crises were most likely to occur. ADM Locklear also described the Reserve Forces as a very important segment of his command when asked by Representative Tammy Duckworth (D-IL-08), although he did say that they did not have a great number of Reserve forces in his region. In addition, Representative Jim Bridenstine (R-OK-01) asked ADM Locklear what he thought about a statement he had heard that the pivot to Asia-Pacific region could not candidly be done under the current budget. He replied that while there were certainly challenges with implementing the regional shift. He went on to state that the pivot was not entirely military-centric and PACOM was having great success establishing trade agreements and regional partnerships.

Finally, Ranking Member Smith opened a discussion about the possible impact of cutting the fleet of aircraft carriers. He expressed concern that if certain cuts were not made, cuts in training would be implemented instead and affect overall military readiness. Stating that he had heard reports that the Navy could operate with as few as 8 to 10 aircraft carriers, he wondered whether there were cheaper ways to establish a global presence by cutting the fleet to fewer than 11 carriers. ADM Locklear replied that, based on the war-time need for a rapid response; there was no way for the United States to meet its security goals with a fleet of less than 11 ships. Aircraft carriers brought unique capabilities to the table as being the platform utilized, "before the shooting begins." Diminishing the long-range capabilities offered by the aircraft carriers would limit the space of time for decisions to be made, he argued. ADM Locklear went on to assert that the U.S. has 10 operating carriers now and still cannot meet the global demand. Chairman McKeon stated his belief that the aircraft carrier presence was a deterrent that kept the United States out of war. ADM Locklear concurred but said that the current fleet did not meet the day-to-day demands of CENTCOM and PACOM.

HOUSE ARMED SERVICES COMMITTEE HEARING ON FY15 DEFENSE BUDGET

*On 6 March 2014 the House Armed Services Committee (HASC) held a hearing to discuss the Fiscal Year 2015 (FY15) President's Budget (PB) request from the Department of Defense (DOD). The witnesses present at the hearing were the Secretary of Defense (SECDEF), Chuck Hagel, and the Chairman of the Joint Chiefs of Staff (CJCS), General Martin Dempsey, USA. HASC Vice-Chairman, Representative Mac Thornberry (R-TX-13) presided over the hearing, sitting in for HASC Chairman, Representative Buck McKeon (R-CA-25) who was absent, and opened remarks along with HASC Ranking Member, Representative Adam Smith (D-WA-09). The Committee hearing was widely attended by HASC Members in order to discuss ways the President's Budget balanced between security demands and available resources, as well as, what recommendations the witnesses provided to better connect national security with fiscal responsibility. Vice Chairman Thornberry opened the hearing, clarifying the base budget that both the House and Senate Budget Committees agreed to. He recognized that DOD is requesting an additional **\$150 billion** to supplement*

the cuts to defense. Ranking Member Smith commented that the budget anticipated the cutting of roughly \$5 billion, however when sequestration hit even greater cuts were made. Furthermore, Ranking Member Smith commented that with eight more years of sequestration on the books in conjunction with the FY15 budget, there won't be adequate funding for the defense strategy of the military. He went on to stress that the budget does not choose to cut defense, but follows the laws of sequestration which has been passed. What HASC asked of its witnesses in this hearing, according to the Chairman and Ranking Member, are what alternatives may be considered and what is needed for DOD to support the defense strategy.

FURTHER READING (*Full AUSN Transcripts & After Action Reports (AARs) available upon request*):

The witnesses began to answer the questions regarding the FY15 budget and the future defense strategy with Secretary Hagel highlighting the difficulties of this past year in his testimony including the sixteen days of the Federal government shutdown, furloughs, and the budgetary uncertainty for defense. He also briefly commented on the most recent need for defense to be running at optimal efficiency, noting the current situation in Ukraine. Secretary Hagel made a point to explain that it is the focus of the United States to de-escalate the crisis in Ukraine and support their government with economic support as well as trying to take a diplomatic track in this crisis. The United States promised to commit **\$1 billion** to Ukraine in assistance and to re-affirm its commitments to allies in Europe. With crisis's that the United States continuously faces, the FY15 budget does not accurately reflect the reality nor accounts for all types of situations. He went on to state that the request from DOD means to assist in preparing the military to protect and meet future challenges and threats. The request is a product of collaboration, keeping in mind every level of military leadership and their input into this process. The cuts, specifically due to sequestration, included national security concerns and he urged Congress to support their request. He closed by stating that the FY15 PB request represents America's highest security interest in defending the country, deterring aggression, and defeating adversaries. Next, General Dempsey echoed the sentiments of Secretary Hagel and in his testimony he explained that the current budget proposal imparts great risk on the defense strategy, specifically in its capability, capacity, and readiness. He also noted that the Navy, for its part, will take 11 ships out of its operational inventory, but they will be modernized and returned to service with greater capability and longer lifespan. The Marine Corps also planned draw down to 182,000, but will devote 900 more Marines to increased embassy security. General Dempsey referred to this as a significant near-term readiness risk. Without adequate funds there will be reductions to equipment, resources, and transportation. This translates to severely affecting the defense strategy and the inability to defend the country from aggression could be a real possibility. His recommended adequately supporting the defense strategy to avoid these risks.

