

April 1996

# DEFENSE INFRASTRUCTURE

## Budget Estimates for 1996-2001 Offer Little Savings for Modernization



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

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

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The Department of Defense's (DOD) procurement funding of new weapon systems has been greatly reduced since 1985. The Secretary of Defense has stated that DOD must begin to increase procurement funding if it is to have a modern future force. The Secretary wants to reform the acquisition process and reduce and streamline infrastructure to help pay for the billions of dollars that DOD projects it will need to modernize the force. As you requested, we analyzed DOD's infrastructure activities and their associated costs in DOD's Future Years Defense Program (FYDP) to see if DOD plans to spend less for infrastructure activities by fiscal year 2001 to help pay to modernize the force as the Secretary plans. We also summarized some of our audit work that identified opportunities for DOD to reduce or streamline infrastructure activities and asked the Congressional Budget Office (CBO) to estimate the potential budgetary savings.<sup>1</sup>

## Background

An objective of DOD's 1993 Report on the Bottom-Up Review was to identify potential infrastructure savings and to launch a long-term process to reduce and streamline DOD's infrastructure without harming readiness. The report stated that infrastructure activities accounted for \$160 billion in fiscal year 1994, or about 60 percent of DOD's total obligational authority. It defined infrastructure as all DOD activities other than those directly associated with operational forces, intelligence, strategic defense, and applied research and development and identified seven infrastructure categories. The categories were logistics, medical, personnel, training, acquisition management, installation support, and force management.

The FYDP is an authoritative record of current and projected force structure, costs, and personnel levels that have been approved by the Secretary of Defense. The FYDP displays the allocation of resources by

<sup>1</sup>Savings or reductions in infrastructure funding could be used to reduce the deficit or provide funds for other programs, under the Budget Enforcement Act, as amended.

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programs and activities known as program elements. There are about 2,600 program elements in DOD's fiscal year 1996 FYDP, which covers fiscal years 1996-2001.

In September 1995, we reported on the significant differences between the fiscal year 1995 and 1996 FYDPs.<sup>2</sup> As part of that work, we requested that DOD identify for us the infrastructure programs in the FYDP. DOD officials stated that they were in the process of coordinating changes to some infrastructure activities and categories, and therefore, would not identify the FYDP infrastructure related programs at that time. Based on DOD's infrastructure definition and categories in the bottom-up review report, we identified the program elements in the FYDP that we considered to be associated with infrastructure activities. In our 1995 report, we concluded that, based on our analysis of the 1996 FYDP using the program elements that we considered to be associated with infrastructure activities, the proportion of infrastructure funding in the total defense budget would remain relatively constant through 2001. DOD officials concurred with this conclusion. In November 1995, DOD provided us with a detailed breakdown of the infrastructure related program elements in the FYDP.

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## Results in Brief

There are no significant net infrastructure savings to DOD between fiscal years 1996 and 2001, based on our analysis of the infrastructure related program elements in the FYDP. The proportion of planned infrastructure funding in DOD's budgets will remain relatively constant at about 60 percent through 2001. We also found that 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 identify significant infrastructure savings from these appropriations to modernize its force.

Although DOD defines infrastructure as those activities that provide support services to mission programs, such as combat forces, and primarily operate from fixed locations, it excludes most intelligence, space, and command, control, and communications programs that meet this criterion. These programs account for about \$25.2 billion in fiscal year 1996. If DOD's objective is to examine all possible infrastructure for savings, it would appear that it would want to include such programs.

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<sup>2</sup>Future Years Defense Program: 1996 Program Is Considerably Different From the 1995 Program (GAO/NSIAD-95-213, Sept. 15, 1995).

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 (DBOF) activities. The officials estimate that this is about 20 to 25 percent of DOD's total infrastructure and mostly represents logistics purchases which cannot be specifically identified.

Our work over the years has identified numerous areas where infrastructure activities can be consolidated, streamlined, and reengineered to be made more efficient. We specifically identify 13 options in appendix I that CBO estimates could result in savings of about \$11.8 billion from fiscal years 1997-2001.

