

May 1996

# DEFENSE INFRASTRUCTURE

## Costs Projected to Increase Between 1997 and 2001



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**National Security and  
International Affairs Division**

B-272167

May 31, 1996

The Honorable Charles E. Grassley  
The Honorable William V. Roth, Jr.  
United States Senate

As you requested, we analyzed the infrastructure portion of the Department of Defense's (DOD) 1997 Future Years Defense Program (FYDP), which covers fiscal years 1997-2001. Specifically, you asked that we provide DOD's projected costs for each of its eight infrastructure categories.<sup>1</sup>

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**Background**

Between fiscal years 1997 and 2001, DOD plans to increase procurement funds from \$38.9 billion to \$60.1 billion primarily for new weapon systems and upgrades to existing systems. The Secretary of Defense has stated that he expects to achieve this 54 percent increase within the President's proposed budgets with savings from infrastructure reductions, cost avoidance from acquisition reforms, and privatizing services.

DOD defines infrastructure as those activities that provide support services to mission programs, such as combat forces, and primarily operate from fixed locations. DOD accounts for its infrastructure activities in eight categories: installation support, central training, central medical, central logistics, force management, acquisition infrastructure, central personnel, and central command, control, and communications. However, DOD excludes many intelligence, space, and command, control, and communications programs. These programs account for about \$25.9 billion in fiscal year 1997.

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**Results in Brief**

Our analysis of the infrastructure portion of the 1997 FYDP shows that infrastructure costs are projected to increase about \$9 billion from \$146 billion in 1997 to \$155 billion in 2001. Although the infrastructure portion of DOD's budget is projected to decrease from about 60 percent in 1997 to about 57 percent in 2001, this is primarily because DOD's total budget is projected to increase at a faster rate than the infrastructure part of that budget.

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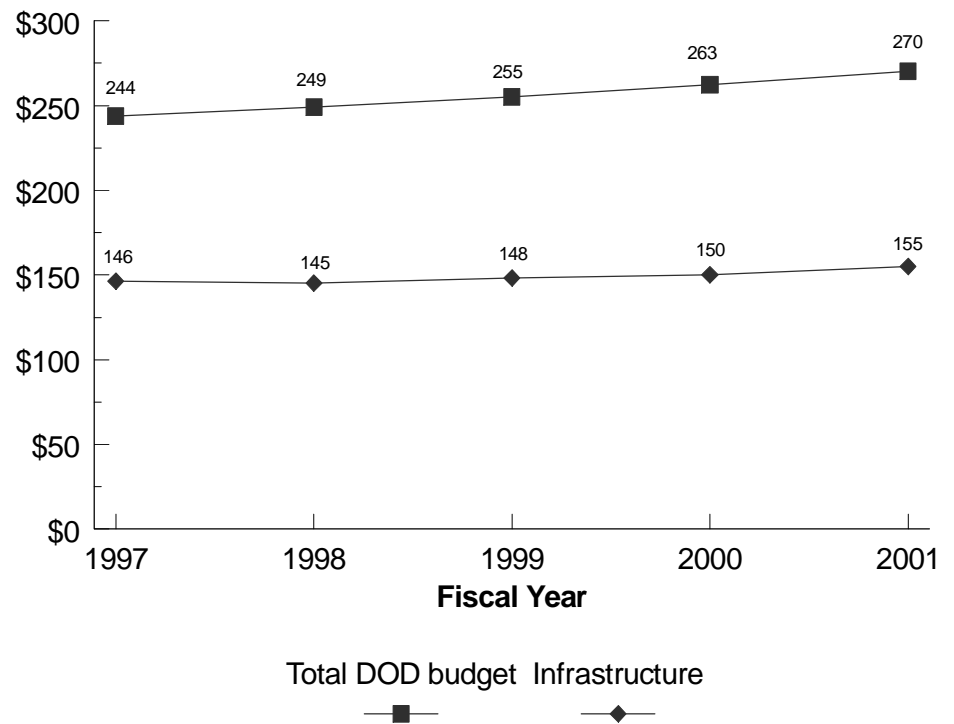
<sup>1</sup>An analysis of the infrastructure portion of DOD's fiscal years 1996-2001 FYDP is included in *Defense Infrastructure: Budget Estimates for 1996-2001 Offer Little Savings for Modernization* (GAO/NSIAD-96-131, Apr. 4, 1996). Because of significant changes in DOD's inflation assumptions and other adjustments to infrastructure categories, the 1996 and 1997 FYDPs are not directly comparable. Our review of the differences in the two FYDPs is continuing, and we plan to report the results of that review at a later date.