Following the witnesses' testimonies, Vice-Chairman Thornberry deferred to the Members of the Committee for rounds of questioning. Ranking Member Smith asked the witnesses what alternatives the request proposed to hedge sequestration and budget cuts? Secretary Hagel first responded that any alternatives considered continues to put the country's security at risk. As long as infrastructure, which supports readiness and modernization, are cut down, so is their ability to respond. General Dempsey's response fell in line, but was much stronger. He stated that if the recommendations are not accepted, then there is a greater cost in the losses DOD would face. While the hearing sought to find alternatives which might soften the effects cuts would make to the country's defense strategy, the witnesses adamantly argued that alternatives should not be considered so as not to increase risk. The losses DOD faces significantly changes the defense strategy and does not adequately or efficiently provide for security. Next, Representative Derek Kilmer (D-WA-06) asked about the reduction to the Navy ship depot maintenance budget of **\$1.4 billion** and the subsequent operations cut to the Navy. Secretary Hagel responded that he thinks the Navy has recommended in some of the proposals on how to adapt are pretty creative ideas they've got and being able to bring some of the Navy's ships out and upgrade them and overhaul them, while not taking them out of the fleet, but bringing more capacity, with longer lifespan, are noteworthy proposals of the Navy.

Representative Bradley Byrne (R-AL-01) asked about the press conference both Secretary Hagel and General Dempsey gave where Hagel not that he would be open to, in regards to the LCS, "Existing ship designs... Including the LCS," and a modified LCS." He went on to state that by virtue of the fact that Secretary Hagel include in your parenthetical, including the LCS and an existing ship design, that would mean supporting the existing LCS design. Secretary Hagel responded that he has given the Secretary of the Navy (SECNAV), and the Chief of Naval Operations not options, but directives as to what he wants to see. These include details on LCS survivability, combat power, more capability, and if they can they do that with an existing design that would give more survivability, more capability, and even more combat power. However, that's not why, in Secretary Hagel's opinion, we need 52 of LCSs. The original point was if the LCS is fulfilling, will fulfill the mission that we've asked it to fulfill, but that's not in dispute. The bigger question is if you build out the LCS to 52, in a 300 ship Navy that represents about a sixth of our Navy. In his opinion, with some of the

initial testing, it doesn't appear to have the survivability, capability, firepower for ships the U.S. may well need to confront much more sophisticated adversaries, especially in the Asia-Pacific, in the next few years. Representative Byrne then asked if the LCS did meet all of its requirements though, with the future ships coming down the line that are more advanced and modified than the first two, if Secretary Hagel would accept a "modified LCS." Secretary Hagel responded that if it meets those requirements, then yes, he would support it, but only if it meets those requirements. Further discussion is to be conducted between the witnesses and members of the House Armed Services Committee (HASC) in a closed session in order to disseminate the FY15 Defense Budget.

AUSN BRIEFLY ANALYZES FY15 PRESIDENT'S BUDGET (PB) REQUEST

On 4 March 2014, the Administration sent to Congress the President's Budget (PB) request for Fiscal Year 2015 (FY15). The PB requests a total of \$495.6 billion for the DOD budget, about \$31 billion less than FY14 requested levels, but is consistent with the revised spending cap set by Bipartisan Budget Act (BBA) of 2013. Of particular concern are proposals within DOD's budget to reduce military pay raises, lowering Commissary subsidies, reducing the Basic Allowance for Housing (BAH) and merging three different TRICARE plans; Prime, Standard and Extra, into one Consolidated TRICARE Health plan while instituting TRICARE for Life (TFL) enrollment fees. The Navy also will see funding cuts for its weapons programs, particularly the Littoral Combat Ship (LCS), F-35 Joint Strike Fighter (JSF) and P-8A Poseidon's. AUSN takes a quick look at some of the major highlights which will precede a more thorough report in the coming weeks.

