



Note from AFA



Friday, June 6, 2014

Dear AFA Members,

In mid-May we wrote you that the House Armed Services Committee (HASC) adopted its FY15 defense bill, which would stop the Air Force from making major changes to its force structure and personnel compensation. Specifically, the Air Force would have to keep the A-10 (paid for by amendment with Overseas Contingency Operations, or OCO, funds), the U-2, and the E-3 AWACS, and DoD will not be able to adjust TRICARE fees, BAH, or commissary subsidies. The HASC would pay for this status quo partially by cutting into Operations and Maintenance (O&M) accounts, which would normally create a hollow force, where too much structure and too many costs associated with personnel would force the Service to siphon money away from operating those same forces, a dynamic that would greatly diminish the Air Force's readiness and possibly imperil Airmen's lives.

What we left unmentioned, however, is the likelihood that the HASC's O&M cuts, which paid for force structure and compensation (along with adds like the \$800 million for the Marine's amphibious transport ship, LPD17, which they didn't ask for), will later be covered by increasing OCO funds to make up for the shortfall. The OCO request is not subject to budget caps or sequestration and is expected later this year.

Earlier this week on Wednesday, the Senate Armed Services Committee's (SASC) version of the National Defense Authorization Act (NDAA) ([bill](#) and [report](#)) was finally made public, a full two weeks after the committee prepared it for the full Senate. On one hand, the SASC's bill is similar to the HASC's – it would stop the Air Force from making any major aircraft retirements. On the other, the details of how the SASC recommends achieving offsets to fund a larger force structure differ – it would accept some of DoD's compensation adjustments, while leaving O&M accounts essentially at the levels the Services requested. This implies, like with the HASC's bill, that the additional funds needed to operate that larger-than-planned-for structure will have to be covered by OCO. Should the O&M shortfall not receive replenishment from OCO, FY15 could potentially see a return of deteriorating readiness levels, which rapidly increased in 2013 as numerous combat squadrons were grounded.

Here are some of the specific USAF issues in the SASC's bill:

- Personnel: The Committee rejected the President's Budget proposals to reduce the commissary subsidy or change TRICARE, while it did allow for a pharmacy co-pay increase. It accepted Administration proposals for a 1% pay raise and reduction of BAH allowance by up to 5%.
- Prohibits aircraft retirements of: A-10; U-2; E-3 AWACS; and MQ-1.
- General prohibition on all aircraft retirements until the Air Force reports on the appropriate Active Duty/Air Reserve Component mix across Air Force mission sets.

- Stops the Air Force from developing better sensors for the Global Hawk block 30, keeping the U-2 fleet instead. (This is one part of an overall \$230 million cut to Air Force Research and Development accounts.)
- Prohibits the Air Force from retiring E-8C JSTARS until the Air Force reports on the potential ways to recapitalize the fleet; compares costs of a new type of follow-on aircraft; and requires an assessment of cost and schedule.
- Prohibits any activities for a future BRAC.
- Requires Air Force to report on T-1A trainer aircraft replacement plan.

Agreed upon priorities

- The SASC NDAA fully funds the Administration's F-35 request at 26 aircraft for the Air Force; fully funds the KC-46 tanker; and fully funds the development of the Long Range Strike Bomber at \$916 million.

Space/Cyber

- Launch
 - Requires the Government Accountability Office (GAO) to examine the reliance and risk of the EELV program on foreign sources.
 - Requires the GAO to examine the cost and pricing accounting methods in the EELV program.
 - Prohibits use of Russian rocket engines after current contracts expire.
 - Authorizes \$100 million for beginning work on a liquid rocket engine replacement for the RD-180.
- Prohibits funding for the storage of the last old weather satellite (DMSP) unless the Secretary can certify it will be launched.
- Expresses the sense of the Senate that enhanced personnel authorities are needed for hiring, compensating, and promoting civilian personnel supporting U.S. Cyber Command, and requires the Principal Cyber Advisor to provide recommendations to the Secretary of Defense to improve the civilian personnel support provided by Cyber Command's executive agent and the Department of the Air Force.

With the full House voting on and passing the HASC's version of the NDAA, the next step for the bill will be for the full Senate to take up the SASC's mark up. If the Senate passes the bill, the two chambers will hold a compromise meeting, called "conference," where differences between the two versions will be worked out. Expect that since the two bills already agree on force structure, the Air Force will not be allowed to retire a vast majority of the aircraft it had planned as a part of the FY15 budget proposal.

We will also be following developments on the defense appropriations bills, which began last Friday when the House Appropriations Committee on Defense passed its money bill (complete details on those numbers are yet to emerge). We expect the full House Appropriations

Committee to amend and vote on this legislation late next week, so please stay tuned and look for another update from us soon.

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