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BOSNIA

Costs Are Uncertain but Seem Likely to Exceed DOD's Estimate



**National Security and
International Affairs Division**

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The Honorable Robert Dole
Majority Leader
United States SenateThe Honorable Robert K. Dornan
Chairman
Subcommittee on Military Personnel
Committee on National Security
House of Representatives

The Department of Defense (DOD) has deployed almost 27,000 troops to Bosnia and surrounding countries to assist in implementing the Dayton Peace Accords. U.S. forces are part of a multilateral coalition under North Atlantic Treaty Organization (NATO) command called the Implementation Force (IFOR). DOD estimates that the incremental cost¹ of its participation in IFOR and other operations involving the former Yugoslavia will be \$2.5 billion. In response to your request, we are providing information about DOD's cost estimate to assist you in assessing DOD's requests for funding. We plan to continue reviewing DOD's costs and will provide further reports.

Background

The Dayton Peace Accords, signed on December 14, 1995, are designed to end several years of conflict in the former Yugoslavia. One part of the accords involves the deployment of a NATO-led coalition force to Bosnia-Herzegovina, hereafter referred to as Bosnia, to implement the peace agreement. The purpose of IFOR is to enforce the cessation of hostilities and provide a secure environment for the other parts of the peace plan to take place. The United States is a major force provider to IFOR, and Americans occupy the key NATO military leadership positions that control the operation. As of February 22, 1996, U.S. forces deployed in support of IFOR, which included both active and reserve personnel, were located in four countries and numbered almost 27,000. Of this total, 18,400 military personnel were deployed to Bosnia, 2,000 to Croatia, 5,500 to Hungary, and almost 1,000 to Italy.

As of February 23, 1996, DOD's estimate of the incremental cost of operations in and around the former Yugoslavia was \$2.5 billion. DOD's

¹As used in this report, the term incremental costs are those costs that would not have been incurred except for the operation. This is the same definition contained in the Omnibus Budget and Reconciliation Act of 1990 (P.L. 101-508).

costs span 2 fiscal years—1996 and 1997. Fiscal year 1996 costs are estimated at \$2 billion and fiscal year 1997 costs are estimated at \$0.5 billion. DOD is currently reevaluating its cost estimate based on the costs incurred to date.

DOD plans to finance the fiscal year 1996 portion of Bosnia operations in three phases. The first phase is a request to reprogram \$991 million of previously appropriated funds. The second phase is a request for supplemental appropriations that the President forwarded to Congress on February 21, 1996. The President is seeking \$820 million in this request—\$620 million for DOD peace operations costs and \$200 million for civilian implementation of the accords. The third phase is another reprogramming action for the balance of fiscal year 1996 costs and the costs of other contingency operations unrelated to Bosnia, such as the U.N. mission in Haiti. DOD has included the fiscal year 1997 cost of the operation in its fiscal year 1997 budget submission.

In fiscal year 1995, Congress provided DOD with supplemental funding of \$2.2 billion for the incremental costs of contingency operations. Some of the military services ended fiscal year 1995 with costs in excess of their share of the supplemental funding, which they had to absorb by reducing planned activities. Other services ended the fiscal year with costs below their share of the supplemental funding and used the remaining funds for a variety of otherwise unfunded operational needs.

Results in Brief

DOD's cost for the Bosnia operation is uncertain at this time, but could very well exceed DOD's estimate. The Army's costs, which are estimated to represent about two-thirds of the cost of the operation, are likely to exceed DOD's estimate, and the Air Force's costs are likely to be less than the estimate. At present, deployment transportation and contractor costs are running significantly above the estimate. DOD estimated that deployment transportation would cost almost \$73 million. Through the end of January 1996, DOD had incurred about \$157 million in deployment transportation costs. DOD estimated the cost of contractor support at \$192 million. But, through February 1996, the Army, which manages contractor support and pays the contractor, had obligated over \$247 million. U.S. Army, Europe, officials told us that they believed the contractor cost could go as high as \$500 million.

