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### **AUSN MONITORING NAVY EQUIPMENT CONCERNS ON EVE OF FY15 BUDGET RELEASE**

*Last week, a group of four defense think tanks met in the Dirksen Senate Office Building to present their perspectives on what the Department of Defense (DOD) should do in regards to future equipment procurement. In regards to the Navy, these think tanks all had consensus on cutting the amount of aircraft carriers (CVN's) in the fleet and almost unanimously, three of the four think tanks, to reduce Littoral Combat Ship (LCS) procurement. Letters have been sent to the President and DOD, by lawmakers, followed by AUSN letters to the Hill, voicing concern for such proposals which may find their way into the Fiscal Year 2015 (FY15) President's Budget (PB) request, currently expected to be released the first week of March. In an effort to see which proposals are being discussed seriously, AUSN takes a closer look at recommendations by DOD and these think tanks in preparation for the FY15 PB release.*

#### **FURTHER READING:**

As the President's Budget (PB) request for Fiscal Year 2015 (FY15) looms on the horizon, a few of the Navy's priority equipment programs are finding themselves in the cross hairs and needing an explanation from the Department of Defense (DOD). Particularly concerned are advocates of the Navy's Littoral Combat Ship (LCS) program and the *Ford* Class aircraft carrier (CVN-78) program, as both are rumored to be facing major cuts in the upcoming PB request. The Amphibious Assault Ship industries are also expressing some unease about their status in the budget plan and have written letters to the Hill to emphasize the importance of the Landing Helicopter Assault (LHA) and the Landing Platform Dock (LPD) programs and their vital role to our national security.

Four non-partisan think tanks, the Center for Strategic and Budgetary Assessments (CSBA), the Center for a New American Security (CNAS), the American Enterprise Institute (AEI), and the Center for Strategic and International Studies (CSIS), convened a forum on the Senate side of the Capitol, in the Dirksen Senate Office Building, to discuss possibilities for the FY15 DOD budget. Looking at each of the reports released by the groups, three of the four organizations recommended cuts to LCS, with the exception of AEI, who suggested adding 4 ships to the procurement schedule. The think tanks were unanimous in their agreement to make cuts to the planned aircraft carrier fleet (CVN's) and destroyer fleet (DDG's), although the cuts differed in size. The groups argued that this would open up more funding for submarines, *Virginia* Class (SSN) and the forthcoming funding needed for the *Ohio* Class replacement program (SSBN-X), as well as more modern aircraft carriers, and other priorities like cyber defense. While DOD has already hinted that carriers would be subject to budget cuts, all four think tank teams cited the reasons for cutting carriers, particularly, was to preserve funding for newer models, i.e. the *Ford* Class carrier (CVN-78), rather than giving mid-life overhauls, Refueling and Complex Overhauls (RCOH), to existing carriers (CVN-68 thru CVN-77). This discussion was part of a yearly effort for these organizations to deliberate options being weighed by the Pentagon's Quadrennial

Defense Review (QDR). In a recent [Hill Newspaper Article](#), the White House responded to carrier concerns by Members of Congress and opted out of including retirement of one of the Navy's aircraft carriers, specifically the USS *George Washington*, in the forthcoming FY15 PB.

Details can be found at [AUSN's Capitol Hill Blog on Navy Equipment Concerns](#).

### **AUSN LOOKS AT CONGRESSIONAL BUDGET OFFICE (CBO) REPORT ON DEBT CEILING AND COLA FIX**

*Debate was heated this week as Congress tried earnestly to fix a provision in the Bipartisan Budget Act (BBA) of 2013 that passed into law last December that would cut Cost-of-Living-Adjustment (COLA) to less than 1 percent for military retirees under the age of 62. The House easily passed its proposal which would offset the cost for repealing the provision by extending sequestration cuts by one more year whereas the Senate debated a bill which did not contain any offset language, only to later agree upon the House language eventually later in the week. With disagreement on how to find an offset to the current COLA reduction this week and the debt ceiling limit breach debate that subsequently unfolded as a separate bill, the Congressional Budget Office (CBO) weighed in earlier this week to look at all of the current proposals from a fiscally 'doable' standpoint.*

#### **FURTHER READING:**

All of the proposed solutions to fix the COLA reduction measure from the BBA have been under intense scrutiny by the Congressional Budget Office (CBO), as lawmakers search for the "best" possible method to fix this change. However, no matter what the proposals are, the CBO has reported, in a letter from CBO Director Douglas W. Elmendorf, that the cost of reinstating the COLA rate back to what it was before the cut would cause an increase of **\$6.9 billion** in spending from 2016 through 2024. One proposal, which later fell through in the Senate due to the Senate adopting the House language, in the form of S. 25, for the repeal of the COLA reduction was introduced onto the Senate floor by Senate Veterans' Affairs Committee (SVAC) Chairman, Senator Bernard Sanders (I-VT). Chairman Sanders' bill, S. 1982, calls for the COLA reduction to be paid for/offset by using the funds appropriated for the Overseas Contingency Operations (OCO). However, as CBO Director Elmendorf stated, with regards to such proposals;

"Spending for OCO is discretionary—that is, it comes from funding provided in annual appropriation acts. In contrast, spending for programs such as Medicare, military pensions, and unemployment compensation are considered direct spending; the authority for those programs comes from enabling laws (other than annual appropriations acts), and the spending for such programs is governed by rules regarding benefits and eligibility that generally remain in place from year to year. Congressional scorekeeping procedures do not permit budgetary effects in those two categories to be combined." – *(Director Elmendorf's testimony written response to House Budget Committee Chairman, Representative Paul Ryan (R-WI-01), on 5 February 2014)*

Details can be found at [AUSN's Capitol Hill Blog on CBO Report on Debt Ceiling and COLA Fix](#).

