

**STATEMENT OF  
DENNIS M. DUGGAN, DEPUTY DIRECTOR  
NATIONAL SECURITY-FOREIGN RELATIONS DIVISION  
THE AMERICAN LEGION  
BEFORE THE  
SUBCOMMITTEE ON DEFENSE  
COMMITTEE ON APPROPRIATIONS  
UNITED STATES SENATE  
ON  
DEFENSE APPROPRIATIONS FOR FISCAL YEAR 2004  
MAY 15, 2003**

Mr. Chairman, The American Legion is grateful for the opportunity to present its views regarding defense appropriations for Fiscal Year 2004. The American Legion values your leadership in assessing and appropriating adequate funding for quality-of-life, readiness and modernization of the Nation's armed forces.

Once again, the United States is involved in two wars – the war against terrorism and Operation Iraqi Freedom. American fighting men and women are proving that they are best-trained, best-equipped and best-led military in the world. As Secretary of Defense, Donald Rumsfeld has noted, the war in Iraq is part of a long, dangerous global war on terrorism. The war on terrorism is being waged on two fronts: overseas against armed terrorists and the other here protecting and securing the Homeland. Indeed, most of what we as Americans hold dear are made possible by the peace and stability, which the armed forces provide.

The American Legion adheres to the principle that this Nation's armed forces must be well manned and equipped, not to pursue war, but to preserve and protect peace. The American Legion strongly believes that past military downsizing was budget-driven rather than threat focused. Once Army divisions, Navy carrier battle groups, and Air Force fighter wings are eliminated from the force structure, they cannot be rapidly reconstituted regardless of the threat or emergency circumstances. Military recruitment has also been sporadic in the face of obvious quality-of-life concerns, frequent and lengthy deployments, and the recession, in spite of the patriotic American spirit which has followed the terrorist attacks of September 11th.

The Administration's budget request for FY 2004 totals \$2.2 trillion and authorizes \$379.9 billion for defense or about 16.6 percent of the budget. The FY 2004 defense budget represents a \$14 billion increase in defense spending over the current funding level. It also represents 3.4 percent of our Gross Domestic Product, more than the 3.3 percent in the FY 2003 budget. Active duty military manpower end strength is 1,388,100, only slightly changed from the 1.37 million of FY 2002. Selected Reserve strength is 863,300 or reduced by about 25 percent from its strength levels during the Gulf War of 12 years ago..

Mr. Chairman, this budget must contain funding to fight the war on terrorism, sustain military quality of life and continue to transform the military. A decade of overuse of the military and it's under-funding, however, will necessitate sustained investments. This budget must also address increases in the military endstrength of the Services, accelerate ship production, and funding for the concurrent receipt of military retirement pay and VA disability compensation for disabled military retirees.

If we are to win the war on terror and prepare for the wars of tomorrow, we must take care of the Department's greatest assets -- the men and women in uniform. They are doing us proud in Iraq, Afghanistan and around the world.

In order to attract and retain the necessary force over the long haul, the military continues to look for talent in an open market place and to compete with the private sector for the best young people our nation has to offer. If we are to attract them to military service in the active and reserve components, we need to count on their patriotism and willingness to sacrifice, to be sure, but we must also provide them the proper incentives. They love their country, but they also love their families – and many have children to support, raise, and educate. We have always asked the men and women in uniform to voluntarily risk their lives to defend us; we should not ask them to forgo adequate pay and subject their families to repeated unaccompanied deployments and sub-standard housing as well.

The President's 2004 defense budget requests \$98.6 billion for military pay and allowances, including \$3.7 billion for a 2 percent to 6.3 percent pay raise and \$300 million for the option for targeted pay-raises for mid-grade officers and NCOs. It also includes \$4.2 billion to improve military housing, putting the Department on track to eliminate most substandard housing by 2007 – several years sooner than previously planned. It will also lower out-of-pocket housing cost for those living off-base from 7.5 percent to 3.5 percent in 2004 – so as to hopefully eliminate all out-of-pocket costs for the men and women in uniform by 2005.

Together, these investments in people are critical, because smart weapons are worthless to us unless they are in the hands of smart, well trained Soldiers, Sailors, Airmen, Marines and Coastguardsmen.

