

November 1992

MILITARY BASES

Army Revised Cost Estimates for the Rock Island and Other Realignments to Redstone

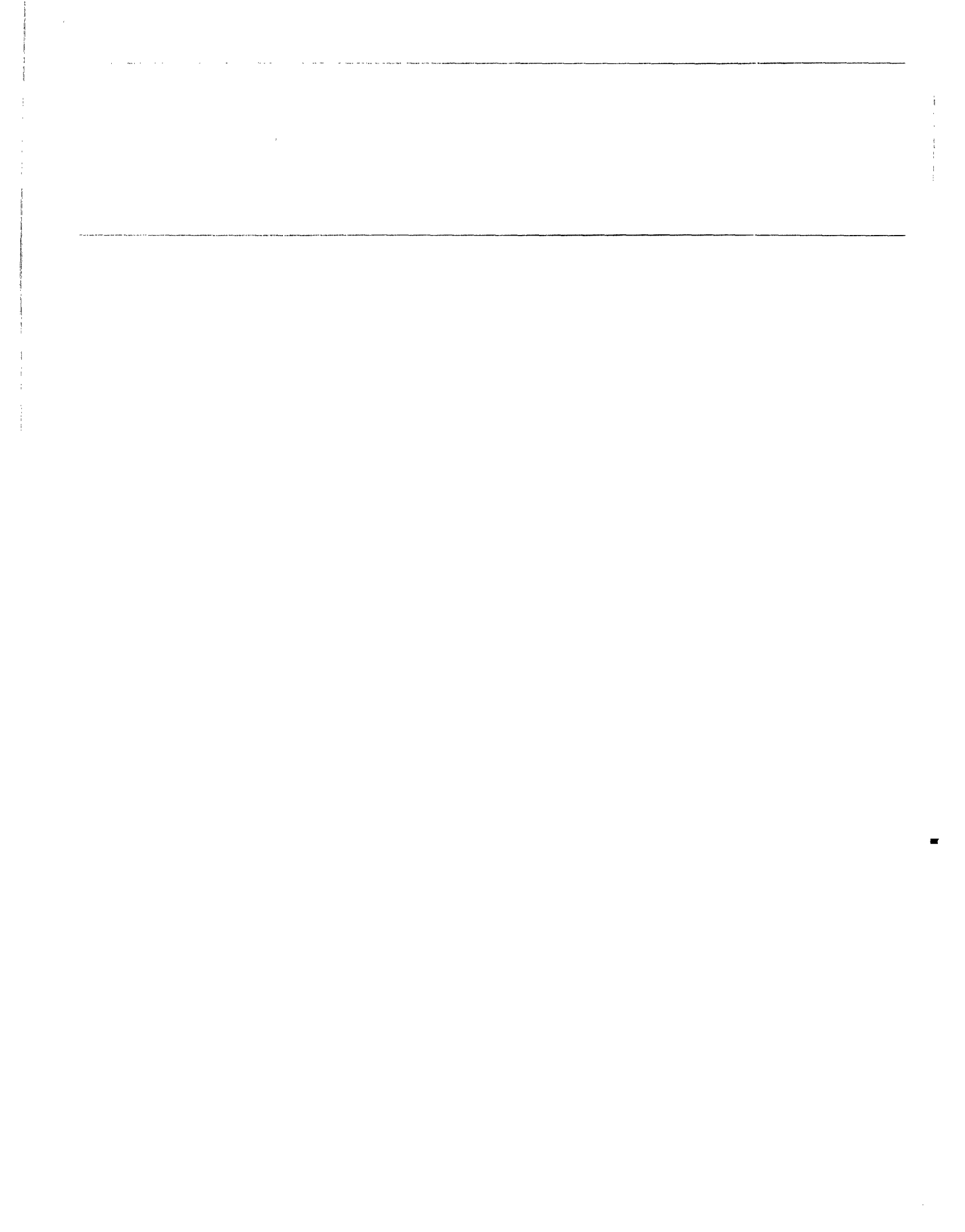


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National Security and
International Affairs Division

B-251094

November 23, 1992

The Honorable Lane Evans
House of Representatives

Dear Mr. Evans:

On October 29, 1991, you asked us to review the Army's cost estimates to move portions of the Rock Island Arsenal, Illinois, to Redstone Arsenal, Alabama. Information you obtained indicated that the construction cost estimate for the move had almost doubled from the \$38.3 million used by both the Army and the 1991 Commission on Base Realignment and Closure in recommending the move.

