United States General Accounting Office

GAO

Report to Congressional Committees

September 1995

1996 DOD BUDGET

Potential Reductions to Operation and Maintenance Program

GAO/NSIAD-95-200BR

GAO

United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-258888

September 26, 1995

Congressional Committees

This report evaluates the military services' and Department of Defense's (DOD) fiscal year 1996 operation and maintenance (O&M) budget requests totaling $70.3 billion. Our objective was to determine whether the O&M accounts should be funded in the amounts requested.

We reviewed selected O&M accounts for U.S. Army, Europe (USAREUR); U.S. Forces Command (FORSCOM); U.S. Air Forces, Europe; Air Combat Command; Air Materiel Command; and the Atlantic and Pacific Fleets. We also reviewed selected activities managed at the headquarters of the Army, Navy, and Air Force, as well as some DOD-managed activities. The specific commands were included in our review because they were the larger recipients of O&M funds. Specific programs were included because (1) O&M funding levels are increasing, (2) our ongoing or issued reports identified O&M implications, or (3) congressional committees have expressed a specific interest in the program.

As shown in table 1, we identified potential reductions of about $4.9 billion to the services' and DOD activities' fiscal year 1996 O&M budget requests. In addition, there is a program issue that we believe you should be aware of because funding for the program is divided between the DOD and the Department of State budgets. As a result, there is no one Committee that has complete program oversight to ensure that program efforts are effective and not duplicative. The program, referred to as Partnership for Peace, is designed to encourage joint planning, training, and military exercises with North Atlantic Treaty Organization (NATO) forces and to promote greater partner interoperability. The fiscal year 1996 DOD-wide O&M budget request includes $40 million for the program for partner exercise expenses and interoperability programs, including an information management system, regional airspace initiative, defense resource management program, and unit exchanges. At the same time, $60 million is being requested by the Department of State for this same program for International Military Education and Training and Foreign Military Sales.

Table 1: Potential Reductions to the Fiscal Year 1996 O&M Budget Requests by Program Category

Dollars in millions

Category	Army	Navy	Air Force	Defense	Total
Depot maintenance	$27.0	$339.0	$522.6		**$888.6**
Operating tempo	840.0				**840.0**
Civilian pay	350.2	13.8	88.1	$74.7	**526.8**
Unobligated funds	264.8	113.2	127.5		**505.5**
Real property maintenance			481.4		**481.4**
Bulk fuel	69.0	136.0	129.0	52.0	**386.0**
Commissaries				331.5	**331.5**
Travel				220.0	**220.0**
O&M pass through to Defense Business Operating Fund	53.5	158.0			**211.5**
Junior Reserve Officers' Training Corps	74.5	24.4	25.4		**124.3**
Spare and repair parts	46.7	38.4			**85.1**
Youth programs				61.4	**61.4**
Flying hours	9.0	14.0	11.1		**34.1**
Commander in Chief program	20.0	8.0	5.0		**33.0**
Soto Cano facilities, Honduras	24.6		7.2		**31.8**
Environmental compliance	19.5				**19.5**
Recruiting	18.4				**18.4**
Support aircraft			18.1		**18.1**
Special events				15.0	**15.0**
Legacy programs				10.0	**10.0**
Prepositioning afloat program	5.0				**5.0**
Civil Air Patrol				4.0	**4.0**
Total	**$1,822.2**	**$844.8**	**$1,415.4**	**$768.6**	**$4,851.0**
Pilot training[a]					**0.0**

[a]Because information was not available to determine how many pilot candidates should be trained, we could not determine what the budget reductions should be.

In May, June, and July 1995, we provided your staff with the preliminary results of our work. This report summarizes and updates that information. The following sections briefly discuss each of the potential reductions.

Depot Maintenance Funding

The fiscal year 1996 depot maintenance funding levels for the Army, Navy, and Air Force can be reduced by $888.6 million for the following reasons:

- Large amounts of money provided by Congress to the Army and the Navy for depot maintenance are used for other purposes. For fiscal years 1993 to 1995, the Army and the Navy received $591 million more than they requested for depot maintenance, and for fiscal years 1993 and 1994, the amount of depot maintenance performed by the two services was $838 million less than the amount provided and $418 million less than the amount requested.[1] The funds not used for depot maintenance were used to fund contingency operations, base support, and real property maintenance. Army and Navy officials told us that even though the amount of depot maintenance executed was less than the amount of funds requested, the readiness of the forces has not yet been affected. They said, however, that there could be some long-term effect if funding levels were reduced to a point where the services could not repair needed inoperable equipment and stock levels of major components and assemblies are drawn down rather than the equipment being repaired.

  Based on a percentage comparison of the amount requested and the level of execution in fiscal year 1994 (the last full year for which execution data was available), we estimate that, the Army's requested funding level for fiscal year 1996 could be reduced $27 million and the Navy's could be reduced $339 million. The proposed reduction is the difference between the Army's and the Navy's requests for fiscal year 1994 and what they executed in the same fiscal year.

- The amount of funded depot maintenance work carried forward from fiscal year 1994 to 1995 by the Air Force exceeded the amount of work that can be performed by the depots during the fiscal year. Air Force officials believe that a workload carryover of about 3 months for in-house maintenance work and about 4 months of contract maintenance work is needed to transition from one fiscal year to the next. Our analysis showed that the actual carryover from fiscal year 1994 to fiscal year 1995 represented 4 months of in-house work and about 7 months of contract work. The difference between what is needed for the transition and what was actually carried over equates to about $368.5 million. Congress has repeatedly expressed concerns about providing funds for maintenance work that cannot be completed in the fiscal year for which the funds are

[1]Depot Maintenance: Some Funds Intended for Maintenance Are Used for Other Purposes (GAO/NSIAD-95-124, July 6, 1995).

appropriated. Accordingly, the Air Force's fiscal year 1996 budget request could be reduced by $368.5 million.