Although the installation support portion of DOD's infrastructure budget is projected to decline during the 1997 to 2001 period, all other categories of infrastructure are projected to increase. The combination of operation and maintenance and military personnel appropriations fund about 80 percent of infrastructure activities that can be clearly identified in the FYDP. Thus, DOD must look to these two appropriations if it intends to spend less for infrastructure activities.

## DOD's Infrastructure Budget Is Increasing

DOD's budget is projected to increase by \$26 billion between 1997 and 2001, whereas infrastructure funding is projected to increase by \$9 billion during this same period, as shown in figure 1. As a result, the proportion of planned infrastructure funding in DOD's budget is projected to decrease from about 60 percent to 57 percent.

**Figure 1: Comparison of DOD's Total Planned Obligational Authority to Total Planned Infrastructure Funding, Fiscal Years 1997-2001 (dollars in billions)**



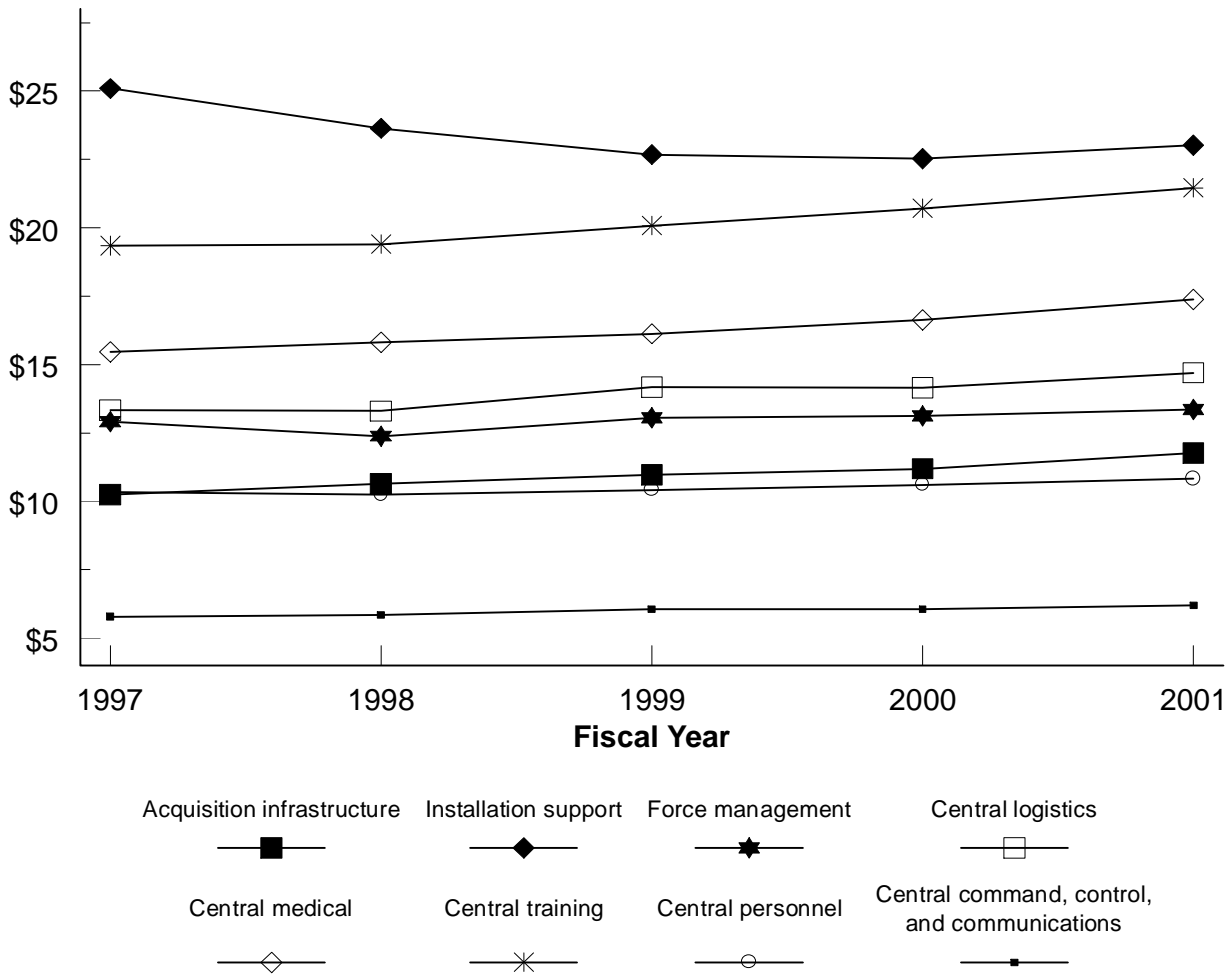
Source: GAO analysis of DOD data.