FURTHER READING

The PB allocates to the DOD for FY15 a total of **\$495.6 billion**, in addition to a placeholder figure of more than **\$79.4 billion** for the war in Afghanistan and the global war on terrorism, otherwise known as Overseas Contingency Operations (OCO). For the Department of Veterans Affairs (VA) the PB for FY15 requests **\$65.3 billion** in discretionary funds, a 3% increase over the FY14 enacted level (P.L. 113-76). However, the PB includes an estimated **\$3.1 billion** in collections from health insurers, bringing the total discretionary budget authority to approximately **\$68.4 billion**. The mandatory VA provisions, most of which are dedicated to pensions and disability compensation, total **\$95.6 billion**. Therefore, the PB in its entirety calls for **\$163.9 billion** in mandatory and discretionary VA funding, a 6.5% increase over FY14. Other proposed changes in PB for FY15, regarding Military Compensation in DOD's budget, include DOD's efforts to combat the rising cost of pay and benefits. According to DOD budget documents, which appear to have been largely exaggerated, military pay, for example, since 2001 is claimed to have outgrown the civil sector by about 40 percent. The FY15 PB mentions the fact that the Administration will again propose a 1% pay raise, rather than the mandated 1.8% calculated by the Employment Cost Index (ECI), citing Executive privilege, which is exactly what the Administration did in FY14. Also, Flag and General officers will see their pay rates frozen. In addition, the Basic Allowance for Housing (BAH) will be reduced so much that at E-5 could stand to lose **\$1,224** in purchasing power in a given year. Although closing of Commissary's were not in the PB, there was a description of changes in regards to fees for products and services where military families could stand to lose a total 66% loss in savings in Commissary purchases. This would be done by lowering commissary subsidies (phased in over time), particularly over 5 years. Overall, the PB for FY15 predicts that if Congress again blocks the compensation and health care package changes, it would cost **\$2.1 billion** in FY15, and **\$30 billion** over the next five years. Furthermore, DOD looks to implement enrollment fees for all new TRICARE for Life (TFL) beneficiaries.

In the FY15 PB, the Navy would maintain an end-strength of 323,600 Active Duty Sailors, but reduce Navy Reserve Sailors from 59,100 to 57,300. The Marine Corps would see an increase in end-strength from 182,100 Marines in FY14 to 182,700 Marines in FY15; however the Marine Corps Reserve would be reduced from 39,600 to 39,200 Marine Reservists. Navy O&M funding would increase from **\$36 billion** in FY14 to **\$39 billion** in FY15, respectively. The Marine Corps' O&M funding would increase from **\$5.4 billion** in FY14 to **\$6 billion** in FY15. The Navy would also see an **\$800 million** reduction in its shipbuilding account, from **\$15.2 billion** in FY14 down to a total of **\$14.4 billion** in FY15. The reduction will occur over major ship programs. In addition, despite the decision to preserve the USS *George Washington* (CVN-73), and maintain an 11 carrier fleet, the FY15 PB does note that there is potential to look at reducing our carrier presence down to 10 in Fiscal Year 2016 (FY16). According to RADM William Lescher, USN, the Navy's Deputy Assistant Secretary for Budget, who briefed reporters on 4 March 2014, he stated that maintaining an 11 carrier fleet and all the associated air-wings would cost an additional **\$6 billion** to **\$7 billion** between 2016 and 2019.

For more details, see [AUSN's Capitol Hill Blog on FY15 Budget Analysis](#).

AUSN ON THE HILL

This week, the President's Budget (PB) request for Fiscal Year 2015 (FY15) was released. A few minor details are missing, which will be released next week on 11 March 2014, but for the most part it offer AUSN and Members of Congress an idea of what the Administration has in mind for Department of Defense (DOD) and Department of Veterans Affairs (VA) funding levels. Along with the FY15 PB release was DOD's release of the 2014 Quadrennial Defense Review (QDR). In hearings this past week, which AUSN covered, both the QDR and the FY15 PB took center stage. In addition to these hearings, AUSN was also very active in and around Capitol Hill. AUSN had meetings this week with Senator Ron Johnson (R-WI), staff of Representative Tim Walz (D-MN-01) and staff of the Senate Armed Services Committee (SASC), Subcommittee on Seapower. These meetings focused primarily on the FY15 budget outlook as far as Navy readiness and Veterans benefits are concerned. In addition, AUSN presented [written testimony for the Joint House and Senate Veterans' Affairs Committee](#), where both Members of the House and Senate on those committee's heard from AUSN and other Military and Veteran Service Organizations (MSO/VSO) on our top legislative priorities.