- The amount of funds requested by the Air Force exceeds the funding level guidance Congress provided in the conference report that accompanied the fiscal year 1995 DOD appropriations act. In that report, Congress directed the services to fund future depot maintenance programs at a level equal to at least 80 percent of their depot maintenance requirements. The Air Force Chief of Staff has testified that the funding level for fiscal year 1995 represented 80 percent of the depot maintenance requirements, and that the unfunded requirements (61 aircraft and 201 engines) represent an acceptable risk given the current world situation. The Chief of Staff went on to say that no aircraft would be grounded as a result of deferred maintenance or lack of serviceable engines. For fiscal year 1996, the Air Force requested $1.4 billion for depot maintenance—90 percent of its depot maintenance requirements of about $1.541 billion. In view of congressional guidance and the fact that the prior year's funding level of 80 percent of requirements did not adversely impact readiness, Congress could reduce the Air Force's request by $154.1 million.

In commenting on a draft of this report, a Navy official said that the situation that occurred in fiscal year 1994 where the Navy moved a large portion of its depot maintenance funds to other programs was atypical. He said that the funds were needed to pay for the Navy flying hour program and contingencies in Haiti and Cuba, and that the funds were available from the depot maintenance account primarily because the Navy force structure was being reduced. He went on to say that the budget request for fiscal year 1996 was adjusted to reflect the reduced force structure and that depot maintenance funds would not be readily available to fund other programs.

While it is premature to determine what the situation will be in fiscal year 1996, it should be noted that the situation that occurred in fiscal year 1994 was not atypical. The same thing occurred in fiscal year 1993 where the Navy did not use all of its depot maintenance funding for that purpose. Therefore, we believe our analysis of potential budget reductions in the depot maintenance area remains valid.

The Army and the Air Force did not provide any information that would lead us to change our position on this matter.

Army's Operating Tempo Budget Request

The Army uses the Training Resource Model (TRM) to compute its operating tempo (OPTEMPO) requirements. OPTEMPO refers to the pace of operations and training that units need in order to achieve a prescribed level of readiness. TRM contains outdated assumptions concerning the (1) type and frequency of training exercises to be conducted, (2) number of miles to be driven, and (3) availability of gunnery ranges and maneuver areas. In April 1995, we reported[2] that TRM overstated the training requirements needed for Army units to achieve their prescribed level of readiness. We reported that during fiscal years 1993 and 1994, Army units diverted about one-third of their training funds—about $1.2 billion of the $3.6 billion they received for the two fiscal years—to other purposes, such as base operations, real property maintenance, and contingency operations. More specifically, in fiscal year 1993, Army units diverted about $384 million, or 24 percent of their training funds, and in fiscal year 1994 they diverted about $868 million, or 42 percent of their training funds. Although the Army had trained at a level less than that supposedly needed to attain the top readiness level for at least the last 2 years, the units had consistently reported achieving the desired readiness level. The only exception to this was during the last quarter in fiscal year 1994 when two of the four divisions in our review reported degraded readiness conditions due to the lack of training funds. However, the total funds shortage was $30 million—about 3.5 percent of the $868 million of training funds that the Army diverted from the divisions during the year for other purposes.

In commenting on a draft of this report, Army officials said that they believed that fiscal year 1994 was an atypical year because the Army was forced to use OPTEMPO funds to meet other funding shortfalls. Although the Army contends that fiscal year 1994 was atypical, it is important to note that the Army also diverted funds in fiscal year 1993 and according to the Army's second quarter report on readiness limitations, the fiscal year 1995 OPTEMPO program will also be underexecuted. However, we could not determine the extent of underexecution for the full year.

For fiscal year 1996, the Army has requested $2.52 billion for ground OPTEMPO. Based on the average percentage of OPTEMPO funds that the Army diverted to other purposes in fiscal years 1993 and 1994 (33 percent), we estimate the Army's fiscal year 1996 request could be reduced about $840 million.

[2]Army Training: One-Third of 1993 and 1994 Budgeted Funds Were Used for Other Purposes (GAO/NSIAD-95-71, Apr. 7, 1995). This report was based on our review at two major commands—U.S. Forces Command and U.S. Army, Europe, which account for about 80 percent of the Army's OPTEMPO funding.

Civilian Personnel Requirements

The Army, Navy, Air Force, and DOD fiscal year 1996 budget requests for civilian personnel could be reduced $526.8 million[3] for the following reasons:

- The projected civilian personnel levels at the beginning of fiscal year 1996 are less than the services used for determining their budget requests—$243.8 million.
- The amount of funds needed for separation incentives is less than requested because the services will not have to separate as many personnel as originally expected—$43.1 million.
- The amount requested in the budget submission differs from the amount shown in the budget justification documents—$239.9 million.

Based on the actual number of personnel onboard as of March 1995, we estimate that the actual end-strength at the end of fiscal year 1995—the beginning figure for fiscal year 1996—will be about 13,000[4] less than the figure used by the services in determining their fiscal year 1996 budget request. Because the services used a larger beginning figure, the number of work years used in the budget request is also overstated by about 6,700 work years. The overstated personnel requirements equate to about $320 million. After adjusting the total overstatement to reflect program changes that the services expect to occur during the fiscal year, the overstatement is reduced to $243.8 million.

Because there will be fewer personnel at the beginning of fiscal year 1996, the services will have to separate fewer personnel to achieve their budgeted end-strength at the end of the fiscal year. Consequently, the services will have to pay out less in separation incentives than was requested in the budgets. Based on the number of personnel the services expected to pay separation incentives to in fiscal year 1996, we estimate that the amount of separation incentives in the budget requests are overstated by $43.1 million.

