



The Coalition to Save our Military Shopping Benefits

May 6, 2016

The Honorable John McCain, Chairman
Senate Armed Services Committee
United States Senate
Washington, DC 20510

The Honorable Jack Reed, Ranking Member
Senate Armed Services Committee
United States Senate
Washington, DC 20510

Dear Chairman and Ranking Member:

The Coalition to Save Our Military Shopping Benefits, representing millions of beneficiaries of the military's commissary and exchange programs, urges caution on the scope and pace of reforms being considered during deliberations on the Fiscal Year 2017 National Defense Authorization Bill.

The Department of Defense is proposing that the law governing these programs and protecting these benefits be either repealed or waived to allow DoD to immediately proceed with implementation of changes to products, pricing and funding mechanisms that have served the system well over the past 30 years. We now fear that these proposals are being fast-tracked, have limited process for review and patron input, and will be applied system-wide with no limitations on scope or duration.

Other proposals include altering the manner in which baseline savings are measured that would serve as a fundamental parameter in the conduct of these pilots. DeCA calculates their average savings of 30% on an annual market basket study of the pricing of thousands of items compared against other grocery stores, regionally. A new market basket benchmark could potentially reduce savings to patrons if limited compared to DeCA's broad measure. We ask that DeCA's scientific and validated annual market basket methodology be retained to ensure savings levels going forward are measured accurately against the current savings benefit.

It's troubling that reforms may be contemplated in the Fiscal Year 2017 Bill prior to the receipt and analysis by GAO of the report as mandated in last year's Act. We understand that DoD is proposing a fast-track that would enable these changes to be applied system-wide, including changes to funding mechanisms, commissary variable pricing, and introducing private label products, without limitations and a deliberative process to assess viability before full deployment. We hope that affected patrons and Congressional oversight committees will have a chance, as set forth in last year's Act, to determine the wisdom of proceeding before any irreversible reforms are institutionalized and any changes to permanent law are considered.

We ask that you consider the establishment of a Patron Advisory Council comprised of key beneficiary groups. This Council would work with the DoD to ensure that the commitment put forth by DoD and the Congress not to diminish patron savings would be adhered to going forward.

We are concerned about implications of establishing the Defense Commissary Agency as a nonappropriated fund instrumentality, which has major implications on the workforce. The dedicated service of commissary employees needs to be taken into consideration in any move in this direction. Furthermore, we have concerns about legislation that would enable reductions to overseas transportation funding that is critical to ensuring the continued promotion of U.S. manufactured products and the normalization of pricing for our military, no matter where they serve.

It is gratifying to see that DoD has recognized the value of these benefits and committed to place reforms ahead of cuts. It's a recognition that indeed commissary and exchange programs are a gift that keeps on giving to the military community—spinning off benefits far in excess of resources that are consumed—tens of thousands of jobs for family members, financing hundreds of millions of dollars in base infrastructure improvements, hundreds of millions of dollars in dividends that support community MWR programs, and providing the support and financial base for services and support programs for overseas and deployed forces.

We urge you to support the commissary and exchange funding levels presented in the President's Budget. We understand that DoD has specifically proposed that if the commissary reforms do not materialize as expected any actions that hurt patron savings would be reversed and funding restored. However, we are concerned that DoD is using the legislative authority it seeks to break down the traditional barriers to funding commissaries and exchanges, thereby potentially enabling exchange funding to be siphoned off to fund shortfalls across the Defense resale enterprise and reducing the very limited levels of appropriations provided to these exchanges. We urge that any legislation serve to protect exchange ability to generate funds for community MWR programs and recapitalization, and allow these exchange patron-generated funds to be used for the purpose for which they were generated.

The system of commissaries and exchanges on military bases has served the Department of Defense and the Nation well at a relatively small cost. The commissary benefit is available and used by all military, all ranks, Guard and Reserve, active duty and retired, immediately and throughout their career, and by surviving families—and is used a lot. And, it's a benefit that kicks in when it is most needed by troops with families in junior grades and by fixed income retirees. In fact, 80 percent of eligible active duty personnel used commissaries 88 million times last year.

Maximizing revenue has never been a priority for the commissary – nor should it be. The commissary and exchange mission is to provide military families with a vital non-pay benefit: the savings they realize by shopping there. We are not opposed to responsible reforms in the way these programs are structured and managed in order to allow it to evolve to better meet the needs of the changing military demographic. But moving too far, too fast, could cause more damage than good and place this system at risk.

Change needs to be deliberate, methodical and responsible. For the past three years, military families have seen pay raises smaller than in the private sector, cutbacks to housing allowances, increases in pharmacy copays, and increasing numbers of pink slips given. Military families sacrifice in their service to our nation. They are being asked to do so with fewer dollars, fewer support programs, and fewer training opportunities. In the midst of all these cutbacks, the commissary continues to provide a substantial, consistent and highly valued compensation offset. Study after study has shown commissaries rank only behind healthcare as the most valued non-cash benefit, and that significant commissary cuts would reduce morale and pose a threat to retention.

We fear the tipping point on the fragility of the commissary and exchange benefit structure is closer than most think and that such significant changes to this important benefit should be pursued in a more measured manner to protect against unforeseen consequences.

Sincerely,

The Coalition to Save Our Military Shopping Benefits

Air Force Sergeants Association
American Logistics Association
American Military Retirees Association
American Military Society
American Retirees Association
Armed Forces Marketing Council
Association of the United States Army
Association of the United States Navy
Enlisted Association of the National Guard of the U.S.
Gold Star Wives of America
Jewish War Veterans of the USA
Military Order of the Purple Heart

Military Officers Association of America
Military Partners and Families Coalition
National Association for Uniformed Services
National Industries for the Blind
National Military Family Association
Naval Enlisted Reserve Association
Society of Military Widows
The American Military Partner Association
The Flag and General Officers Network
The Retired Enlisted Association
Tragedy Assistance Program for Survivors
United States Army Warrant Officers Association
Vietnam Veterans of America