Background

The 1991 Commission on Base Realignment and Closure's July 1, 1991, report recommended that 36 bases be closed and 43 others be moved or realigned, for an annual savings of \$1.5 billion. One of the realignments involved the Rock Island Arsenal. The Commission recommended that the Armament and Chemical portions of the Armament, Munitions, and Chemical Command at Rock Island be moved to Redstone Arsenal. The Army's cost of base realignment actions (COBRA) model estimated this move would cost \$76.8 million, which included \$38.3 million for military construction at Redstone.

The Commission also recommended that the Material Readiness Support Activity (MRSA), Lexington, Kentucky; the Logistics Control Activity (LCA), San Francisco, California; and the Fuze Development and Production Mission, Adelphi, Maryland; be moved to Redstone. The MRSA/LCA recommendation was a change to the 1988 Commission recommendation that had directed MRSA/LCA to move to Letterkenny Army Depot, Pennsylvania. The Army COBRA model estimated that moving MRSA/LCA to Redstone would add \$16.9 million in construction costs. In February 1992 the Army in its fiscal year 1993 budget submission consolidated the MRSA/LCA, the costs for the fuze facility, and the Rock Island realignment requirements at Redstone.

Results in Brief

Because the Army consolidated realignment requirements at Redstone, it is difficult to isolate and track the Rock Island portion of the move to Redstone. The Army has revised its cost estimates for the realignments to Redstone several times. When adjusted for inflation, construction estimates have changed from the \$55.2 million (fiscal year 1991 dollars) estimated

by COBRA in July 1991, to \$41.6 million estimated in October 1992, and they could change again. Between July 1991 and October 1992 the Army developed several other estimates for the realignments to Redstone including the one for over \$70 million that you refer to in your request. The chief reason for the different construction cost estimates is the number of additional buildings or facilities required at Redstone. For example, the July 1991 COBRA estimate of \$55.2 million combines a \$38.3 million construction cost for an administrative facility for the Rock Island move and an additional \$16.9 million construction cost for a facility for the MRSA/LCA move. However, in later estimates those two facilities are combined into one general purpose building at Redstone. Also, in its July estimate, the Army did not perform COBRA analyses for the other realignments to Redstone required by the 1991 Commission recommendations. Those analyses show up in later estimates and also change the numbers.

We found that since the 1991 COBRA estimate the overall one-time implementation cost estimates for the realignments to Redstone, when adjusted for inflation, have increased from \$93.7 million to \$95.5 million. This occurred primarily because the 1991 COBRA model estimated a \$16.9 million construction cost for the MRSA/LCA realignment, but did not include moving and other costs. The reason those costs were not included was that the Army believed that funds from the first base closure account would be transferred to the second base closure account to pay those costs. However, there is no transfer authority between the two accounts, and the Department of Defense advised the Army that the available funds from the first base closure account should be used for environmental cleanup.

Appendix I contains tables that compare the Army COBRA model estimates with the estimates developed in January 1992 for the fiscal year 1993 budget submission and as further revised in October 1992.

Scope and Methodology

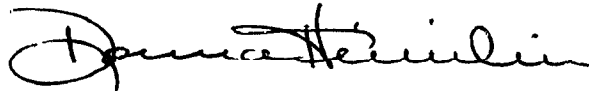
We obtained information on the construction and other one-time implementation costs estimates for the Rock Island realignment, as well as for other realignments to the Redstone Arsenal, from the Department of Army Base Closure Office in Washington, D.C., and Rock Island and Redstone Arsenals. At these locations we interviewed officials and examined documents to ascertain how the construction and other one-time cost estimates were developed.

We performed our work between December 1991 and October 1992 in accordance with generally accepted government auditing standard. We did not obtain written agency comments. However, we discussed a draft of this fact sheet with agency officials and have included their comments as appropriate.

As agreed with your office, unless you publicly announce this report contents earlier, we plan no further distribution until 30 days from its issue date. At that time, we will send copies to interested congressional committees; the Secretaries of Defense and the Army; and the Director, Office of Management and Budget. We will also provide copies to other interested parties upon request.

Please call me at (202) 275-8412 if you or your staff have any questions concerning the report. Major contributors to this fact sheet are listed in appendix II.

Sincerely yours,



Donna M. Heivilin
Director, Logistics Issues

Information Regarding Army COBRA and Updated Cost Estimates for the Rock Island and Other Realignment Projects Required at Redstone Arsenal

The following table provides comparisons and details on the realignment costs at Redstone from two sources—as estimated by COBRA in 1991 and as estimated by the Army in January 1992 in its fiscal year 1993 budget submission.