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As we explained in our April report, there are parts of the total infrastructure funding that cannot be clearly identified in the FYDP, according to DOD officials. These funds pay for goods and services sold by the Defense Business Operations Fund activities. The officials estimate that this is about 20 to 25 percent of DOD's total infrastructure budget and is mostly logistics purchases that cannot be specifically identified. For subsequent analyses, we used direct infrastructure funding identified in the FYDP since we had no basis to allocate Defense Business Operations Funds across the infrastructure categories.

Figure 2 and table 1 show that installation support decreases slightly between 1997 and 2001 but all the other infrastructure categories increase during the period. Although it is not possible to allocate the Defense Business Operations Fund infrastructure in programs by infrastructure categories, we believe that much of this infrastructure would be included in the central logistics category because many of the fund's activities perform logistics functions.

Figure 2: Projected Trends for Infrastructure Categories, Fiscal Years 1997-2001 (dollars in billions)



Source: GAO analysis of DOD data.

**Table 1: Projected Funding for Infrastructure Categories, Fiscal Years 1997-2001**

Dollars in billions					
Infrastructure categories	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Installation support	\$25.10	\$23.64	\$22.68	\$22.53	\$23.03
Central training	19.35	19.40	20.08	20.71	21.46
Central medical	15.47	15.82	16.13	16.64	17.38
Central logistics	13.33	13.30	14.18	14.15	14.70
Force management	12.91	12.38	13.05	13.12	13.35
Acquisition infrastructure	10.25	10.64	10.97	11.19	11.76
Central personnel	10.33	10.24	10.41	10.60	10.83
Central command, control, and communications	5.78	5.84	6.05	6.05	6.20
Resource adjustments <sup>a</sup>	0.05	0.53	0.50	0.62	0.58
<b>Total direct infrastructure<sup>b</sup></b>	<b>\$112.58</b>	<b>\$111.80</b>	<b>\$114.05</b>	<b>\$115.61</b>	<b>\$119.30</b>

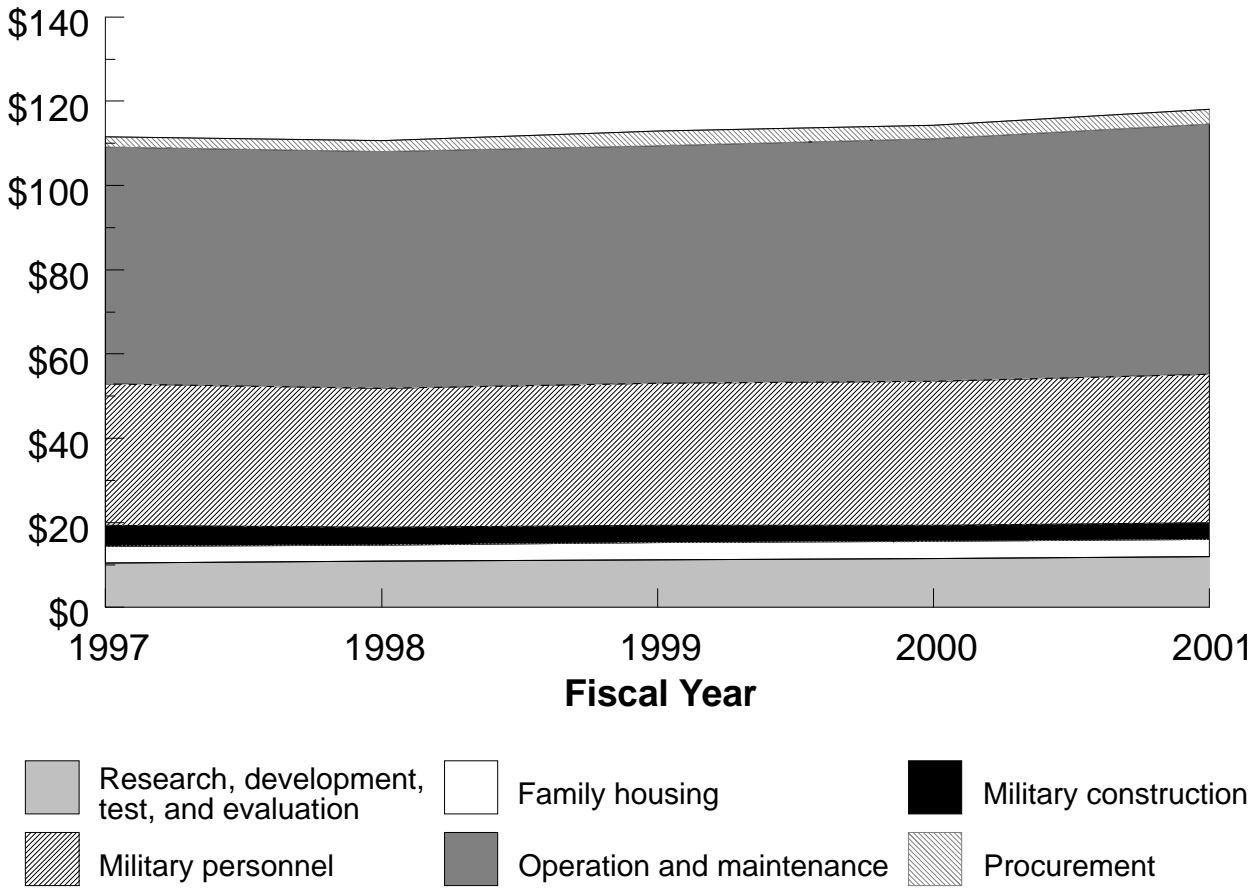
<sup>a</sup>These include adjustments for foreign currency fluctuations and service and Defense Logistics Agency managed stock fund cash requirements.