Several major cost areas remain uncertain. They involve the operating tempo of forces in Bosnia, the cost of redeploying IFOR, and the cost of

reconstituting equipment used in the operation. Army officials stated that they cannot predict what operating tempo costs will be for the entire operation because many factors, such as the extent of cooperation of the warring factions and the pace of operations when spring weather comes are still unknown. These costs are not likely to come into clearer focus until spring 1996. Redeployment costs are dependent on a number of factors that have to be clarified, such as the arrangements for rail travel originating in Hungary, for which the Army has no previous experience. Reconstitution costs are also dependent on a number of factors that have to be clarified, such as the condition of the equipment at the end of the operation.

Matters for Congressional Consideration

Because of the uncertainty in the cost estimate, it is difficult to know how much funding Congress should provide. Therefore, in considering this matter, we have identified some guidelines Congress may wish to consider. One is that any supplemental funding provided should only be available for (1) expenses incurred in support of contingency operations involving the former Yugoslavia and (2) the reimbursement of accounts initially utilized to fund those operations. In fiscal year 1995, some of the military services ended the year with contingency costs that were below the amounts provided in supplemental appropriations and used the remaining funds for other needs that otherwise would have gone unfunded. A related guideline is that if initial funding proves to be inadequate, but some services have costs that are below their funded level while others have costs that are above it, the excess contingency funds should be redistributed before providing additional funds. DOD's funding plan, which involves an initial reprogramming, followed by supplemental appropriations, and then a second reprogramming for any remaining costs, would lend itself to redistributing funds in the second reprogramming. This second reprogramming would also lend itself to another funding guideline—reevaluating the appropriation level as more experience and actual cost data become available.

Scope and Methodology

To assess DOD's estimate of the cost of the Bosnia operation, we reviewed detailed cost information at the Office of the Secretary of Defense, Comptroller. We discussed the assumptions that were made to develop the estimate with DOD Comptroller and service officials. To compare actual experience and costs incurred to date with the estimate, we held discussions and reviewed data at the U.S. Transportation Command, the Air Mobility Command, the U.S. European Command, U.S. Army, Europe,

the Army's Forces Command, U.S. Air Forces, Europe, and the Air Force's Air Combat Command. We were not able to assess Navy costs in the time available and chose to examine those costs at a later date because they represented less than 5 percent of the estimate.

To review the funding plan for the operation, we reviewed DOD's request for reprogramming funds. We also reviewed the President's February 21, 1996, submission to Congress requesting supplemental appropriations.

We performed our review between December 1995 and February 1996 in accordance with generally accepted government auditing standards. We reviewed the information in this briefing report with DOD officials and made changes where appropriate.

We are providing copies of this report to the Chairmen and Ranking Minority Members of the House and Senate Committees on Appropriations, the House Committee on National Security, and the Senate Committee on Armed Services. We will also send copies to the Secretaries of Defense, the Air Force, the Army, and the Navy and the Director, Office of Management and Budget. Copies will also be made available to others on request.

If you or your staff have any questions about this report, please contact me at (202) 512-3504. The major contributors to this report are listed in appendix I.



Richard Davis
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Analysis

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Abbreviations

DOD	Department of Defense
IFOR	Implementation Force
LOGCAP	Logistics Civil Augmentation Plan
NATO	North Atlantic Treaty Organization
O&M	operation and maintenance
OPTEMPO	operating tempo
STARS	Surveillance Target Attack Radar System

Background

GAO United States Has Major Role in Bosnia Peace Implementation

- Dayton Peace Accords--Three-Part Strategy
 - NATO-led implementing military force
 - Major economic redevelopment program
 - Military stabilization effort

The Dayton Peace Accords, signed on December 14, 1995, are designed to end several years of conflict in the former Yugoslavia. The accords contain a three-part strategy.