We also found that the amounts shown in the President's budget were greater than the amount shown in the justification documents. The total effect of these differences in all the services was about $239.9 million. For example, the Army's O&M budget request included 101,862 direct-hire/direct-funded work years in its budget submission. According

[3]While the vast majority of the reductions apply to the O&M appropriation, there are reductions that apply to other appropriations. Neither we nor DOD could readily identify the specific amounts for each appropriation.

[4]According to DOD calculations, the 13,000 personnel equates to about 6,700 work years.

to Army officials, the correct direct-hire/direct-funded work years should have been 96,724 work years—a difference of 5,138 work years with a value of about $231.7 million. The officials stated that a coding error caused direct funding for civilian personnel to be overstated and direct funding for contracts to be understated by the same amount. The officials also said it would be unfortunate to reduce the request due to an administrative error and that further reductions would require them to cut contracts for (1) end item management; (2) power projection command, control, communications, and computer infrastructure; (3) real property maintenance; and (4) environmental compliance.

According to the documentation submitted in support of the budget request, the overstated work years should have been reflected in the reimbursable section, not the contract section. If, in fact, the work years should have been shown in the reimbursable section, the Army would not need funds appropriated for these work years because some other military department or appropriation would pay the Army for the services provided.

Table 2 shows the net effect of the overstatement of work years, separation incentives, and the variance between the President's budget presentation and the supporting documentation.

Table 2: Civilian Personnel Overstatement in Fiscal Year 1996 Budget Requests

Dollars in thousands

Service	Projected personnel strength at beginning of fiscal year 1996	Personnel strength used in preparing budget estimate for fiscal year 1996
Army	265,549	269,673
Navy	252,281	254,154
Air Force	186,258	190,061
DOD activities	149,789	153,039
Total	**853,877**	**866,927**

Difference converted to reflect overstated work years used in preparing fiscal year 1996 budget estimate	Value of overstatements and (understatements)				
	Overstated work years	Adjustments for known program changes	Overstated separation incentives	Overstatement between budget submission and supporting documentation	Total
2,062	$97,526	[a]	$21,000	$231,716[b]	**$350,242**
1,164	59,239	($52,600)	952	6,200	**13,791**
1,902	88,771	(23,847)	21,181	1,991	**88,096**
1,574	74,700	[a]	[a]	[a]	**74,700**
6,702	**$320,236**	**$(76,447)**	**$43,133**	**$239,907**	**$526,829**

[a]Information not readily available.

[b]The $231.7 million represents only O&M Army. The other amounts are for all appropriations. However, information was not readily available to show a breakdown of the overstatements by appropriations.

A Navy official, in commenting on a draft of this report, said that the $6.6 million difference between the columns "overstated work years" and "adjustments for known program changes" was based on March 1995 data provided by the Navy. He said that more recent data shows that the Navy's work years are only overstated by about $5 million rather than the $6.6 million shown in the report.

Unobligated Balances From Prior Years' O&M Appropriations

Unobligated balances of prior years' O&M appropriations are generally not available for new obligations and may only be used for adjustments to existing obligations for the specific fiscal year of the appropriation and to fund projected foreign currency fluctuations. The unobligated balances may be carried forward for 5 years.

As of September 30, 1994, the Army, Navy, and Air Force had unobligated balances from prior years' O&M appropriations totaling $2.3 billion. Service officials stated that the unobligated balances were needed to satisfy upward adjustments to obligations incurred in that fiscal year but have not been liquidated.

Our analysis showed that unobligated balances have been increasing rather than decreasing and that the average annual increase over the last 4 fiscal years has been $264.8 million in the Army, $113.2 million in the Navy, and $127.5 million in the Air Force. The reason for the increasing

balances is that the amount of the liquidations is generally less than the amount initially obligated.

This overall trend indicates that services' estimates of O&M funds needed for obligational authority are overstated. Therefore, Congress could reduce the services' O&M funding requests by $505.5 million.

In commenting on a draft of this report, a DOD official said that it is not possible to determine in advance what obligations may be liquidated in an amount less than initially obligated. Therefore, DOD considers the fact that unobligated balances from prior years' appropriations keep increasing as a "cost of doing business."

Air Force Real Property Maintenance

For the fiscal year 1996 budget process, the Air Force determined its real property maintenance requirements by using a prioritization process called the Commanders' Facility Assessment. This process required commanders at each installation to identify the highest priority maintenance problems and evaluate the impact of the problems on their mission.

For fiscal year 1996, the Air Force requested $1.5 billion, an increase of $470 million over the fiscal year 1995 funding level. According to Air Force officials, the additional funds are needed to compensate for prior years' underfunding. Actually, however, real property maintenance spending in prior years has been greater than the amount appropriated because funds from other O&M activities have been diverted to the real property maintenance account.

According to the budget justification documents supporting the fiscal year 1996 request, the Air Force stated that the Commanders' Facility Assessment process ensures that real property maintenance dollars are allocated to the most critical mission needs of field commanders—Preservation Maintenance and Level I problems (emphasis added).

At the Air Force Materiel Command and Air Mobility Command, which account for 24 percent of the Air Force real property maintenance funding, we found that the two commands plan to spend 31.4 percent of their real property maintenance funds on facilities and projects rated Level II (degraded) or Level III (adequate) rather than Level I projects. Additionally, some of the projects rated Level I are questionable in terms

of having a critical effect on mission: renovating an Air Force band recording studio, repairing a baseball field that floods when it rains, repairing a heating and air conditioning system in a golf course clubhouse, and landscaping an area surrounding visiting officers quarters.

The questionable ratings of some Level I projects and the fact that the two commands we reviewed plan to spend one-third of their real property maintenance funds on other than Level I projects raises questions about the requested funding level. If the Air Force plans to spend over 30 percent of its funds on other than Level I projects, then Congress could reduce its request by $481.4 million ($1.533 billion multiplied by 31.4 percent).