The American Legion's National Commander has visited American troops in South Korea, as well as a number of installations throughout the United States. During these visits, he was able to see first hand the urgent, immediate need to address real quality of life challenges faced by service members and their families. He has spoken with families on Womens' and Infants' Compensation (WIC). Quality of life issues for service members, coupled with heightened operational tempos, play a key role in the recurring recruitment and retention woes and should come as no surprise. The operational tempo and lengthy deployments must be reduced. Military missions were on the rise before September 11 and deployment levels remain high and the only way, it appears, to reduce repetitive overseas tours and the overuse of the Reserves is to increase military endstrengths for the services. Military pay must be on par with the competitive civilian sector. If other benefits, like health care improvements, commissaries, adequate quarters, quality child care, and impact aid for education are reduced, they will only serve to further undermine efforts to recruit and retain the brightest and best this nation has to offer.

### **QUADRENNIAL DEFENSE REVIEW (QDR)**

Since the collapse of the Soviet Union in 1991, America has conducted three substantial assessments of its strategy and force structures necessary to meet the national defense requirements. The assessment by the first President Bush Administration ("Base Force" assessment) and the assessment by the Clinton Administration ("Bottom-Up Review") were intended to reassess the force structure in light of the changing realities of the post-Cold War world. Both assessments served an important purpose in focusing attention on the need to reevaluate America's military posture; but the pace of global change necessitated a new, comprehensive assessment of the current defense strategy for the 21st Century. The current QDR was formatted before September 11, 2001.

The American Legion has supported the force structure proposed by the Base Force Strategy: Maintaining 12 Army active duty combat divisions, 12 Navy aircraft carrier battle groups, 15 Air Force fighter wings and three Marine Corps divisions, and a total manpower strength of at least 1.6 million. The American Legion initially supported the theory behind the two-war strategy: if America were drawn into a war with one regional aggressor, another could be tempted to attack its neighbor, especially if this aggressor were convinced that America and its allies were distracted, lacked the will to fight conflicts on two fronts, or did not possess the military power to deal with more than one major conflict at a time. Determining the

right size of U.S. forces for more than one major conflict would provide a hedge against the possibility that a future adversary might mount a larger than expected threat. It would also allow for a credible overseas presence that is essential in dealing with potential regional dangers and pursuing new opportunities to advance stability and peace. The American Legion has always believed that any such strategy should be capabilities-based rather than budget-driven.

The two-war, nearly simultaneously, strategy was criticized as being too narrowly focused on preparing for two specific conflicts, was under-prepared for other contingencies and was never adequately resourced. We believe that for the strategy to be credible it must employ more robust force structures and continued increased budgeting to improve quality-of-life, readiness and modernization. The American Legion believes the "win-win" two-war Bottom-Up Review strategy was delusional. With growing worldwide commitments, America has a "win-hold" strategy, at best, with only 10 Army active combat divisions, three Marine divisions, 12 Navy carrier groups and eight National Guard Divisions to utilize.

The reality of a two-war strategy appears to have arrived. Once again, we have fought in the Persian Gulf while keeping an eye on developments in North Korea. The armed forces have appeared to be over committed for too long with their many missions to include preparation for conventional warfare, peacekeeping in the Balkans, counterterrorism operations in the Philippines and Colombia as well as Homeland Security and the global War on Terrorism to include combat operations in Iraq and Afghanistan.

The American Legion also believes America can no longer afford to become the world peace enforcer by dispatching forces on unbudgeted operations whether the United Nations passes or does not pass a resolution to do so. The American Legion believes Congress needs to remain involved in the decision-making process regarding the commitment of U.S. military forces. These forces should be deployed only when the vital national interests of America are clearly at stake, supported by the will of the American people and Congress, and a clear exit strategy exists. Congress needs to become involved in the policy of committing U.S. troops before troops are actively committed, not afterwards. Clearly, our war in Iraq has satisfied all these conditions. For that reason, the Armed Forces are deserving of congressional support for increased resourcing.

## **PROCUREMENT/TRANSFORMATION**

Only a few major systems currently in production would be funded in the FY 2004 defense budget. The funding level for procurement is improved but needs to be sustained. The American Legion fully supports the Army's Transformation Program. Major development programs that The American Legion also supports include the Air Force F-22 fighter and C-17, F/A-18Es for the Navy, and Joint Strike Fighters for the Air Force and Navy. Unquestionably, the Navy needs to upgrade its aging fleet and air arm as well as acquire more submarines. The American Legion strongly believes that the seven-ship rate of ship-building needs to be increased so that at least 8-10 ships are built annually.