<sup>b</sup>Totals may not add due to rounding.

Source: GAO analysis of DOD data.

As shown in figure 3 and table 2, most direct infrastructure activities are funded by operation and maintenance and military personnel appropriations. Thus, if DOD is to achieve significant infrastructure savings for future force modernization, the savings must come from these accounts. However, these appropriations have been closely associated with the readiness and quality-of-life of the force, the Secretary of Defense's priority areas for the last few years.

Figure 3: Direct Infrastructure Funding by Appropriation, Fiscal Years 1997-2001 (dollars in billions)



Source: GAO analysis of DOD data.



**Table 2: Direct Infrastructure by Appropriation, Fiscal Years 1997-2001**

Dollars in billions

<b>Appropriation</b>	<b>FY 1997</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>
Operation and maintenance	\$56.30	\$56.17	\$56.41	\$57.57	\$59.50
Military personnel	33.53	33.10	33.67	34.33	35.20
Research, development, test, and evaluation	10.47	10.89	11.20	11.43	11.89
Military construction	4.99	4.15	4.15	3.84	3.96
Family housing	3.98	3.84	4.08	4.08	4.12
Procurement	2.38	2.53	3.48	3.21	3.46
Revolving funds and other <sup>a</sup>	0.93	1.11	1.06	1.13	1.17
<b>Total direct infrastructure<sup>b</sup></b>	<b>\$112.58</b>	<b>\$111.80</b>	<b>\$114.05</b>	<b>\$115.61</b>	<b>\$119.30</b>

<sup>a</sup>These include adjustments for foreign currency fluctuations and service and Defense Logistics Agency managed stock fund cash requirements.

<sup>b</sup>Totals may not add due to rounding.

Source: GAO analysis of DOD data.

## Agency Comments

The data and analysis in this report were provided to DOD for review and comment. In oral comments, DOD stated the data were complete and accurate and concurred with the analysis.

## Scope and Methodology

To define and evaluate DOD's infrastructure activities in the 1997 FYDP, we interviewed the acting Director, Force and Infrastructure Analysis Division in the Office of the Secretary of Defense, Program Analysis and Evaluation. Our analyses are based on data contained in the fiscal year 1997 FYDP. In addition to the FYDP and associated annexes, we reviewed DOD's Reference Manual for Defense Mission Categories, Infrastructure Categories, and Program Elements, prepared in conjunction with the Institute for Defense Analysis. We also reviewed the President's fiscal year 1997 budget submission and our prior reports.

Our work was conducted during the month of May 1996 in accordance with generally accepted government auditing standards.

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We are providing copies of this report to appropriate congressional committees; the Secretaries of Defense, the Air Force, the Army, and the Navy; and the Director, Office of Management and Budget. We will also provide copies to other interested parties upon request.

If you have any questions concerning this report, please call me on (202) 512-3504. Major contributors to this report were Robert Pelletier, William Crocker, Margaret Morgan, Edna Thea Falk, and Scott Hornung.

A handwritten signature in cursive script that reads "Richard Davis".

Richard Davis  
Director, National Security  
Analysis

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