Services' Bulk Fuel Requirements

Each service buys its fuel from the Defense Fuel Supply Center (DFSC) and requests the funds it will need through their respective O&M budgets. The DFSC purchases the fuel needed to meet the services' requirements based on the services' estimates adjusted for historical usage. In addition to estimating fuel sales to its customers, DFSC calculates the amount of fuel it will need to maintain its inventory at acceptable levels.

Based on our review of budget requests and estimates provided by comptroller officials, the services budgeted for 126.8 million barrels of fuel at a cost of about $4.013 billion for fiscal year 1996. However, based on our review of the services' historic fuel usage, which includes reimbursements from sales to other users, we estimate the services will need 116.8 million barrels of fuel costing $3.679 billion—about $334 million less than the amount requested. A break down of the $334 million by service follows: Navy—$136 million, Air Force—$129million, and Army—$69 million.

In addition, DFSC plans to meet some of the services' fuel needs in fiscal year 1996 by reducing its inventory by about 200,000 barrels, which would result in a DOD savings of $5 million.

Finally, the services are also evaluating a DFSC suggestion that fuel supplies in transit be considered in meeting war reserve requirements. If approved, 1.9 million barrels of fuel could be used to meet the war reserve requirement and $47 million could be saved.

While the vast majority of reductions apply to O&M appropriations, there are reductions that apply to other appropriations. Neither we nor DOD could readily identify the specific amounts for each appropriation.

Appropriated Fund Support for Commissaries

DOD's fiscal year 1996 O&M budget request includes about $900 million for appropriated fund support to commissaries and about $250 million for support to the Army and Air Force Exchange Service (AAFES) and the Navy Exchange Command (Nexcom).

We estimate that appropriated fund support to the commissaries and exchanges could be reduced about $331.5 million by merging some commissaries and exchanges ($319.5 million) and closing certain other commissaries ($12 million).

Merging Commissaries and Exchanges

AAFES recently completed a study[5] to identify cost savings that could be achieved by merging commissaries and exchanges under one management structure. The study's assumptions were as follows:

- AAFES would continue to reimburse the installation for the same services that it now pays.
- Commissary employees would be converted to nonappropriated fund employees.
- All purchasing and accounting would be in accordance with nonappropriated fund instructions.
- AAFES would receive appropriated fund support to offset losses at locations where the commissaries and exchanges were merged.
- The AAFES pricing structure would remain as it is now.
- The basic allowance for subsistence would be increased for active-duty personnel to compensate for increased prices that would occur if the commissaries and exchanges were merged.
- Contributions to the morale, welfare, and recreation fund would be increased to compensate for reduced contributions that would otherwise occur under a merger.

The study showed that annual appropriated fund support to the merged facilities could be reduced $319.5 million. The merged facilities would still receive over $500 million of appropriated fund support to cover any operating losses; provide additional basic allowance for subsistence; and compensate for morale, welfare, and recreation contributions. According to AAFES, the biggest savings would come from converting the commissary employees to nonappropriated fund employees. Doing so gives AAFES the option of using part-time employees and adjusting their work hours to meet the needs of the merged operations.

[5]Internal unreleased study on AAFES operation of Defense Commissary Agency commissaries.

A DOD official, in commenting on a draft of this report, said that DOD supports any initiative that improves service to the service members, maintains non-pay compensation benefits at current levels, reduces appropriated fund support and maintains dividends for needed morale, welfare, and recreation programs. He went on to say that the figures cited in the unreleased study have not been validated.

Closing Commissaries

During 1995, the Defense Commissary Agency (DeCA) identified nine commissaries for proposed closing in fiscal year 1996. It used as criteria (1) stores with annual sales of $15 million or less and (2) stores that are within 20 miles of another commissary. According to DeCA officials, closing the nine commissaries would reduce the need for appropriated fund support by $12 million. In response to this issue, DOD officials reiterated the comments made during our discussion of commissary-exchange mergers.

Reengineering DOD's Travel Processes

In March 1995, we reported that for fiscal year 1993, DOD's travel costs were about $3.5 billion. We also reported that DOD estimates that it costs an additional 30 percent (about $1 billion) to administer travel.[6] This is well above the private industry standard of 6 percent.

DOD officials told us that they plan to implement new travel processing procedures in fiscal year 1996 that should make the administration of travel less cumbersome. They also indicated that they plan to contract with a travel agency to achieve travel cost savings.

If DOD reduced its travel processing costs from 30 percent to 10 percent, which would bring it closer to the private industry standard, it could reduce its processing costs from about $1 billion to $350 million, a savings of $650 million a year. In commenting on a draft of this report, DOD officials expressed concerns about whether the entire savings could be achieved in fiscal year 1996 because the reengineering effort is still ongoing. We agree that it may not be possible to achieve the full savings in the first year. Therefore, we have adjusted the amount of savings in fiscal year 1996 to $220 million on the assumption that it will take about 3 years to fully achieve the savings.

[6]Travel Process Reengineering: DOD Faces Challenges in Using Industry Practices to Reduce Costs (GAO/AIMD/NSIAD-95-90, Mar. 2, 1995).

Request for O&M Funds to Compensate for Defense Business Operating Fund Losses

The Defense Business Operating Fund (DBOF) is a revolving account that provides various types of services and materials to the military and is reimbursed by the military department with O&M funds.

The Navy's fiscal year 1996 O&M budget request includes a one-time increase of about $695 million to offset DBOF losses from fiscal years 1992 through 1994 and the estimated losses for fiscal year 1995 as a result of closing Navy shipyards and aviation depots. The Navy plans to pass these funds directly through to DBOF in lieu of DBOF recovering its losses by increasing the prices it charges to its customers. However, $158 million of the operating losses for fiscal years 1993 and 1994 should have been recovered from DBOF price increases in subsequent years.