One part is the deployment of a North Atlantic Treaty Organization (NATO)-led coalition force to Bosnia-Herzegovina, hereafter referred to as Bosnia, to implement the peace agreement. The purpose of this Implementation Force (IFOR) is to enforce the cessation of hostilities and

provide a secure environment for the other parts of the peace plan to take place. The accords call for IFOR to provide a secure environment for 1 year in order to provide “breathing space” or a “cooling off period” after 4 years of war.

Both NATO and non-NATO forces are participating in this action under U.N. authorization. The United States is a major force provider to IFOR, and Americans occupy the key NATO military leadership positions that are responsible for the operation. As of February 22, 1996, U.S. forces deployed in either direct or indirect support of IFOR were located in 4 countries and numbered 26,860. Of this total, 18,421 military personnel were deployed to Bosnia, 2,035 to Croatia, 5,453 to Hungary, and 951 to Italy.

The key military tasks in Bosnia are to mark and monitor a 4-kilometer wide zone of separation between the three factions, patrol the zone of separation, and oversee the withdrawal of forces and weapons away from the zone and back to their cantonment areas.

A second part of the peace strategy is to establish a functioning government and economy, which includes a major economic redevelopment program, to be lead by the Europeans. This effort will include supervising elections, resettling refugees, and overseeing economic reconstruction.

The third part is a military stabilization effort in which forces will be drawn down and an arms control program will be established. The purpose of this effort is to ensure that the parties to the peace agreement can assure their own safety when IFOR leaves. The U.S. military is assisting in this effort by participating in activities such as the arms embargo. However, establishing the military force balance is not a task of NATO or U.S. forces. The United States has said that it is prepared to take actions in concert with other nations to ensure that this balance is achieved.

GAO Estimated Cost of Operations in and Around the Former Yugoslavia

Dollars in millions Operation	Fiscal year		
	<u>1996</u>	<u>1997</u>	
IFOR-Ops	\$1,536.5	\$474.2	\$2,010.7
Deny Flight	260.4	66.3	326.7
IFOR-Prep	113.8	0	113.8
Provide Promise	17.7	0	17.7
Sharp Guard	14.0	0	14.0
Able Sentry	4.5	1.2	5.7
United Nations in Croatia	<u>1.2</u>	<u>0</u>	<u>1.2</u>
Total	\$1,948.1	\$541.7	\$2,489.8

Source: DOD Comptroller.

The Department of Defense (DOD) has seven operations that support U.S. and U.N. activities in and around the former Yugoslavia. These operations, and their missions, are as follows.

- IFOR Operations, called Joint Endeavor by DOD, is the peace operation implementing the accords.
- Deny Flight, now called Decisive Endeavor by DOD, involves air operations maintaining the no-fly zone over Bosnia.
- IFOR Preparation involves preparing U.S. troops for IFOR deployment.
- Sharp Guard continues the enforcement of the arms embargo and U.N. sanctions on Serbia-Montenegro, which is expected to end this summer.
- Able Sentry provides U.S. forces for U.N. peacekeeping activities in Macedonia to deter against widening of the Balkan conflict.
- Provide Promise is the airlift and airdrop of humanitarian supplies into Bosnia, and it is expected to end in March 1996.
- United Nations in Croatia provides U.S. military personnel and supplies for the operation of the Zagreb hospital in support of the United Nations.

IFOR and the preparation for it are by far the largest operations, representing about 85 percent of DOD's estimated costs. The next largest operation is the continuation of Deny Flight, representing about 13 percent of estimated costs.

GAO Cost Estimate by Service and Appropriation Account

Dollars in millions

	O&M fiscal year <u>1996</u>	O&M fiscal year <u>1997</u>	Military personnel fiscal year <u>1996</u>	Military personnel fiscal year <u>1997</u>	Total ^a
Army	\$985.0	\$340.4	\$262.3	\$48.1	\$1,635.8
Navy	74.0	16.6	11.8	3.6	106.0
Marine Corps	1.1	.2	2.7	.8	4.8
Air Force	322.3	74.7	33.7	8.0	438.7
Other	<u>229.2</u>	<u>49.3</u>	<u>0</u>	<u>0</u>	<u>278.5</u>
Total	\$1,611.6	\$481.2	\$310.5	\$60.5	\$2,463.8

^aDoes not include \$26 million in fiscal year 1996 Air Force procurement.