### **AUSN APPLAUDS COLA FIX SOLUTION PASSAGE, BUT MAJOR CONCERNS STILL EXIST**

*AUSN, while pleased to see a bi-partisan agreement on the Cost-of-Living-Adjustment (COLA) fix for current and former servicemembers that passed this week, repealing the cut in the Bipartisan Budget Act (BBA) of 2013, there are many concerns with the final bill, in the form of S. 25. To offset the cost of the repeal, which totals over **\$6 billion**, the bill would extend sequestration under the Budget Control Act (BCA) of 2011 for mandatory programs, including Medicare and certain Department of Defense (DOD) accounts, for one year, moving it from a Fiscal Year 2023 (FY23) end date to a Fiscal Year 2024 (FY24) end date. In addition, the repeal of the pension adjustment from the 2013 BBA would apply only to members or former members of the Armed Forces who joined the military BEFORE 1 January 2014, i.e. 'grandfathering' those who joined prior to 2014 from changes proposed in the BBA. Any individual joining the Armed Forces AFTER 1 January 2014 would be subject to the annual COLA reduction cut mandated in the BBA once they retire before the age of 62.*

#### **FURTHER READING:**

Congress passed legislation this week, in the form of S. 25, which will reverse a 1% reduction in Cost-of-Living-Adjustments (COLA) to pensions for military retirees of working age, under age 62, that was a part of the Bipartisan Budget Act (BBA) of 2013 (P.L. 113-67) which passed last December. The House advanced legislation earlier in the week on Tuesday, 11 February 2014, by a vote of 326-90, replacing the previous text of a Senate-passed land

conveyance bill, S. 25, with the repeal language. Senate Majority Leader, Senator Harry Reid (D-NV), decided, after negotiations between House and Senate leaders, to accept the House passed deal since it has been such an unpopular provision since passage of the BBA and called a vote on S. 25 on Wednesday, 12 February 2014. Senators backed the bill S. 25, after caving to the continuous rounds of pressure from Veterans groups, late Wednesday by a vote of 95-3, sending the bill for the President to sign into law. The final bill would modify the BBA of 2013, particularly the provision stating the reduction in the annual COLA for the pensions of military retirees, BUT would extend sequestration under the Budget Control Act (BCA) of 2011 for mandatory programs, including Medicare and certain Department of Defense (DOD) accounts, for one year, moving it from Fiscal Year 2023 (FY23) end date until Fiscal Year 2024 (FY24) to offset the cost of the bill, which the Congressional Budget Office (CBO) announced earlier in the week would be just over **\$6 billion**.

In addition the repeal of the pension adjustment from the BBA would apply only to members or former members of the Armed Forces who joined the military BEFORE 1 January 2014, i.e. 'grandfathering' those who joined prior to 2014 from changes proposed in the BBA. Any individual joining the Armed Forces AFTER 1 January 2014 would be subject to the annual COLA reduction cut mandated in the BBA once they retire before the age of 62. The bill also would establish a **\$2.3 billion** fund to pay for changes to Medicare's physician payment formula, known as the Sustainable Growth Rate (SGR). The money could be used either for a short-term patch, commonly known as the "Doc Fix," or for offsetting the cost of legislation to replace the SGR and create a whole new payment system. Lawmakers are hoping to pass this major legislation that would permanently replace the SGR before 31 March 2014 when the current Doc Fix will expire and physicians will experience a 24% cut in payment rates.

Although AUSN is relieved to see that the COLA cuts from the BBA have been fixed for currently serving members of the Armed Forces, at least those who joined prior to 1 January 2014, and our Veterans, retirees and spouses/survivors, it is impossible to ignore some of the controversies surrounding this legislative action. First, while S. 25 seemed to have largely bipartisan support, some Members of Congress were disappointed with the, "funny money" additional one year of sequestration offset, saying the Federal government was, "robbing one part of the budget to pay another." In particular, some Members of Congress, and AUSN agrees, that it is unsure what the budget climate will be like for all Executive Branch departments, including the Department of Defense (DOD) and Department of Veterans Affairs (VA), after 10 years of sequestration (2013-2023), much less adding one more for an 11<sup>th</sup> year of sequester cuts (to 2024).