In addition, the Army's fiscal year 1996 O&M budget request includes $53.5 million to fund DBOF operation of underutilized plant capacity. Like the Navy, the Army plans to pass the funds directly to DBOF so that DBOF will not have to increase its prices. The Army's rationale for this funding request is that while the excess, unutilized, or underutilized capacity is not required for support of a reduced active component force, it may be required to surge the mobilization base in the event of a national emergency. Army officials also said that they are merely following Office of the Secretary of Defense guidance that the funds should be passed to DBOF rather than DBOF increasing its prices to its customers.

In a June 1994 report, we concluded that the practice of services using their appropriation process to finance DBOF losses and associated price increases was inappropriate.[7] In our opinion, this practice causes a loss of focus on DBOF's actual results of operations, diminishes the incentive for DBOF to operate efficiently, and makes it more difficult to evaluate and monitor DBOF operations. We believe that DBOF managers should be required to request and justify separate DBOF appropriations to cover operating losses. Doing so provides Congress with better oversight of DBOF operations and provides DBOF managers with incentives to develop and implement more efficient operations.

Congress could reduce the Navy's fiscal year 1996 O&M budget request by $158 million and the Army's budget request by $53.5 million and direct the services to request separate appropriations to cover any future DBOF operating losses and costs associated with operating and maintaining excess plant capacity.

[7]Defense Business Operations Fund: Improved Pricing Practices and Financial Reports Are Needed to Set Accurate Prices (GAO/AIMD-94-132, June 22, 1994).

In commenting on a draft of this report, a Navy official stated that the direct pass through to DBOF was so that prices to the customers would not have to be increased. We agree that the reason cited by the official is the reason for the direct pass through. However, this does not mitigate the fact that handling DBOF losses in this manner does not provide any incentive to DBOF to make its operations more efficient to avoid or reduce future losses. This incentive might be provided if DBOF managers had to request and justify funding for the losses and explain how they planned to reduce future years' losses through more efficient operations.

Junior Reserve Officers' Training Corps Program

The National Defense Act of 1916 established the Junior Reserve Officers' Training Corps (JROTC) program for high schools and private secondary schools. The primary purpose of the program was to disseminate military knowledge among the secondary school population of the United States. The ROTC Vitalization Act of 1964 expanded the JROTC program and required the Secretary of each military department to establish and maintain JROTC units. In the wake of the August 1992 Los Angeles riots, the President and the Chairman of the Joint Chiefs of Staff made plans to double the size of the JROTC program within 5 years.

The services' fiscal year 1996 O&M requests include $124.3 million for the JROTC program, an increase of $16.8 million, which will be used in part to add an additional 78 schools to the program. According to service officials, the current program is essentially a stay-in-school program and is operated in about 2,300 high schools in the United States and overseas. The program objectives are to teach military and citizenship subjects. In addition, the Army operates a summer camp and O&M funds are used to help pay instructors' salaries. Service officials emphasized that JROTC is not viewed as a recruiting tool for the services.

While the JROTC program may provide worthwhile benefits to the community and the public in general, the question is whether DOD should be involved in funding this type program or whether the program should be funded by a non-DOD appropriation account. If Congress decides that this is not a defense-related program, it could reduce the services' fiscal year 1996 O&M request by $124.3 million as follows: Army by $74.5 million, Navy by $24.4 million, and Air Force by $25.4 million.

Army and Navy Spare and Repair Part Inventories

The Army and the Navy fiscal year 1996 O&M budget requests for spare and repair parts could be reduced by $46.7 million and $38.4 million, respectively, because excess and unneeded inventories are being retained at retail-level activities.

In the Army, we found that spare parts that are repaired and stocked at the installation level are also being stocked at the division level. Our review[8] at three installations that support four Army divisions showed that the divisions were stocking $46.7 million of the same items that are also stocked at the installation level.

If the divisions relied on the installations for support for these items, they could reduce their inventory investment by $46.7 million. This one-time savings could be achieved by the divisions using up and not replacing their inventory levels for the reparable items.

In the Navy, we found that repair activities have accumulated excess inventory from various sources such as the overhaul and decommissioning of ships and submarines. The excess inventories are recorded in the Consolidated Residual Asset Management Screening Information (CRAMSI) database and are available to all authorized users free of charge. As of June 30, 1994, the CRAMSI database contained an inventory of over 131,000 items valued at about $400 million.

The O&M request for spare parts is based on the anticipated demand for items that the retail activities expect to purchase from the wholesale supply system. Our analysis showed that each year, the Navy reissues about $60 million of the excess inventory to meet fleet and outfitting requirements. Consequently, the Navy's O&M request is overstated by an amount equal to the value of the items that retail level customers are receiving from the CRAMSI.

A Navy official, in commenting on a draft of this report, said that the Navy decreased its spare parts budget request by $36 million to reflect the redistribution of inventory in the CRAMSI program. However, after further review, Navy officials were only able to demonstrate that $21.6 million of the $36 million claimed savings was taken as a budget reduction. Therefore, we believe that the Navy's request can be reduced $38.4 million ($60 million minus $21.6 million).

[8]Army Inventory: Reparable Exchange Items at Divisions Can Be Reduced (GAO/NSIAD-95-36, Dec. 28, 1994).

National Guard Youth Programs

In 1992, Congress authorized the National Guard to undertake a pilot program in 10 states to determine if the life skills and employment potential of high school dropouts could be improved through military-based training. In fiscal year 1993, Congress provided the first funds to conduct the Civilian Youth Opportunities pilot program. Known as ChalleNGe, this program is a 5-month residential program with a 1-year post-residential mentoring segment aimed at high school dropouts. Currently, the program operates in 15 states and has an enrollment of about 3,716 youths. The DOD fiscal year 1996 O&M budget request includes $56.65 million for this program.