Source: DOD Comptroller.

As of February 23, 1996, DOD's estimate of the incremental cost of operations in and around the former Yugoslavia was \$2.5 billion. DOD's costs span 2 fiscal years—1996 and 1997. Fiscal year 1996 costs are estimated at \$2 billion and fiscal year 1997 costs are estimated at \$0.5 billion.

Fiscal year 1996 costs include training for troops designated to deploy in and around Bosnia; deployment of forces; sustainment of those forces, including contractor support; operating tempo; and military pay costs such as imminent danger pay and reserve activation. Fiscal year 1997 costs include continuation of operations underway in 1996; redeployment of U.S. forces and reserve deactivation at the conclusion of the operation; and reconstitution of equipment used in the operation.

The Army, which is deploying and logistically supporting ground troops in and around Bosnia, is estimated to incur the majority of the costs—\$1.6 billion, or two-thirds of all estimated costs. Of this amount, \$1.2 billion is for fiscal year 1996 and \$0.4 billion for fiscal year 1997. The Air Force has the next largest share of costs—almost one-fifth, or \$465 million, most of it in fiscal year 1996. Together the Navy and the Marine Corps have the smallest share, less than 5 percent, or \$111 million. The other estimated costs are spread over a number of defensewide agencies, such as the U.S. Special Operations Command and the Defense Health Program.

Most of the estimated cost—84 percent—is in the operation and maintenance (O&M) appropriations account. This account pays for items such as transportation, per diem, supplies, fuel, communications, contractual services, equipment maintenance, and other mission-related expenses. Most of the remaining 16 percent is in the military personnel appropriations account. This account funds incremental military pay, such as imminent danger pay, family separation allowance, certain places pay (formerly called foreign duty pay), and basic allowance for subsistence for enlisted personnel as well as the military pay for activated reservists.

GAO Deployment Transportation

Dollars in millions

DOD's deployment estimate	\$ 73
Costs through January	157
Costs in excess of DOD's estimate	84

Transportation costs for deploying U.S. military forces participating in IFOR are exceeding DOD's estimate. DOD estimated that deployment transportation would cost \$73 million, with the largest portion—\$58 million—for the Army. Through the end of January 1996, DOD had incurred at least \$157 million in deployment transportation costs, \$84 million more than estimated.

Both the costs of ground transportation and airlift are significantly higher than estimated. The Army assumed that the IFOR deployment would be a major ground one with heavy use of rail transportation and limited airlift support. Through January, the Army had incurred ground deployment transportation costs of \$75 million, or \$17 million more than the DOD estimate. Airlift costs, which DOD and the Army had assumed would be several million dollars, are almost equaling ground transportation costs. According to Air Mobility Command data collected through January 1996, the Command had flown about 1,486 missions, or 12,668 hours, in support of IFOR at an estimated cost of \$82 million. The majority of this airlift was in support of the Army. Since the original estimate assumed limited airlift, a major portion of the \$84 million difference between the DOD estimate and the incurred costs represents airlift support.

As noted above, DOD originally assumed primary reliance on ground transportation. However, DOD officials told us that to oversee the strict time lines contained in the accords, which call for the factions in the former Yugoslavia to cease various military activities within a specified number of days after the accords were signed, beginning with actions on the first day of the signing, deployment had to proceed rapidly. Rapid deployment requirements and unexpected problems with ground transportation caused the Army to rely more heavily on airlift.

Some of the ground transportation problems included the impact of weather conditions, the fact that the deployment began around the Christmas holiday, and the French rail strike. Weather conditions, for example, affected construction of a bridge over the Sava River to conduct the deployment operation. An unexpected winter thaw resulted in major flooding and this bridge project became much larger than originally envisioned. The Army had to use construction material intended to build two spans over the Sava River to build the first span. Because of the holiday time of the year, the European rail system was heavily involved in holiday passenger and commercial traffic and rail employees were taking holiday vacations. European rail did not respond to the IFOR deployment, which it did not view as a wartime operation, with the sense of urgency it would have for a wartime operation. A rail strike in France further complicated ground transportation because many large rail cars needed for the deployment could not be moved from France to Germany.