Table I.1: Comparison of the Estimated Construction, Moving, and Other Costs Associated With the Realignment Projects at Redstone (COBRA and January 1992 budget estimates)

Dollars in millions			
COBRA estimates (fiscal year 1991 dollars)			
Projects at Redstone	Construction costs	Moving and other costs	Total
General purpose building for Rock Island realignment	\$38.3	\$38.5	\$76.8
Facility for MRSA/LCA realignment	16.9	0	16.9
Total	\$55.2	\$38.5	\$93.7
January 1992 budget estimates (adjusted to fiscal year 1991 dollars)			
General purpose building for Rock Island and MRSA/LCA	\$36.6	\$49.0	\$85.6
Weapons maintenance	5.6	0	5.6
Laboratory addition	2.7	0	2.7
Fuze facility	1.6	0	1.6
Total	\$46.5^a	\$49.0	\$95.5

Note: The COBRA estimates were in fiscal year 1991 dollars, the fiscal year 1993 budget estimates in then-year dollars. For the purpose of this report, the Army deflated them to fiscal year 1991 dollars using DOD inflation rates.

^aOctober 1992 construction cost estimate was \$41.6 million.

Table I.2 provides a comparison of the construction costs as estimated by COBRA and as further revised by the Army.

**Appendix I
Information Regarding Army COBRA and
Updated Cost Estimates for the Rock Island
and Other Realignment Projects Required at
Redstone Arsenal**

**Table I.2: COBRA Model and Updated
Construction Estimate for the Redstone
Projects Adjusted for Inflation**

Dollars in millions

Projects at Redstone	COBRA estimate^a	January 1992 estimate deflated	October 1992 estimate deflated
General purpose building	\$38.3	36.6 ^b	\$36.6
MRSA/LCA facility	16.9	—	—
Weapons maintenance	—	5.6 ^c	5.0
Laboratory addition	—	2.7 ^d	— ^f
Fuze facility	—	1.6 ^e	— ^f
Total	\$55.2	\$46.5	\$41.6

Note: The COBRA estimates were in fiscal year 1991 dollars. The fiscal year 1993 budget estimates and the October 1992 estimates are in then-year dollars. For the purpose of this report, the Army deflated them to fiscal year 1991 dollars using DOD inflation rates.

^aThe Army had separate COBRA model analyses for the Rock Island and the MRSA/LCA realignments to Redstone.

^bThe Army has consolidated the Rock Island and MRSA/LCA realignment requirements into one general purpose building at Redstone instead of two.

^cThe weapons maintenance facility project supports the requirement for Rock Island's maintenance operations and procedures shop that is realigning to Redstone. This requirement was not included in the COBRA analysis for the Rock Island realignment.

^dThe laboratory addition project provides the space for the laboratory functions and personnel realigning from Rock Island and the Missile Fuze Development and Production Mission, Harry Diamond Laboratories, Adelphi, Maryland. The Army did not have a COBRA analysis for the lab addition; however, the realignment was included in the Army research laboratory analysis.

^eThe fuze evaluation facility project provides the space for the fuze evaluation function relocating from the Harry Diamond Laboratories, as recommended by the 1991 Commission. The Army did not have a COBRA analysis for the fuze facility; however, it was included in the Army research laboratory analysis.

^fIn October 1992, the Army told us that it determined that the laboratory addition and fuze facility projects were not required.

Table I.3 compares the Army's other one-time implementation costs for the realignments to Redstone from two sources—the COBRA estimate and the January 1992 budget estimate.

**Appendix I
Information Regarding Army COBRA and
Updated Cost Estimates for the Rock Island
and Other Realignment Projects Required at
Redstone Arsenal**

**Table I.3: Comparison of Other
One-Time Implementation Costs
Adjusted for Inflation**

Dollars in millions

Projects at Redstone	COBRA estimate	January 1992 estimate deflated
Rock Island realignment	\$38.5	\$49.0 ^b
MRSA/LCA and fuze facility	— ^a	—
Total	\$38.5	\$49.0

Note: The COBRA estimate was in fiscal year 1991 dollars, the fiscal year 1993 budget estimate in then-year dollars. For the purpose of this report, the Army deflated them to fiscal year 1991 dollars using DOD inflation rates.