In addition, the Military Compensation and Retirement Modernization Commission (MCRMC), established by the Fiscal Year 2013 (FY13) National Defense Authorization Act (NDAA), to examine and send to lawmakers a report on recommendations for establishing a new set of pay, compensation and benefits for our future forces has not yet finished its mandated duties and investigations. With an extension on the report going into 2015, the Commission itself is still holding hearings, open and closed door Executive sessions, listening to testimony, and gathering expert advice. AUSN testified before the Commission in November 2013 and is scheduled to meet with them in early March 2014 one more time to discuss our concerns. Consequently it seems rather premature to be taking action to change retirement and pay when a proper analysis being done by the MCRMC is incomplete and such a detailed report with recommendations will not be shown until at least 2015.

Details can be found at [AUSN's Capitol Hill Blog on COLA Fix and Concerns](#).

### **AUSN ON THE HILL**

In addition to monitoring developments with the COLA repeal debate in the House and Senate and monitoring the debt ceiling debate, which was eventually raised through a series of bi-partisan and partisan votes and procedures, AUSN was very active in engaging lawmakers on Capitol Hill this week. Briefly on the debt limit debate, the Senate approved, the evening of Wednesday, 12 February 2014, the measure, S. 540, by a vote of 55-43, which would suspend the debt limit until 15 March 2015, without any policy riders attached. Senators had earlier voted to end debate, 67-31, with 12 Republicans joining all Democrats and Independents to advance the bill. The House sent the debt limit extension bill to the Senate on Tuesday, 11 February 2014, by a vote of 221-201. All but two House Democrats pushed it to passage, and only 28 Republicans voted for it. In regards to AUSN on the hill, AUSN sent numerous [Letters of Support](#) to Members of Congress on a host of bills of interest that were recently introduced. In addition, AUSN met with the Acting Undersecretary of the Navy, Mr. Thomas Hicks, in the Pentagon about our goals/mission as well as future collaborative efforts. Finally, AUSN also held meetings with certain industry stakeholders of interest in Navy and Veteran services include Wisconsin Physicians Service Insurance Corporation (WPSIC) and LORD Corporation.

## **PRIORITY BILLS INTRODUCED THIS WEEK**

**H.R. 4050, Servicemembers Opportunity Act.** Introduced by Representative Denny Heck (D-WA-10), the bill would amend the Servicemembers Civil Relief Act (SCRA) to provide for alternate means of proof of period of military service for purposes of the interest rate limitation.

**H.R. 4038, (Official title yet to be released).** Introduced by Representative Bill Flores (R-TX-17), the bill would direct the Secretary of Veterans Affairs to make certain improvements in the information technology of the Veterans Benefits Administration (VBA) of the Department of Veterans Affairs (VA) to process claims more efficiently

**H.R. 4037, (Official title yet to be released).** Introduced by Representative Bill Flores (R-TX-17), the bill would amend Title 38, United States Code, to make certain improvements in the laws administered by the Secretary of Veterans Affairs relating to training and rehabilitation for Veterans with service-connected disabilities

**S. 2009, the Rural Veterans Improvement Act.** Introduced by Senator Tom Udall (D-NM), the bill would improve the provision of health care by the Department of Veterans Affairs (VA) to Veterans in rural and highly rural areas.

**S. 1999, the Servicemember Civil Relief Accountability Act of 2014.** Introduced by Senator Lindsey Graham (R-SC), the bill would amend the Servicemembers Civil Relief Act (SCRA) to require the consent of parties to contracts for the use of arbitration to resolve controversies arising under the contracts and subject to provisions of such Act and to preserve the rights of servicemembers to bring class actions under such Act.

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 was one new Legislative Alert sent this week based on hearings and interaction with Congressional staff, as well as traction on the issue. 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. If you have not seen them, please go to the [Legislative Alerts](#) section on the AUSN webpage and/or check your e-mail for the following alerts which were titled:

**Legislative Alert #113-34: SUPPORT H.R. 401 & S. 162, Justice and Mental Health Collaboration Act (JMHCA)**

## **NEXT WEEK OUTLOOK**

Next week, Congress will be in recess for the President’s Day holiday weekend, so there will be no Legislative Watch next week, however AUSN will be active with a few Hill meetings as well as working on testimony for a Joint House and Senate Veterans’ Affairs Committee (HVAC/SVAC) hearing where AUSN will be submitting written testimony for the record on our legislative priorities on 6 March 2014. In addition, before leaving, Senate Majority Leader, Senator Harry Reid (D-NV), filed cloture on the motion to proceed to a bill supported by AUSN, S. 1950/S. 1982, by Senate Veterans’ Affairs Committee (SVAC) Chairman, Senator Bernard Sanders, (I-VT), that would provide new health care, education and job assistance benefits for Veterans, including Veteran Status for 20 plus career Reserve Component Members (provisions of S. 629), that will be considered the week Congress returns, 24 February 2014. Finally, AUSN will be hosting our first Legislative Drumbeat of the year with our AUSN Legislative Liaisons throughout the country. **IF INTERESTED**, please email [Anthony.Wallis@ausn.org](mailto:Anthony.Wallis@ausn.org) with your state that you wish volunteer to be a liaison for as well as a resume/CV and we can pass more information to you about duties and responsibilities.

## **QUESTIONS/COMMENTS/CONCERNS**

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