A second program, called Starbase, is a 5-week course that focuses on math, science, and technology for in-school youths in grades kindergarten through 12. This program operates in 14 states at 17 locations. The fiscal year 1996 budget request includes $4.75 million for this program.

While these programs may provide worthwhile benefits to the community and the public in general, the question is whether DOD should be involved in funding this type of program or whether the program should be funded by a non-DOD appropriation account. If Congress decides that other funding sources are more appropriate, it could reduce DOD's fiscal year 1996 O&M request by $61.4 million.

Flying Hour Programs

In their fiscal year 1996 O&M budget requests, (1) the Air Force requested $826.4 million to fund flying hours for fighter aircraft for the Air Combat Command (ACC) and the Pacific Air Forces Command (PACAF), (2) the Army requested $159 million to fund USAREUR's fixed- and rotary-wing flying hour program, and (3) the Navy requested $2.14 billion for its flying hour program.

The flying hour formula used by ACC to compute its flying hour requirements assumed a 50 to 50 ratio of experienced and inexperienced pilots. According to the ACC flying hour program manager, the command's ratio of experienced to inexperienced pilots is closer to 80 to 20. PACAF, which also uses the formula, has a ratio of about 70 to 30. Changing the ratio of experienced to less experienced pilots from 50 to 50 to 80 to 20 or 70 to 30 has the effect of requiring fewer total flying hours for the pilots to maintain their proficiency. Using the established ACC formula, we recalculated the flying hour requirements for ACC and PACAF based on the 80 to 20 and 70 to 30 ratios, respectively. This recomputation showed that the amount of flying hour funds requested in the budget for ACC was

overstated about $19.4 million. With regard to PACAF, the recomputation had the effect of reducing, by $8.3 million, the underfunded flying hour requirement for the command.

According to USAREUR documentation, the command's flying hour requirements for fiscal year 1996 is $150 million rather than the $159 million included in the budget request.

Our review indicated that the Navy's flying hour program in the fiscal year 1996 budget request includes funds for an F-14A squadron that is scheduled for decommissioning in October 1995 rather than fiscal year 1997 as was planned at the time the budget was submitted. As a result, the Navy's fiscal year 1996 flying hour program budget is overstated by $14 million, the amount budgeted to fund this squadron in fiscal year 1996.

In total, the Air Force's, Army's, and Navy's budget requests for flying hours are overstated by $34.1 million. Congress could reduce the Air Force's, Army's, and Navy's fiscal year 1996 O&M request by $11.1 million ($19.4 million overstatement less $8.3 million understatement), $9 million, and $14 million, respectively.

Funding for Commander in Chief Traditional Programs

In fiscal year 1995, DOD requested $46.3 million to fund the military-to-military contacts program. This represented a significant expansion to the prior year's program. We recommended against the increase on the grounds that DOD had not justified the expanded program and because it created a new bureaucracy without any apparent increase in program efficiency. Congress funded the program at $12 million in the fiscal year 1995 Foreign Operations Appropriation.

Neither the State Department nor the DOD fiscal year 1996 budget request includes funds for the military-to-military contact program. Instead, DOD has requested $45 million for a program called Commander in Chief (CINC) Traditional Programs. DOD maintains that the new program is more than the previous military-to-military contacts program. However, the activities to be funded by the CINC Traditional Program—bilateral conferences, military unit exchanges, and military observers—do not differ significantly from the activities that were funded by the military-to-military contact program.

In view of the above, Congress could reduce the services' O&M requests by $33 million (Army—$20 million, Navy—$8 million, and Air

Force—$5 million) to bring the program funding level in line with last year's funding level.

The Navy disagreed with this potential reduction but did not provide any additional information to support its position.

Funding for Facilities in Soto Cano

Since 1983 the United States has maintained a military presence at Honduras' Soto Cano Air Force base. The U.S. presence was established there to support U.S. military and political interests in Central America, which were threatened by communist expansion in the area. Since the end of the Cold War, the major mission of the U.S. personnel at Soto Cano has been to support military training exercises. In February 1995, we reported[9] that a continuing U.S. presence at Soto Cano, Honduras, was not critical to U.S. government activities in Central America. Although current data on the cost of the U.S. presence is not available, fiscal year 1994 O&M costs were about $31.8 million. Since that time, activities at Soto Cano have not changed substantially.

In view of the above, Congress could reduce the Army's and the Air Force's fiscal year 1996 O&M requests by $24.6 million and $7.2 million, respectively.

Environmental Funding at FORSCOM

The Army's fiscal year 1996 O&M budget request includes $152 million for FORSCOM class I, II, and III environmental compliance projects. Class I and II projects are referred to as "must fund" projects because funds are needed to bring a project into compliance with environmental laws (class I) or a noncompliance condition will occur if corrective action is not taken (class II). Class III projects are those that are not specifically required to attain/maintain environmental compliance.

According to FORSCOM officials, the Command's total environmental compliance requirements are about $292 million as compared to the $152 million that FORSCOM expects to receive from the Army. The Command has allocated $132.5 million of the $152 million to "must fund" projects (class I and II) and $19.5 million for class III projects. The $19.5 million is broken down as follows: $15 million for training area management and $4.5 million for pollution prevention projects.

[9]Honduras: Continuing U.S. Presence at Soto Cano Base Is Not Critical (GAO/NSIAD-95-39, Feb. 8, 1995).

FORSCOM officials could not provide a list of specific projects that it expects to conduct. They said that once the funds are allocated to the installations, the Command does not have control of the funds or oversight of how the funds are actually spent. The officials also said that if a planned class I or II project cannot be conducted for some reason, the installation will often fund a lower priority project rather than return the funds to the Command for redistribution. Examples of lower priority projects that have been conducted in the past include such things as cultural and historic resource studies, environmental awareness activities, and pest control.