Operation and Maintenance Costs

GAO LOGCAP

Dollars in millions

DOD estimate	\$192
Costs through February	247
Contractor estimate as of mid-February	422
Army projection	500

The Logistics Civil Augmentation Program (LOGCAP) uses a civilian contractor to perform selected engineering and logistics services during contingency operations to augment U.S. forces. In Bosnia, Croatia, and Hungary, the contractor is providing many of the basic services to support the military personnel, including troop housing and facilities, food service, and laundry operations. The contractor is also providing base camp and equipment maintenance, shuttle bus services within camps, and freight transport throughout the area of operations.

DOD estimated the cost of LOGCAP at \$191.6 million—\$167 million in fiscal year 1996 and \$24.6 million in fiscal year 1997. The contractor had originally estimated the LOGCAP cost at \$350 million, but DOD reduced the estimate to \$191.6 million because it believed that there was duplication between the services the contractor would provide and the services military personnel would provide. Through February 1996, the Army, which manages LOGCAP and pays the contractor, had obligated \$247.3 million for LOGCAP, or \$55.7 million more than DOD estimated for the entire IFOR operation.

Estimated LOGCAP costs have been rising rapidly. The original contractor estimate of \$350 million was developed before U.S. personnel were allowed into Bosnia. At the end of January 1996, the contractor was estimating that total LOGCAP costs would be \$371 million, whereas by the week ending February 10, 1996, the contractor's cost estimate was \$422 million. Army officials in Europe told us that they thought the cost could be as high as \$500 million.¹

Since U.S. personnel were not allowed into Bosnia before the operation started, the conditions on the ground were unknown. According to Army officials in Europe, actual ground conditions have increased contractor requirements. The geography of the U.S. sector in Bosnia and force protection concerns did not allow for the 10 to 12 large base camps originally planned and so the number of camps has increased to 23. The number of feeding locations also increased from the 12 originally planned to 24. Muddy ground conditions and the increased number of camps required more extensive site preparation and construction, which cost more than originally anticipated.

The Army is working to control LOGCAP costs. It is instituting a procedure to ensure that tasks being performed by the contractor are within the statement of work and that no additional LOGCAP requirements are tasked to the contractor until costs are determined and potential trade-offs are identified.

¹We have not had the opportunity to independently evaluate the reasonableness of these estimates.

GAO Joint STARS

Dollars in millions

DOD's estimate	\$20
Services' estimate	59
Shortfall	39

The Joint Surveillance Target Attack Radar System (Joint STARS) is a joint Army and Air Force program that provides near-real-time surveillance and targeting information on moving and stationary ground targets, slow moving aircraft, and rotation antennas. The system consists of aircraft, for which the Air Force is responsible, and ground station modules, for which the Army is responsible.

The DOD estimate of \$20 million for Joint STARS is \$39 million below the latest Air Force and Army cost estimates. In its estimate, DOD included \$20 million for the Air Force to deploy Joint STARS for 60 days, but it did not include any Joint STARS costs for the Army. As of February 1996, the Joint STARS deployment had been extended another 60 days, and the current Air Force and Army estimates for Joint STARS now total \$59 million. Air Force costs are estimated to increase by \$29 million. Due to the deployment extension, the Air Force estimates that Joint STARS deployment will cost an additional \$17 million. In addition, post deployment and refurbishment activities costs, which were not included in the DOD estimate, are estimated to be \$12 million.

The Army estimates that it will have \$10 million in costs for the ground station modules, Joint STARS contract, and all logistics support for Joint STARS.