If left unadvised, omissions in DoD's modernization budget will have the following implications:

- They will result in the continued deterioration of the defense industrial base.
- The future technological superiority of American forces will be at risk thereby increasing the danger to servicemembers should they be called into combat. We are currently retiring ships and aircraft faster than they are being built.
- The failure to replace and upgrade equipment in a timely manner will create a massive modernization shortfall in each of the military services and, possibly, lead to even more serious readiness problems in the long run.

America's winning technology in the Persian Gulf War, like its victorious all-volunteer force, did not develop overnight, but had its genesis in the decade of the 1980's. The modernization of the Armed Forces since the end of the Persian Gulf War, unfortunately, has been delayed and curtailed. The 2004 budget request is designed to advance each of the transformational goals mentioned by the Secretary of Defense in his Congressional testimony last year. It accelerates funding both for the development of transformation programs as well as by funding modernization. Recognizably, transformation is a process, and is a process that must continue. The Chairman of the Joint Chiefs of Staff during FY 1998 defense budget hearings called for procurement budgets of \$60 billion annually, which for the first time was reflected in the FY 2001 budget. Army procurement dollars alone have plummeted by almost 80 percent since the mid-1980's, and by 67 percent for all the services. Trade-offs to maintain readiness within budget constraints have caused the Services to cancel a number of weapons systems and to delay others.

A number of defense consulting firms have predicted that the armed forces are heading for a "train wreck" unless annual defense budgets called for procurement accounts in the \$118 billion range, rather than in the \$45-60 billion range.

The American Legion urges Congress to preserve America's defense industrial base by continuing to fund research, development and acquisition budgets so as to retain its technological edge in the 21st Century and assure that military production can surge whenever U.S. military power is committed. Some of these capabilities, such as tank production and shipbuilding, need to be retained. Key industrial capabilities that preserve more of the defense industrial base need to be identified and retained.

The American Legion opposes termination or curtailing of essential service modernization programs, diminution of defense industrial capabilities, and rejects the transfers of critical defense technologies abroad.

The American Legion firmly believes with the continuing threat of nuclear proliferation, America should retain its edge in nuclear capabilities as represented by the TRIAD system, and the highest priority should be the deployment of a national missile defense. Although the development and deployment of advanced theater missile defenses to protect U.S. forward deployed forces is imperative, any dismantling of acquisition programs to defend the American people is imprudent. America should continue to march on deploying an anti-ballistic missile detection and interception system that is capable of providing a highly effective defense against limited attacks of ballistic missiles. The price of maintaining a strong defense is expensive in terms of tax dollars, but failure to do so could prove much more expensive in terms of human lives and real threats to freedom. The national security framework provides the umbrella that allows Americans to work and prosper without fear. A strong national defense does not inhibit a strong economy; it complements it. Congress and the military establishment must spend tax dollars prudently and effectively. DoD must ensure that all aspects of its procurement and manning levels are responsible and disciplined.

## **QUALITY OF LIFE**

The American Legion's major National Security concern is the enhancement of the quality of life issues for service members, Reservists, National Guardsmen, military retirees, and their families. During the 107th Congress, President Bush and Congress made marked improvements in an array of quality of life issues for military personnel and their families. These efforts are visual enhancements that must be sustained.

In the FY 2002 defense budget, the President and Congress addressed improvements to the TRICARE system to meet the health care needs of military beneficiaries; enhanced Montgomery GI Bill educational benefits; and the addressed homelessness throughout the veterans community. For these actions, The

American Legion applauds your strong leadership, dedication, and commitment. However, major issues still remain unresolved: the issue of concurrent receipt of full military retirement pay and VA disability compensation without the current dollar-for-dollar offset needs to be resolved as well as the need to improve Survivor's Benefits.

The American Legion will continue to argue that simple, equitable justice is one reason to authorize and fund concurrent receipt. Military retirees are the only Federal employees who must offset their retired pay with VA disability compensation. Also, proponents claim that the unique nature of military service, given their sacrifices and hardships, should merit these retirees receiving both military retired pay and VA disability compensation. For the past decade, many veterans' programs have been pared to the bone in the name of balancing the budget. Now, military retirees must pay premiums to TRICARE for full health care coverage for themselves and their immediate family members. Many veterans' advocates feel it is time that retirees receive compensation for these fiscal sacrifices.