In view of the fact that FORSCOM plans to fund other than "must fund" projects, Congress could reduce the Army's budget request for environmental compliance funding by $19.5 million.

Army Recruiting Funds

The Army, as the executive agent for recruiting facilities, is responsible for requesting funds for all recruiting offices. For fiscal year 1996, the Army's O&M budget request includes $102.6 million for leasing costs associated with the recruiting facilities.

We estimate that leasing costs could be reduced about $5.1 million by collocating the supervisory personnel with the recruiters rather than maintaining separate facilities for the supervisors. According to DOD officials, in fiscal year 1994, all of the Army's and about one-half of the Navy's and the Air Force's supervisory personnel occupied separate office space. In contrast, the Marine Corps locates its supervisory recruiting personnel with its recruiters.

An additional $13.3 million of leasing costs could be saved if the least productive recruiting offices were closed. In our December 1994 report,[10] we noted that 518 counties, out of a total of 1,036 counties in which recruiting offices are located, accounted for only 13.5 percent of the services' accessions. Of this total, approximately 290 counties each produced only 1 recruit during the first 5 months of 1994. On the other hand, 259 counties, or 25 percent of the total counties, produced 70 percent of all service accessions.

If the services closed the recruiting offices in the least productive 50 percent of counties, that is, offices in the 518 counties discussed above, it could reassign approximately 2,800 recruiters and save $13.3 million dollars in annual leasing costs.

[10]Military Recruiting: More Innovative Approaches Needed (GAO/NSIAD-95-22, Dec. 22, 1994).

In view of the above, Congress may want to direct that supervisory recruiting personnel be collocated with the recruiting personnel and that the least productive recruiting offices be closed. Taking these actions would enable Congress to reduce the Army's O&M request by $18.4 million.

Air Force Operational Support Aircraft

DOD Directive 4500.43 states that a service's operational support aircraft inventory will be based solely on wartime readiness requirements. The Air Force's fiscal year 1996 budget request includes $93.5 million for 81 primary authorized operational support aircraft. As we reported in June 1995,[11] the Air Force recently completed a study that shows that it needs fewer operational support aircraft to meet its wartime requirements than are currently in inventory. Reducing the Air Force's operational support aircraft inventory to its wartime requirements would enable it to save $18.1 million in O&M costs. Therefore, Congress could direct the Air Force to reduce its operational support aircraft inventory to its wartime requirements and reduce its O&M budget request by $18.1 million.

DOD Funding Support for the 1996 Olympics

The DOD Office of Special Events is responsible for managing all Defense support to international special events such as the 1996 Olympics. DOD assistance is primarily directed toward helping state and local law enforcement agencies responsible for security at the events. According to regulations, DOD assistance may be provided after state and local authorities have executed all other possible means to obtain the needed assistance.

From fiscal years 1992 to 1995, Congress appropriated $20.4 million for DOD assistance to special events and extended the period of availability of the funds to September 30, 1997, for expenses for the 1996 Summer Olympics. As of March 31, 1995, the special events account had an unobligated balance of about $11 million, which is available for the 1996 Olympics.

For fiscal year 1996, DOD has requested an additional $15 million for Olympic security activities. However, DOD officials could not identify the specific requirements supporting this request nor provide us with any information on how the request was estimated.

[11]Government Aircraft: Observations on Travel by Senior Officials (GAO/NSIAD-95-168BR, June 5, 1995).

In view of the unobligated funds remaining in the special events account and the lack of specifics for the fiscal year 1996 request, Congress could reduce DOD's fiscal year 1996 request by $15 million. Congress may also want to stipulate that in those cases where the special event makes a profit, the event organizers should reimburse DOD for the assistance provided.

In commenting on a draft of this report, a DOD official said that the threat level to the Olympic Games will ultimately determine how extensive a role DOD plays and it is impossible to predict the threat level at this time or how the requested funds will be utilized.

Legacy Resource Management Program

The Legacy Resource Management Program was created in 1990 to protect and preserve the natural and cultural resources on DOD-owned land.

In fiscal year 1995, DOD requested $10 million for the Legacy Program. Congress appropriated $50 million but the DOD Comptroller has only released $30 million for use by the Legacy Program. Examples of activities funded during fiscal year 1995 by the Legacy Program include preservation of historic documents related to the Air Force band, a study of Peregine falcon migration, research on German Prisoners of War murals, restoration and rehabilitation of a historic adobe structure, and salmon rearing.

For fiscal year 1996, DOD has requested $10 million for the programs. While the Legacy Program may be worthwhile, the question is whether funding this program represents the best use of DOD funds. By eliminating funds for this program, Congress could reduce DOD's request by $10 million.

Army's Afloat Prepositioning Program

The Army's current fleet of prepositioning ships consist of seven ships that were activated from the Ready Reserve Fleet. The Army plans to use these ships until it takes delivery of five Large Medium Speed Roll-on/Roll-off (LMSR) ships. The Army will then transfer the prepositioned materials from the seven existing ships to the five LMSR ships. After the current ships are unloaded, they will be deactivated and returned to the Ready Reserve Fleet.

The Army estimates that it will cost about $1 million to deactivate each ship, and the Army's fiscal year 1996 O&M budget request includes $7 million for this purpose. During our review we learned from Army

officials that the Army will only be able to deactivate two ships in fiscal year 1996 because deliveries of some of the LMSR ships have slipped from fiscal year 1996 to fiscal years 1997 and 1998.

In view of the fact that the Army plans to deactivate only two of the seven ships in fiscal year 1996, Congress could reduce the Army's fiscal year 1996 budget request by $5 million.

Army officials acknowledged that they would not need the $5 million for ship deactivation but stated that they could use the funds for other unfunded requirements.