## DOD's Efforts to Identify and Measure Infrastructure

According to DOD officials within the Office of Program Analysis and Evaluation (PA&E), DOD's efforts to identify and track infrastructure funding have been underway for several years.<sup>3</sup> PA&E officials told us DOD has a better understanding of the elements that fund DOD infrastructure activities than it had at the time of the bottom-up review. Using the FYDP, DOD has clearly identified program elements that fund infrastructure activities and refer to these as "direct infrastructure." However, there are parts of the total infrastructure funding that cannot be clearly identified in the FYDP. According to PA&E officials, this is about 20 to 25 percent of DOD's total infrastructure funding and mostly represents logistics purchases which cannot be specifically identified.

Since the FYDP is the most comprehensive source of continuous defense resource data, PA&E, with assistance from the Institute for Defense Analyses, sought to define infrastructure programs in terms of FYDP program elements. In June 1995 the Institute issued a manual and a mapping scheme that categorize each of the FYDP program elements as either mission programs or infrastructure programs.<sup>4</sup> Activities and programs that produce the outputs expected of DOD or directly support missions by deploying with the combat forces are classified as mission programs. Activities that provide support services to the mission programs and primarily operate from fixed locations are classified as infrastructure programs. PA&E assigned each infrastructure program element to one of the following eight categories based on the program's activities:

<sup>3</sup>PA&E, within the Office of the Secretary of Defense, is responsible for identifying and tracking infrastructure activities.

<sup>4</sup>A Reference Manual for Defense Mission Categories, Infrastructure Categories, and Program Elements, Institute for Defense Analyses, (IDA Paper P-3113, June 1995).

acquisition infrastructure; installation support; central command, control, and communications; force management; central logistics; central medical; central personnel; and central training. These categories are described in appendix II. Central command, control, and communications is a new category since the bottom-up review. The program elements in this category were previously included in the force management category.

PA&E officials told us that some infrastructure activities and programs could not be clearly identified in the FYDP because their funding is derived from the goods and services they provide to others. For example, the Defense Logistics Agency receives most of its funds from the goods and services it sells to other DOD activities. As a result, the costs of its infrastructure activities are included in all of the other defense activities' budgets that purchase their goods and services. This situation is common for activities that are included in DBOF.<sup>5</sup> According to the officials, PA&E has estimated a range for the DBOF infrastructure costs funded by mission programs based on data from various DOD financial systems. For the fiscal year 1995 FYDP (1995-1999), PA&E estimated these annual costs to be between \$28 billion and \$39 billion, or about 20 to 25 percent of the total infrastructure funding. However, the officials consider these estimates to be preliminary until more precise methods to calculate this portion of the infrastructure are developed next year. We could not verify the source or accuracy of these estimates.

## DOD May Not Be Accounting for All Its Infrastructure

DOD defines infrastructure as activities that provide support services to the mission programs and primarily operate from fixed locations. In our analysis of DOD's infrastructure and mission programs, we found that many intelligence, space, and command, control, and communications programs are excluded from the infrastructure, even though they appear to fit DOD's infrastructure definition. In fiscal year 1996, intelligence, space, and command, control, and communications programs accounted for \$25.2 billion, or 20 percent of mission programs. These programs include installations, facilities, and activities that would not deploy with combat forces but would support those forces. For example, the command, control, and communications mission program was projected to receive \$3.6 billion in fiscal year 1996. Over \$1 billion was for long-haul communications for the defense communications system and various expenses within the World-Wide Military Command and Control Systems. Although combat forces may link into these systems, the actual systems