GAO Air Force Costs

- Costs much less than estimated
 - Per diem costs overestimated
 - Flying hours reduced
 - Aircraft returned to home stations

Air Force costs to support Bosnia operations may be significantly less than originally estimated. Per diem costs are less than planned, the estimated number of flying hours has decreased, and aircraft are being redeployed to their home stations.

DOD's per diem and transportation cost estimates for Air Force personnel assigned to Bosnia operations for fiscal year 1996 were originally estimated to be \$128 million. The Air Force currently estimates that those costs will be \$89 million, or \$39 million less than the DOD estimate.

Because security conditions in Bosnia have been more stable than originally anticipated, the number of flying hours needed to support operations has been reduced. For example, U.S. Air Force, Europe, reduced its estimate of flying hours for Deny Flight by 1,900 hours. In addition, some aircraft deployed to support Bosnia operations have redeployed to their home stations.

GAO Key Costs Remain Uncertain

- OPTEMPO costs will not become clear until spring 1996
- Planning for redeployment just beginning
- More reliable estimates of reconstitution costs may not be available for several months

Several major cost areas remain uncertain. They involve the operating tempo of forces in Bosnia, the cost of redeployment at IFOR's conclusion, and the cost of reconstituting equipment used in the operation.

In its estimate, DOD assumed Army operating tempo (OPTEMPO) would cost \$217 million, based on 1.5 times greater than normal operations for ground forces and 2 times higher for aviation forces. According to Army officials, units reported through January that their OPTEMPO was running ahead of

the estimate; however, they stated that this higher rate may simply reflect early initial activity. They said that they cannot predict what the OPTEMPO costs will be for the entire operation because many factors could affect these costs. These factors include the extent of cooperation of the warring factions in Bosnia; changes in OPTEMPO as the operation reached a “steady state” in February; changes with the advent of spring weather; and cost offsets resulting from lower usage of equipment that was left in Germany. More reliable OPTEMPO cost estimates will not be available until the spring of 1996.

In developing its cost estimate, DOD assumed that redeployment would occur in November and December 1996, which is in the first quarter of fiscal year 1997. It estimated that redeployment and reserve deactivation costs would total \$61 million, with the bulk being redeployment costs. The Army is just beginning redeployment planning and assumes that redeployment will begin this summer. While earlier redeployment could decrease the overall operation cost, it would shift costs planned for fiscal year 1997 into fiscal year 1996, affecting 1996 funding needs.

Redeployment costs are dependent on a number of factors that have to be clarified. For the IFOR deployment, which originated in Germany, all rail arrangements were handled by the German railway. For redeployment, rail movement will originate outside Germany, for example in Hungary, and pass through several other countries, such as Austria. The Army has no experience with rail movements beginning in Hungary and no rate agreements. Hungary and Austria also have much higher rail rates than does Germany—as much as 250 percent higher. The United States is engaged in negotiations to obtain more favorable rates. On the other hand, the Army is exploring the use of barges for redeployment, which would be significantly cheaper albeit slower than rail. The waterways in the former Yugoslavia at the time of the deployment had not been dredged for several years and contained war debris, not permitting barge movement.

DOD estimated that the cost of reconstituting equipment would be \$70 million. It based this estimate on experience in earlier contingency operations. These operations occurred in different climates, and the OPTEMPO in Bosnia may differ significantly from earlier operations. As in the case of the OPTEMPO estimate, it may be several months before reconstitution costs are better defined. Army officials stated that they have not attempted to reevaluate the reconstitution cost estimate.

Military Personnel Costs

GAO Special Pays

- DOD's estimate may be overstated by almost \$43 million because
 - DOD overestimated number of personnel to receive all special pays,
 - up to 7,000 personnel are not eligible for imminent danger pay,
 - 40 percent of enlisted personnel are not eligible for family separation allowance, and
 - officers are not eligible for certain places pay.
-

Military personnel deployed to support the Bosnia operation are eligible to receive certain special pays—imminent danger pay, certain places pay, and family separation pay—if specific criteria are met. Enlisted personnel, if they do not receive basic allowance for subsistence when at their home station, are eligible to receive it when they deploy. DOD estimated that special pays would total \$109 million. Actual eligibility for special pays has differed from DOD’s assumptions about eligibility, which could result in an overstatement of DOD’s estimate by about \$43 million.