^aThe Army did not provide an estimate for other one-time implementation costs like transportation because it believed that funds from the first base closure account would be transferred to the second base closure account to pay for such costs.

^bIncludes other one-time implementation costs for the MRSA/LCA, and the weapons maintenance projects that were not included in the COBRA analysis. As of October 1992, the estimate had not changed.

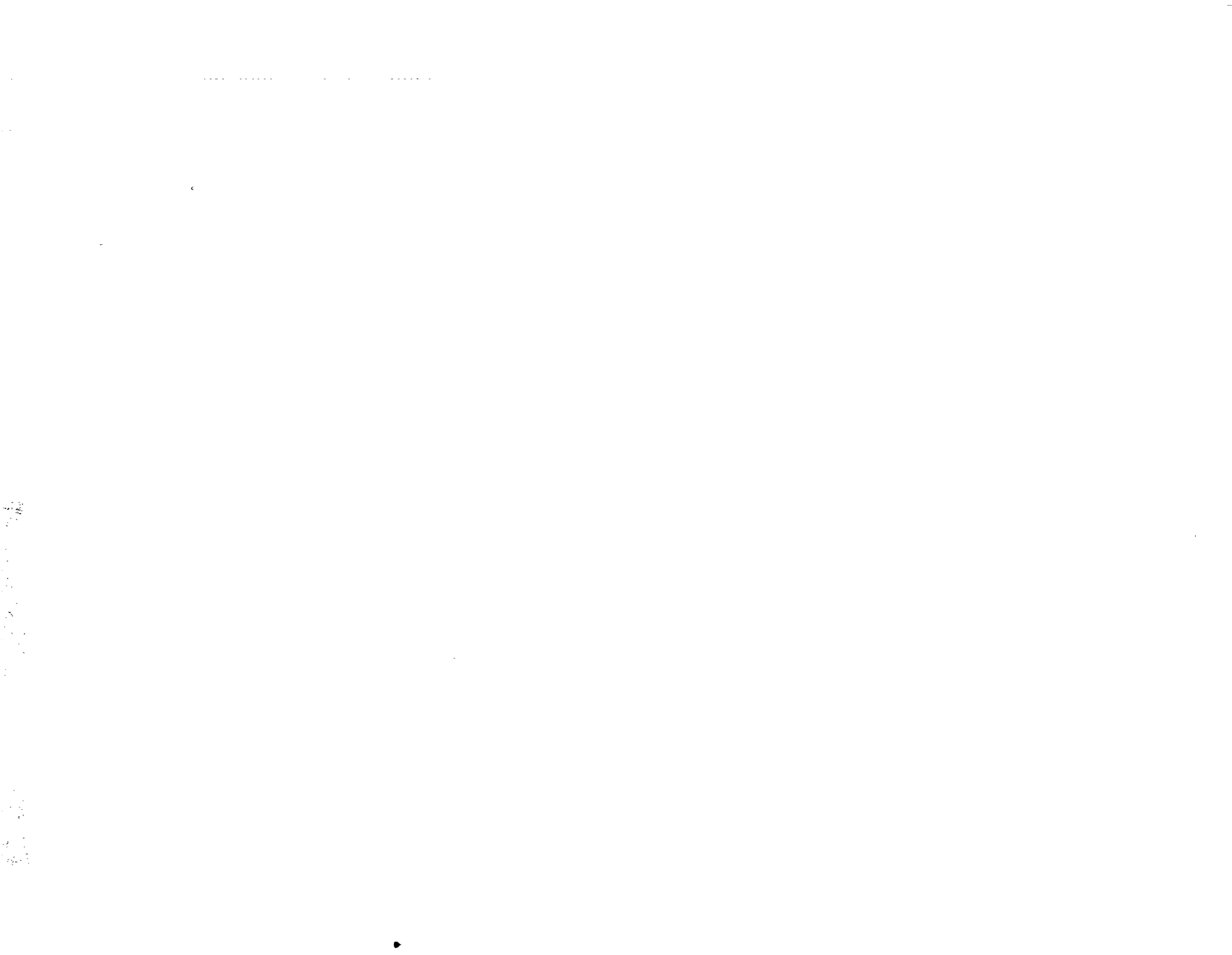
Major Contributors to This Report

National Security and
International Affairs
Division,
Washington, D.C.

Robert L. Meyer, Assistant Director
Andrew G. Marek, Evaluator-in-Charge

Chicago Regional
Office

David C. Hoffman, Evaluator



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