Often, VA service-connected disability compensation is awarded for disabilities that cannot be equated with disabilities incurred in civilian life. Military service rendered in defense and on behalf of the Nation deserves special consideration when determining policy toward such matters as benefits offsets. The American Legion believes it is a moral and ethical responsibility to award disability compensation to the needs of disabled veterans, given the sacrifices and hardships they incurred during honorable military service to the Nation. We are also aware that many of the disabled retirees receive retirement pay that is beneath established poverty levels and by definition in Title 38 are "indigent" veterans.

Mr. Chairman, The American Legion and the armed forces owe you and this Subcommittee a debt of gratitude for your strong support of military quality of life issues. Nevertheless, your assistance is needed now more than ever. Positive congressional action is needed in this budget to overcome old and new threats to retaining the finest military in the world. Service members and their families continue to endure physical risks to their well being and livelihood, substandard living conditions, and forfeiture of personal freedoms that most Americans would find unacceptable. Worldwide deployments have increased significantly and the Nation is at war: a smaller armed forces has operated under a higher operational tempo with longer work hours, greater dangers, and increased family separations.

Throughout the drawdown years, military members have been called upon to set the example for the nation by accepting personal financial sacrifices. Their pay raises have been capped for years, and their health care system has been overhauled to cut costs, leaving military families with lessened access to proper health care. The American Legion congratulates the Congress for their quality-of-life enhancements. The system, however, is in dire need of continued improvement.

Now is the time to look to the force recruiting and retention needs. Positive congressional action is needed to overcome past years of negative career messages and to address the following quality of life features:

- Closing the Military Pay Gap With the Private Sector - The previous Chairman of the Joint Chiefs of Staff stated that the area of greatest need for additional defense spending is "taking care of our most important resource, the uniformed members of the armed forces." To meet this need, he enjoined Members of Congress to "close the substantial gap between what we pay our men and women in uniform and what their civilian counterparts with similar skills, training and education are earning." But 11 pay caps in the past 15 years took its toll and military pay continues to lag behind the private sector at about 7.5 percent. With U.S. troops battling terrorism in the Persian Gulf, The American Legion supports the proposed 4.1 percent military pay raise, without a 2 percent reduction.
- Basic Allowance for Housing (BAH) - For those who must live off base, the provision of the Basic Allowance for Housing (BAH) is intended to help with their out-of-pocket housing expenses. Secretary of Defense Rumsfeld set a goal of entirely eliminating average out-of-pocket housing

expenses. This committee has taken strong steps in recent times to provide funding to move toward lowering such expenses. Please continue to work to close the gap between BAH and the members' average housing costs.

- Commissaries - Several years ago, DoD had considered closing some 37 commissary stores worldwide and reducing operating hours in order to resolve a \$48 million shortfall in the Defense Commissary Agency. Such an effort to reduce or dismantle the integrity of the military commissary system would be seen as a serious breach of faith with a benefit system that serves as a mainstay for the active and reserve components, military retirees, 100 percent service-connected disabled veterans, and others. The American Legion urges the Congress to preserve full federal subsidizing of the military commissary system and to retain this vital non-pay compensation benefit. Furthermore, The American Legion fully supports the full-time usage of commissary stores by members of the Reserve Components, that the system not be privatized, and that DECA manpower levels not be further reduced.

## **RESERVE COMPONENTS**

The advent of smaller active duty forces reinforces the need to retain combat-ready National Guard and Reserve forces that are completely integrated into the Total Force. The readiness of National Guard and Reserve combat units to deploy in the War on Terrorism will also cost in terms of human lives unless Congress is completely willing to pay the price for their readiness. With only ten active Army divisions in its inventory, America needs to retain the eight National Guard divisions, in heightened readiness postures, as its life insurance policy.

Reliance on National Guard and Reserve forces has risen 13-fold over the pre-Gulf War era. This trend continues even though both reserve and active forces have been cut back 30 percent and about 25 percent, respectively, from their Cold War highs. Since the terrorist attacks on the American homeland on Sept. 11, more than 200,000 Guard and Reserve troops have been activated to support homeland defense and overseas operations in the War on Terror.