In calculating the special pays amount, DOD used a composite figure of \$322 a month a troop and assumed that all deployed personnel would receive this amount. This amount included \$150 for imminent danger pay, \$75 for family separation pay, and an average figure of \$20 for certain places pay. It also included \$77 per month to reflect the amount those eligible for additional basic allowance for subsistence would receive.

Not all personnel, however, are eligible for all of these special pays. Only those personnel deployed to, traveling into, or flying over Bosnia, Croatia, Serbia, Montenegro, and Macedonia are eligible to receive imminent danger pay. This excludes most of the 7,000 personnel scheduled to be deployed to Hungary and Italy. In addition, only enlisted personnel deployed to the countries eligible for imminent danger pay and Hungary are eligible to receive certain places pay, which excludes all officers and those enlisted personnel deployed to places other than these countries, such as Italy. Furthermore, only those personnel with dependents are eligible to receive family separation pay, which excludes at least an estimated 40 percent of enlisted personnel who have no dependents.

GAO Reserve Activation Salary Costs

- DOD's estimate of \$196 million may be overstated by over \$20 million because
 - reserve callup is less than planned,
 - volunteers exceed estimate, and
 - total reserves are less than estimate.
- Activation costs may be offset if reservists called to active duty do not attend annual training.

The President, using his Selected Reserve Callup authority, authorized the activation of up to 4,300 reservists to support operations in Bosnia. The 4,300 reservists and an additional estimated 300 volunteers were used to calculate the incremental military personnel salary cost of \$196 million estimated for the Bosnia operation. Based on the deployment to date, this amount appears to be overstated by over \$20 million. In developing its cost estimate, DOD expected that all reservists would attend their annual training exercises, which may not be the case. If all reservists do not attend their annual training, reserve military personnel accounts will not incur as much as another \$8.5 million in costs.

As of February 22, 1996, 3,475 reservists had been mobilized, and according to DOD Reserve Affairs officials, the first reserve rotation is in place. Additionally, about 960 volunteers have been deployed, which is significantly above the 300 included in the estimate. While DOD Reserve Affairs officials say this number probably will not be sustained over the long term, there may be as many as 785 reserve volunteers deployed for the length of the operation.

Fewer reservists have been called up than were authorized, but more reservists have volunteered for active duty. It appears that between 165 and 340 fewer reservists will be on active duty than was assumed. Using DOD assumptions and actual deployment figures, we estimate that the salary costs for the reserve activation, including volunteers, could be over \$20 million less than DOD estimated.

DOD officials expect that all reservists will attend their 2-week annual training because they will need to receive the planned skill and unit training. However, this may be unrealistic, given that reservists who have been deployed for up to 270 days may find it difficult to be absent from their regular employment for another 2 weeks or they may be deployed during their unit's annual training time. The decision to allow a reservist to miss annual training rests with the individuals and their commanders. We estimate that if all reservists are excused from their annual training, the estimated cost of reserve activation could be offset by as much as \$8.5 million. Since annual training is funded by the reserves' military personnel accounts, if funds set aside for their annual training are not transferred to other service accounts, reserve accounts will have as much as \$8.5 million available for other expenditures.

Funding

GAO Funding Implications

- Services initially shift funds budgeted for later in the year.
- Army estimates that it will run out of discretionary OPTEMPO funds in June.

Through fiscal year 1996, DOD has not budgeted for the cost of contingency operations such as the one in Bosnia.¹ It has budgeted to be ready to conduct such operations. When the services conduct such operations they initially have had to shift funds within existing appropriations. This is primarily done by using funds available for the same purpose but scheduled for obligation later in the fiscal year. Subsequently, DOD has often sought supplemental appropriations or reprogramming of already appropriated funds to cover its costs.