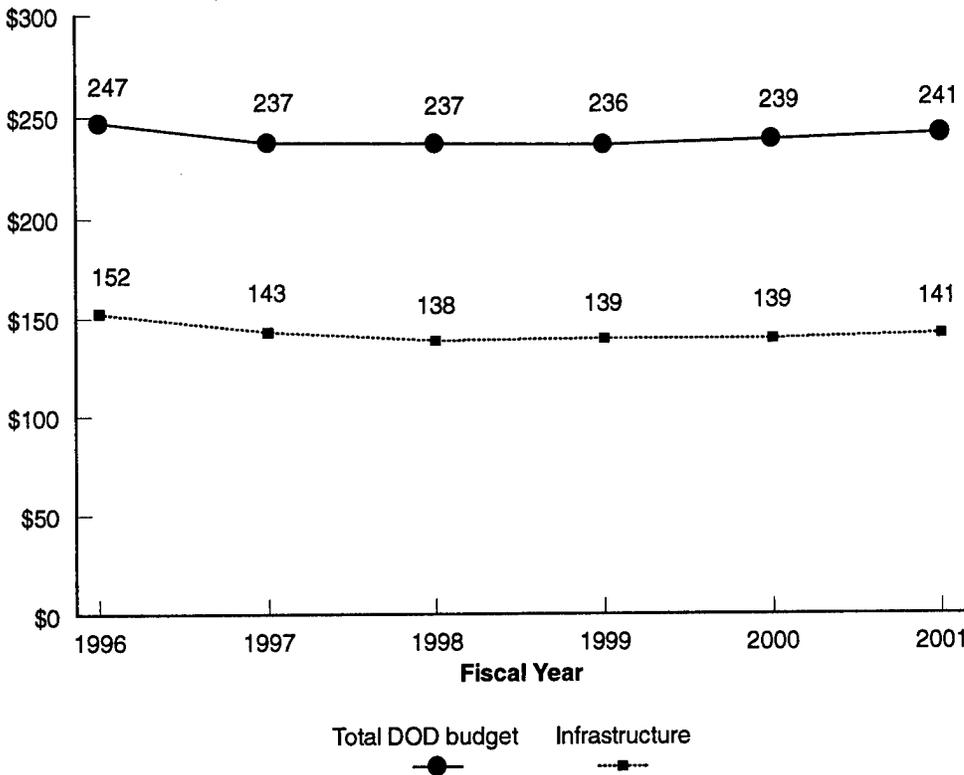
<sup>5</sup>DBOF is a revolving fund. Activities financed by DBOF respond to demands for goods and services, such as depot maintenance, in exchange for reimbursement of total costs incurred in delivering the goods or services.

operate from fixed locations. We believe that by categorizing most intelligence, space, and command, control, and communications programs as mission activities, even though they appear to include infrastructure activities, DOD's accounting of infrastructure may not be complete.

## No Significant Net Infrastructure Savings Are Projected Through 2001

Our review of DOD's fiscal year 1996 FYDP found no significant net infrastructure savings between fiscal years 1996 and 2001 because the proportion of infrastructure in the DOD budgets under current plans will remain relatively constant through 2001. For example, although infrastructure funding was projected to decline from 1996 to 1997, the DOD budget was also projected to decline at about the same rate. Infrastructure activities would have to be reduced more than DOD's total budget to achieve net savings in infrastructure. About 60 percent of DOD's budget is expected to fund infrastructure activities during the 1996-2001 period, the same as was reported for fiscal year 1994 in the bottom-up review report. Figure 1 shows the trends for DOD's total planned budgets and infrastructure activities—both direct and estimated DBOF infrastructure funded by mission programs.