National Guard and Reserve service today involves a challenging balancing act between civilian employment, family responsibilities, and military service. Increasingly, National Guard and Reserve families encounter stressful situations involving healthcare, economic obligations, and employer uncertainty. Benefit issues of particular concern in this arena include:

- ◆ Review and upgrade the Reserve compensation and retirement system without creating disproportional incentives that could undermine active force retention;
- ◆ Restore the tax deductibility of non-reimbursable expenses directly related to Guard and Reserve training;
- ◆ Streamline the reserve duty status system without compromising the value of the compensation package;
- ◆ Improve Reserve Montgomery GI Bill (MGIB) benefits proportional to the active duty program;
- ◆ Allow reservists activated for 12 months or longer to enroll in the active duty MGIB;
- ◆ Allow them to accrue for retirement purposes all points earned annually; and
- ◆ Permit Guardsmen unlimited access to military commissaries.

Growing concerns are that the Reserve Components, especially the National Guard, should not be overused in contingency or peacekeeping operations, as these servicemembers have regular civilian jobs and families as well. The National Guard also has state missions in their home states. The American Legion understands that retention rates and, therefore, strength levels are falling in those states which have deployed or scheduled to deploy Guardsmen overseas. Governors of these states continue to express

concern that state missions will not be accomplished. The National Guard from 44 states have had a presence in 35 foreign countries.

The American Legion is also supportive of all proposed quality-of-life initiatives that serve to improve living and working conditions of members of the Reserve components and their families.

### **HEALTH CARE FOR MILITARY BENEFICIARIES**

Today, there are approximately 8.2 million beneficiaries in the military health care program. Military retirees and their dependents make up nearly one half of that number, and over 500,000 retirees have lost or will lose their access to military health care as a result of the closure of approximately 40 percent of military treatment facilities. Access to affordable health care, regardless of age, status or location, has represented a major concern among military retirees.

The creation of TRICARE for Life and a TRICARE Senior Pharmacy benefit in Public Law 106-398 was an historic triumph for Congress and those 1.3 million Medicare-eligible military retirees and dependents. While TRICARE for Life came with its own funding stream in FY 2002, authorization must be budgeted to provide for the program for FY 2004. The American Legion recommends that you continue to improve this important program by providing the necessary funding. The American Legion also applauds your work last year in eliminating TRICARE co-payments for active duty family members. We also salute the Department of Defense for reducing active duty time for Reservists to 30 days for their families to be eligible for TRICARE.

Although Congress enacted legislation to restore TRICARE to Medicare-eligible beneficiaries as a wraparound to Medicare (TRICARE for Life) and to improve TRICARE for active duty families, further improvements are still needed, especially for retired beneficiaries under age 65. TRICARE must be a consistent, reliable and equitable health care benefit for all uniformed services beneficiaries, regardless of age or geography.

The FY 2001 NDAA eliminated copays for active duty family members enrolled in Prime, and enacted TRICARE For Life (TFL) and TRICARE Senior Pharmacy (TSRx) for Medicare-eligibles. With TFL implementation complete Congress and DoD must turn their attention to improving serious shortcomings in healthcare benefits for TRICARE beneficiaries under the age of 65.

- Low reimbursement rates are causing providers to refuse any TRICARE patients or reduce the number of TRICARE patients they will treat, limiting beneficiary access and choice. Solution: Increase statutory (Medicare) payment rates; require use of existing authority to raise TRICARE rates where necessary to ensure sufficient numbers of participating providers.
- TRICARE is cumbersome to use and causes administrative hassles for providers and beneficiaries attempting to obtain authorization, expedite claim repayment, or move between regions. Solution: Improve TRICARE Prime enrollment procedures, portability, and beneficiary education. Decrease administrative burdens, eliminate non-availability statement requirements, streamline claims processing requirements with greater reliance on electronic claims technology, and eliminate unnecessary reporting requirements. Require TRICARE contractors to assist beneficiaries in finding TRICARE Standard providers.
- Institute “benefits plus benefits” reimbursement methodology. TFL pays beneficiary expenses not covered by Medicare (“benefits plus benefits”). For TRICARE Standard beneficiaries with other health insurance (OHI), TRICARE seldom pays expenses not covered by other insurance (“benefits less benefits”). Solution: Restore TRICARE reimbursement policy to pay up to what TRICARE would have paid had there been no OHI coverage (as was the policy before 1993).