PRIORITY BILLS INTRODUCED THIS WEEK

S. 2095, (Official title yet to be released). Introduced by Senator Jerry Moran (R-KS), the bill would reauthorize and modify the pilot program of the Department of Veterans Affairs under which the Secretary of Veterans Affairs provides health services to Veterans through qualifying non-Department of Veterans Affairs health care providers.

S. 2091, 21st Century Veterans Benefits Delivery Act. Introduced by Senator Dean Heller (R-NV), the bill would amend Title 38, United States Code, to improve the processing by the Department of Veterans Affairs of claims for benefits under laws administered by the Secretary of Veterans Affairs.

S. 2075, Military Commissary Sustainment Act. Introduced by Senator Mark Warner (D-VA), the bill would prohibit a reduction in funding for the defense commissary system in Fiscal Year 2015 pending the report of the Military Compensation and Retirement Modernization Commission.

H.R. 4184, Fair Access to Benefits for Student Veterans Act. Introduced by Representative Dina Titus (D-NV-01), the bill would amend Title 38, United States Code, to clarify the manner in which an advance payment of initial educational assistance paid by the Secretary of Veterans Affairs is charged against the entitlement of a Veteran to such assistance.

H.R. 4151, Veterans Education Survey Act of 2014. Introduced by Representative Gus Bilirakis (R-FL-12), the bill would direct the Secretary of Veterans Affairs to enter into a contract with a non-government entity to conduct a survey of individuals who have use or are using their entitlement to educational assistance under the educational assistance programs administered by the Secretary of Veterans Affairs.

H.R. 4150, Veterans Employment and Training Service Longitudinal Study Act of 2014. Introduced by Representative Paul Cook (R-CA-08), the bill would amend Title 38, United States Code, to direct the Secretary of Labor to enter into a contract for the conduct of a longitudinal study of the job counseling, training, and placement services for Veterans provided by the Secretary.

H.R. 4149, Help Hire Our Heroes Act. Introduced by Representative Julia Brownley (D-CA-26), the bill would amend the VOW to Hire Heroes Act of 2011 to extend the Veterans Retraining Assistance Program (VRAP).

H.R. 4140, Homeless Veterans with Children Act of 2014. Introduced by Representative Gloria Negrete-McLeod (D-CA-35), the bill would amend Title 38, United States Code, to authorize the Secretary of Veterans Affairs to provide per diem payments to eligible entities for furnishing care to dependents of certain homeless Veterans.

In the advocacy section of the website, you can click on [Bills of Interest](#) to get daily revisions on Congressional action for all AUSN priority bills. We STRONGLY encourage you all to visit our [Advocacy](#) page, especially the [Capitol Hill Blog](#) which receives almost daily submissions when Congress is in session to see what AUSN is doing for you on Capitol Hill.

We also encourage you and your friends and family to visit the [AUSN FACEBOOK PAGE](#). If you have an account, please Login and "Like" us, which will allow you to see our [TWITTER](#) feeds and other updates from AUSN that shows us monitoring Capitol Hill on your behalf!

NEW LEGISLATIVE ALERTS

There were no new legislative alerts this week. When these alerts are sent to your email, please click on the **TAKE ACTION** link that is at the top of the alert email to send a letter response to your Members of Congress (a few of you

have written in that you wish to send letters, but don't know how). Please continue to go to the [Legislative Alerts](#) section on the AUSN webpage and/or check your e-mail and submit ones you haven't seen yet to your Congressional delegation.

NEXT WEEK OUTLOOK

Next week, Congress will be in to hold another round of hearings on the Fiscal Year 2015 (FY15) President's Budget (PB) request, including a House Armed Services Committee (HASC) hearing on specifics within the Department of the Navy's budget for FY15. In addition, AUSN will be participating in a discussion to follow-up with testimony that AUSN's Vice-Chairman, MCPON Jim Herdt, USN (Ret.), presented before the Military Compensation and Retirement Modernization Commission (MCRMC) last fall, where AUSN will have significant roundtable time with the Commissioners. Next week, AUSN will also be meeting with the new Director of the Defense Health Agency (DHA), Lt. Gen. Robb, USAF, as part of a regular series of roundtable discussions. Lastly, AUSN will be participating in its regular meetings with members of The Military Coalition (TMC) next week to discuss moving forward together on some of the alarming cuts within the FY15 PB request. As mentioned earlier in this Legislative Watch, AUSN is hoping to have completed thorough analysis report of the FY15 PB to have posted on our website for AUSN members to review later next week.

QUESTIONS/COMMENTS/CONCERNS

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