

## Sustain Military Pay and Benefits

**Issue:** Budget cuts undo Congress's decade of work to rebalance military compensation with the extraordinary demands and sacrifices of a military career.

**Background:** The FY 2016 budget submission proposes several significant pay and benefit cuts which are inconsistent with the extreme sacrifices exemplified by the last 13 years of combat operations.

- Capping pay below private sector pay growth for a third straight year (and potentially four more)
- Reducing Basic Allowance for Housing (BAH) by up to 5% - this is a second year reduction which reverses DoD's own initiative to eliminate out-of-pocket housing cost which was completed in 2005
- Reducing commissary savings for uniformed service families by 66%
- Combining TRICARE healthcare plans, increasing fees & establishing a means-tested enrollment fee for TRICARE for Life

The Pentagon is stating that spending on pay and benefits for service members has "risen about 40 percent more than growth in the private sector" since 2001. The truth is that spending did grow 2000-2010 but since 2011, personnel cost growth has slowed considerably to less than 2% per year.

Congress worked hard to fix the 13.5% pay gap, eliminate the 18% out-of-pocket housing costs military members faced, and reverse the resulting retention problems caused by repeatedly capping military raises below private sector pay growth in the 1980s and '90s. Consequently, cost growth since 2000-2001 was essential to keep the previous compensation cutbacks from breaking the career force.

Sustaining pay raises comparable to the average American is a fundamental tenet of the AVF. In the late 1970s Congress enacted two double-digit pay raises to correct retention in the wake of multiple pay raise caps. In 2003, Congress explicitly linked annual military raises to private sector pay growth via the Employment Cost Index (ECI). The FY 2016 budget proposes a 1.3% pay raise cap (vs. the 2.3 % indicated by the ECI). It is the third straight year of pay caps with four more years planned.

By the late 1990s, the Defense Department persuaded Congress to make military housing allowances meaningful by setting BAH at 100% of median local housing costs. This standard was codified after years of budget cuts reducing BAH rates below actual housing costs.

Between the FY 2014, FY 2015 and FY 2016 pay caps, the proposed BAH reductions, the reductions in commissary savings, and the new TRICARE fee structure, an E-5's family of four would experience a loss of nearly \$5,000 in purchasing power annually; and an O-3's family of four would experience a loss of nearly \$6,500.

**MOAA Position:** We understand the difficult predicament the Pentagon now faces and we agree that balancing the force and ending the harmful effects of sequestration must be accomplished. Not doing so makes risks to national security unacceptable.

Past experience with capping military raises below private sector pay growth has shown that once pay raise caps begin, they continue until they undermine retention and readiness of the AVF – and this proposal represents caps for seven straight years.

The troops' last four raises averaged less than 1.4%, with the FY 2014 and FY 2015 pay raises being the lowest in 50 years. Yet this proposal is not limited to pay. Capping pay, increasing out-of-pocket expenses for housing, slashing commissary savings, and increasing TRICARE costs for military families would repeat the insidious measures which led to retention and readiness problems in the past.

Recent Military Times survey indicates that calls for pay and benefit cuts are hurting morale – the numbers are glaring. 56 percent of the 2,300 active duty personnel stated their quality of life is good or excellent – down from 91 percent in 2009. 44 percent felt their pay and allowances were good or great – down from 87 percent in 2009.

**Recommendation:** *Sustain currently serving pay and benefits for FY 2016.*