Since the commencement of the first class of graduates of the Uniformed Services University of Health Sciences (USUHS) in 1980, over 3,200 physicians continue to pursue careers as physicians in the Army, Navy, Air Force and the U.S. Public Health Service each year. The USUHS education process emphasizes primary care medicine and also provides special training in military medicine and combat stress courses not found in civilian medical school curricula. USUHS graduates have also proven themselves willing to accept operational overseas assignments often viewed as less than desirable by civilian medical school graduates.

Both the FY 1996 National Defense Appropriations Act and the National Defense Authorization Act prohibit the closure of USUHS. The Defense Authorization Act also provided a five year prohibition on reducing the staffing levels of USUHS below the levels established as of October 1, 1993. The American Legion urges the Congress to resist any efforts to circumvent the law to downscale or close the USUHS. The American Legion is convinced that the USUHS is an economical source of career medical leaders who serve this nation during peace and war and provide military health care consistency and stability. The American Legion urges the Congress to retain and fully fund USUHS as a continued source of career military physicians for the Army, Navy, Air Force and US Public Health Service. The American Legion also supports the construction of an Academic Center to accommodate the USUHS Graduate School of Nursing.

### **OTHER MILITARY RETIREE ISSUES**

The American Legion believes strongly that quality-of-life issues for retired military members and families also are important to sustaining military readiness over the long term. If the Government allows retired members' quality-of-life to erode over time, or if the retirement promises that convinced them to serve are not kept, the retention rate in the current active-duty force will undoubtedly be affected. The old adage that you enlist a recruit, but you reenlist a family is truer today than ever as more career-oriented servicemembers are married or have dependents.

Accordingly, The American Legion believes Congress and the Administration must place high priority on ensuring that these long-standing commitments are honored:

- VA Compensation Offset to Military Retired Pay (Retired Pay Restoration) - Under current law, a military retiree with compensable VA disabilities cannot receive full military retirement pay and VA disability compensation. The military retiree's retirement pay is offset (dollar-for-dollar) by the amount of VA disability compensation awarded. We would like to thank the committee for providing funding for the authorized special compensation programs; however, The American Legion supports restoration of retired pay (concurrent receipt) for all disabled military retirees. The purposes of these two compensation systems are fundamentally different. Longevity retirement pay is designed primarily as a force management tool to attract large numbers of high quality members to serve for at least 20 years. A veteran's disability compensation is paid for an injury or disease incurred or aggravated during military service. Monetary benefits are related to the residual effects of the injury or disease or for the physical or mental pain and suffering and subsequently reduced employment and earnings potential. The American Legion also urges that disabled retired Reservists' and those retired under the early retirement authority be eligible for the authorized Special Compensation programs. What better time to authorize and fund concurrent receipt than during this period of War?
- Social Security Offsets to the Survivors' Benefits Plan (SBP) - The American Legion supports amending PL 99-145 to eliminate the provision that calls for the automatic offset at age 62 of the military SBP with Social Security benefits for military survivors. Military retirees pay into both SBP and Social Security, and their survivors pay income taxes on both. The American Legion believes that military survivors should be entitled to receipt of full Social Security benefits which they have earned in their own right. It is also strongly recommended that any SBP premium increases be assessed on the effective date, or subsequent to, increases in cost of living adjustments and certainly

not before the increase in SBP as has been done previously. In order to see some increases in SBP benefits, The American Legion would support a gradual improvement of survivor benefits from 35 percent to 55 percent over the next five-year period. The American Legion also supports initiatives to make the military survivors' benefits plan more attractive. Currently, about 75 percent of officers and 55 percent of enlisted personnel are enrolled in the Plan.