DOD is currently financing its Bosnia operation by using funds expected to be used later in the fiscal year. The Army, which has the highest costs, projects that it will run out of discretionary OPTEMPO funds in June 1996 if it does not receive additional funding. According to Army officials, if this happens some units will have to suspend training among other activities. Army officials further stated that if additional funding is not provided soon they will have to curtail training beginning in April.

¹The Air Force has included funds in its military personnel appropriation account for the payroll cost of reserve volunteers participating in contingency operations.

GAO DOD's Funding Plan

- Three-phase plan
 - \$991 million in reprogramming
 - \$620 million supplemental
 - Second reprogramming for balance of funding needs
-

DOD is planning to finance the fiscal year 1996 portion of Bosnia operations using a three-phase plan. The first phase is a request to reprogram \$991 million of appropriated funds. DOD also proposes to use its fiscal year 1996 general transfer authority under section 8005 of the fiscal year 1996 DOD Appropriations Act (P.L. 104-61). The reprogramming request was submitted to the relevant congressional committees on January 21, 1996. DOD proposes to use savings from lower than estimated economic assumptions regarding inflation.

The second phase is a request for supplemental appropriations that the President forwarded to Congress on February 21, 1996. The President is seeking \$820 million in this request—\$620 million for DOD peace operations costs and \$200 million for civilian implementation of the Dayton Peace Accords. The President proposes to fully offset the requested increases in appropriations by rescissions from funds previously appropriated to DOD for a classified program with funds that are in excess of DOD's requirements. Most of the \$200 million for civilian purposes would be available to the U.S. Agency for International Development for economic revitalization, police monitors and training, and demining assistance. The remainder would go to the Department of State, the U.S. Agency for International Development, and the U.S. Information Agency for administrative costs. On March 7, 1996, the House of Representatives approved legislation providing \$820 million in supplemental funding for DOD operations in Bosnia and an additional \$197 million for civilian implementation of the accords. On March 13, 1996, similar legislation was before the Senate.

The third phase is an expected second reprogramming action for the balance of fiscal year 1996 Bosnia operation costs and the costs of other contingency operations unrelated to Bosnia, such as the U.N. mission in Haiti. This second request is estimated to be for \$560 million. DOD has included the fiscal year 1997 portion of the operation in its fiscal year 1997 budget submission.

GAO Matters for Congressional
Consideration

- Funding requirements unclear
- Possible funding guidelines are
 - restrict supplemental funding to contingency operations,
 - reallocate funds across services if possible, and
 - reevaluate funding as more experience and actual data become available.

As stated previously, DOD is planning to finance the Bosnia operation using a three-phase plan. Because of the uncertainty in the cost estimate it is difficult to know how much funding Congress should provide. Therefore, in considering this matter, we have identified the following guidelines Congress may wish to consider.

- Any supplemental funding provided should only be available for (1) expenses incurred in support of contingency operations involving the former Yugoslavia and (2) the reimbursement of accounts initially utilized to fund those operations. In fiscal year 1995, some of the military services ended the year with contingency costs below the amounts appropriated by Congress for contingency operations in that year, while other services had costs that exceeded those appropriations. Because the supplemental appropriations were not earmarked for contingency operations, those services with excess funds used the funds for other needs that otherwise would have gone unfunded.
- If initial contingency operation funding proves to be inadequate, but some services have costs below their funded level while others have costs above it, excesses earmarked for contingencies should be redistributed by transfer before Congress provides additional funds. DOD's funding plan, which involves an initial reprogramming, followed by supplemental appropriations, and then a second reprogramming for any remaining costs, would lend itself to transferring funds at the time of the second reprogramming.²
- Appropriation levels should be reevaluated as more experience and actual cost data become available. The second reprogramming in DOD's Bosnia funding plan would lend itself to such a reevaluation.

²Section 8005 of the fiscal year 1996 DOD Appropriations Act provides transfer authority of up to \$2.4 billion in case it is necessary to move funds between accounts.

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