Civil Air Patrol

The Civil Air Patrol (CAP) is a nonprofit corporation comprised of private citizens who assist in national and local emergencies, such as inland search and rescue missions, emergency air transport, counter drug surveillance, and humanitarian airlift missions. The Air Force has been providing financial support and some management personnel to CAP for a number of years.

In response to congressional concerns about CAP funding, the Air Force proposed a reorganization to reduce (1) the number of active duty military and Air Force civilian employees who provide support to CAP and (2) the need for funding by $3 million a year. The reorganization, begun in January 1995, has resulted in a need for more, not less, O&M funding. The reason for this is that the number of employees (about 250 before the reorganization) was not significantly reduced and state liaisons, who were once paid from the military pay appropriation, are now paid from O&M funds.

After the reorganization is complete, there will be 75 Air Force military and civilian employees supporting CAP. In addition, there will be 162 CAP employees paid with appropriated funds. Included in this total are 90 retired military who serve as wing liaisons in each of the 50 states, the District of Columbia, and Puerto Rico. These individuals will be compensated with O&M funds at a rate equal to the difference between their retirement pay and what their active duty pay would be if they were still on active duty.

For fiscal year 1996, the Air Force requested $17.5 million of O&M funds to provide support to CAP. This represents an increase of $4 million over the fiscal year 1995 funding level.

In view of the fact that the reorganization has not achieved the intended savings, Congress could reduce the Air Force's request for funds to support CAP by $4 million—the increase over last year's funding level.

Air Force Pilot Training Requirements

The Air Force plans to train 525 pilots in fiscal year 1996 at a cost of $244.8 million. The Air Force believes it needs to train at least 500 pilots each year to keep the pilot training pipeline running smoothly and fill non-flying pilot designated positions. However, there is no objective analysis to support this assumption.

Our analysis showed that 3,207 of 14,495, or 22 percent, of the pilot designated positions are non-flying positions and an additional 50 percent require only infrequent flying. Since fiscal year 1993 the number of pilots assigned to non-flying positions has increased from 2,094 to 2,391. Examples of non-flying pilot-designated positions include international analysts in the Office of the Secretary of Defense and pilot accession coordinators.

Between fiscal year 1996 and fiscal year 1999, the Air Force staff plans to reduce the number of non-flying pilot designated positions by 20 percent. The planned cut is based on a subjective determination not supported by any objective analysis.

The Air Force has not determined which, if any, non-flying pilot positions must be filled with pilots and has not determined the minimum number of pilots that must be trained each year to maintain the training base. In the absence of such information, we could not determine the amount of the potential budget reduction.

The Air Force had no comment on this issue.

Scope and Methodology

This review is one of a series that examines defense budget issues. Our review approach consisted of interviews with program and budget officials responsible for managing the programs and/or preparing the budget requests; reviews and analyses of financial, budget support, and program documents related to the O&M issue being reviewed; an analysis of prior-year funding levels and expenditures to identify trends; and reviews of our recently issued reports and ongoing assignments to identify O&M issues that could affect the fiscal year 1996 budget requests.

Our review was performed at Army, Navy, Air Force, and DOD headquarters; U.S. Forces Command; U.S. Army, Europe; Atlantic Fleet; Pacific Fleet; U.S. Air Forces, Europe; Air Combat Command; Air Mobility Command; and Air Force Materiel Command. We performed our review from January to July 1995 in accordance with generally accepted government auditing standards.

Representatives from the services and DOD were given an opportunity to comment on the issues in this report. Their comments were incorporated in the report where appropriate.

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

This report was prepared under the direction of Mark E. Gebicke, Director, Military Operations and Capabilities Issues, who may be reached on (202) 512-5140 if you or your staff have any questions. Major contributors to this report are listed in appendix I.

Henry L. Hinton, Jr.
Assistant Comptroller General

List of Congressional Committees

The Honorable Ted Stevens
Chairman, Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable Daniel K. Inouye
Ranking Minority Member
Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable John McCain
Chairman, Subcommittee on Readiness
Committee on Armed Services
United States Senate

The Honorable John Glenn
Ranking Minority Member
Subcommittee on Readiness
Committee on Armed Services
United States Senate

The Honorable John R. Kasich
Chairman, Committee on the Budget
House of Representatives

The Honorable Martin Olav Sabo
Ranking Minority Member
Committee on the Budget
House of Representatives

The Honorable Herbert H. Bateman
Chairman, Subcommittee on Military Readiness
Committee on National Security
House of Representatives

The Honorable Norman Sisisky
Ranking Minority Member
Subcommittee on Military Readiness
Committee on National Security
House of Representatives

The Honorable C. W. Bill Young
Chairman, Subcommittee on National Security
Committee on Appropriations
House of Representatives

The Honorable John P. Murtha
Ranking Minority Member
Subcommittee on National Security
Committee on Appropriations
House of Representatives

Major Contributors to This Report

National Security and International Affairs Division, Washington, D.C.	Sharon A. Cekala Robert J. Lane Carole F. Coffey Kerry A. O'Brien Donna M. Rogers
Atlanta Regional Office	Kevin C. Handley Harry F. Jobes
Cincinnati Regional Office	Bruce D. Fairbairn Leonard L. Benson
European Office	Bettye J. Caton Barry J. DeWeese John C. Wren Joanne L. Jurmu
Norfolk Regional Office	Thomas A. Pantelides Robert C. Mandigo, Jr. Raul S. Cajulis Robert W. Wagner Tracy W. Banks Dawn R. Godfrey

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000 or by using fax number (301) 258-4066, or TDD (301) 413-0006.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (301) 258-4097 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

PRINTED ON RECYCLED PAPER

United States
General Accounting Office
Washington, D.C. 20548-0001

Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100

Official Business
Penalty for Private Use $300

Address Correction Requested