- Reducing the Retired Reservist age from 60 to 55 - The American Legion believes that retirement pay should be paid sooner as many of these retirees will not live to their 60<sup>th</sup> birthday. Similarly, these retirees and their dependents should be eligible for TRICARE health care and other military privileges when they turn 55.
- Military Retired Pay COLAs - Servicemembers, current and future, need the leadership of this Subcommittee to ensure Congress remains sensitive to long-standing contracts made with generations of career military personnel. A major difficulty is the tendency of some to portray all so-called "entitlement" programs, including military retirement, as a gratuitous gift from the taxpayer. In truth, military retired pay is earned deferred compensation for accepting the unique demands and sacrifices of decades of military service. The military retirement system is among the most important military career incentives. The American Legion urgently recommends that the Subcommittee oppose any changes to the military retirement system, whether prospective or retroactive, that would undermine readiness or violate contracts made with military retirees.
- The SBP Veterans Dependency and Indemnity Compensation (DIC) Offset for Survivors - Under current law, the surviving spouse of a retired military member who dies from a service connected disability and was also enrolled in SBP, the surviving spouse's SBP benefits are offset by the amount of DIC (currently \$948 per month). A pro-rated share of SBP premiums is refunded to the widow upon the member's death in a lump sum, but with no interest. The American Legion believes that SBP and DIC payments, like military retirement pay and disability compensation, are paid for different reasons. SBP is elected and purchased by the retiree based on his/her military career and is intended to provide a portion of retired pay to the survivor. DIC payments represent special compensation to a survivor whose sponsor's death was caused directly by his or her uniformed service. In principle, this is a government payment for indemnity or damages for causing the premature loss of life of the member, to the extent a price can be set on human life. These payments should be additive to any military or federal civilian SBP annuity purchased by the retiree. There are approximately 31,000 military widows/widowers affected by the offset under current law. Congress should repeal this unfair law that penalizes these military survivors.
- Uniformed Services Former Spouses Protection Act (USFSPA) - The American Legion urges Congressional support for amending language to PL 97-252, the Uniformed Services Former Spouses Protection Act. This law continues to unfairly penalize active-duty armed forces members and military retirees. USFSPA has created an even larger class of victims than the former spouses it was designed to assist, namely remarried active-duty service members or military retirees and their new family. The American Legion believes this law should be rescinded in its entirety, but as an absolute minimum, the provision for a lifetime annuity to former spouses should be terminated upon their remarriage. This is consistent with most divorce decrees. Based on this current provision, monthly provisions for life are being granted to former spouses regardless of marital status, need, or child custodial arrangements. The time has come to cease lifetime annuities to former military spouses, should they remarry. Judicial determinations of appropriate support should be determined on a case-by-case basis and not be viewed as an "entitlement" by former spouses as exists under current law. The American Legion urges hearings on the USFSPA.

## CONCLUSION

Thirty years ago, America opted for an all-volunteer force to provide for the national security. Inherent in that commitment was a willingness to invest the needed resources to bring into existence a competent,

professional, and well-equipped military. The FY 2004 defense budget, while recognizing the War on Terrorism and Homeland Security, represents another good step in the right direction.

What more needs to be done? The American Legion recommends, as a minimum, that the following steps be implemented:

- Continued improvements in military pay, equitable increases in Basic Allowances for Housing and Subsistence, military health care, improved educational benefits under the Montgomery G.I. Bill, improved access to quality child care, impact aid and other quality-of-life issues. The concurrent receipt of military retirement pay and VA disability compensation needs to be authorized and funded. The Survivors' Benefit Plan needs to be increased from 35 to 55 percent for Social Security-eligible military survivors.
- Defense spending, as a percentage of Gross Domestic Product, needs to be maintained at a minimum of 3.5 percent annually, which this budget still does not achieve.
- The end strengths of the active armed forces need to be increased to at least 1.6 million for the Services.
- The Quadrennial Defense Review strategy needs to call for enhanced military capabilities to include force structures, increased endstrengths and improved readiness which are more adequately resourced.
- Force modernization needs to be realistically funded and not further delayed or America is likely to unnecessarily risk many lives in the years ahead.
- The National Guard and Reserves must be realistically manned, structured, equipped and trained; fully deployable; and maintained at high readiness levels in order to accomplish their indispensable roles and missions. Their compensation, benefits and employment rights need to be continually improved.

Although we realize that many of these recommendations must be authorized by the Armed Services Committee, The American Legion urges each member of this subcommittee to work with their colleagues on the Armed Services Committee and secure passage of these much needed improvements to quality of life for all components of our military, included those who have already served.

Mr. Chairman, this concludes The American Legion's statement.