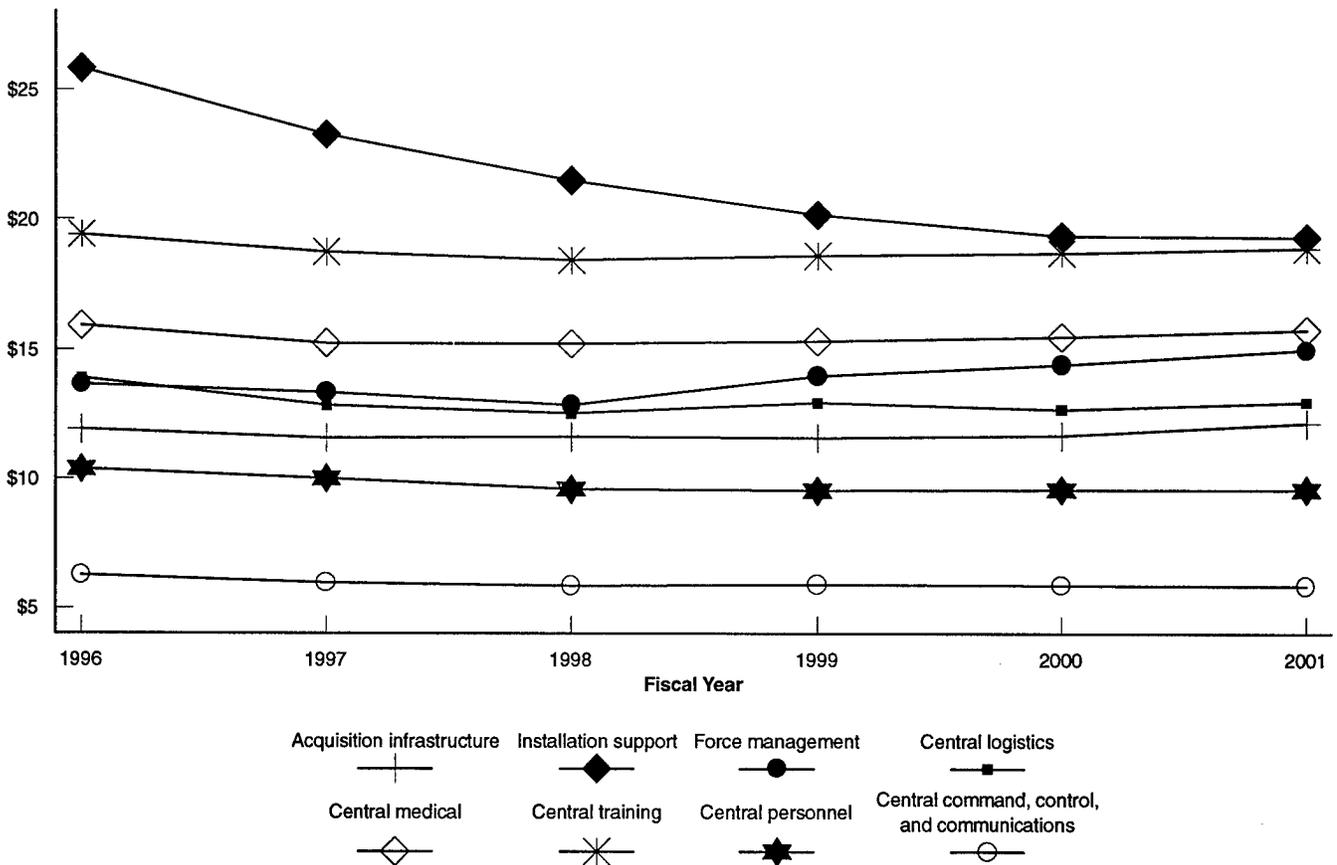
**Figure 1: Comparison of DOD's Total Planned Obligational Authority to Total Planned Infrastructure Funding for Fiscal Years 1996-2001 (Constant 1996 dollars in billions)**



We analyzed the eight infrastructure categories to see if their estimated funding levels changed from 1996 through 2001. For this and subsequent analyses, we used direct infrastructure funding since we had no basis to allocate DBOF funds across these categories. Figure 2 shows the projected funding for the infrastructure categories through 2001. As figure 2 shows, DOD has programmed about 25 percent less for installation support in 2001 than in 1996. Most of the planned decline results from base closures and realignments and reductions in base operation costs and military construction costs. However, any savings resulting from the decline in installation support costs between 1996 and 1998 are offset by the projected reductions in DOD's total budget. The decline in installation

support costs from 1998 to 2001 is almost entirely absorbed by the increases in the other infrastructure categories.

Figure 2: Projected Trends for Infrastructure Categories for Fiscal Years 1996-2001 (Constant 1996 dollars in billions)



The projected funding by fiscal year for the infrastructure categories is shown in table 1.

**Table 1: Projected Funding for Infrastructure Categories for Fiscal Years 1996-2001**

Constant 1996 dollars in billions

Infrastructure categories	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Installation support	\$25.83	\$23.27	\$21.49	\$20.16	\$19.35	\$19.30
Central training	19.41	18.74	18.41	18.59	18.70	18.88
Central medical	15.93	15.25	15.22	15.32	15.49	15.76
Central logistics	13.89	12.83	12.51	12.93	12.68	12.96
Force management	13.65	13.33	12.84	13.97	14.41	14.99
Acquisition infrastructure	11.90	11.57	11.61	11.57	11.66	12.15
Central personnel	10.37	10.01	9.58	9.53	9.56	9.57
Central command, control, and communications	6.27	5.96	5.84	5.90	5.86	5.84
Resource adjustments <sup>a</sup>	-0.19	-1.19	-1.07	-0.81	-0.68	-0.60
<b>Total direct infrastructure</b>	<b>\$117.06</b>	<b>\$109.78</b>	<b>\$106.44</b>	<b>\$107.16</b>	<b>\$107.04</b>	<b>\$108.85</b>

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

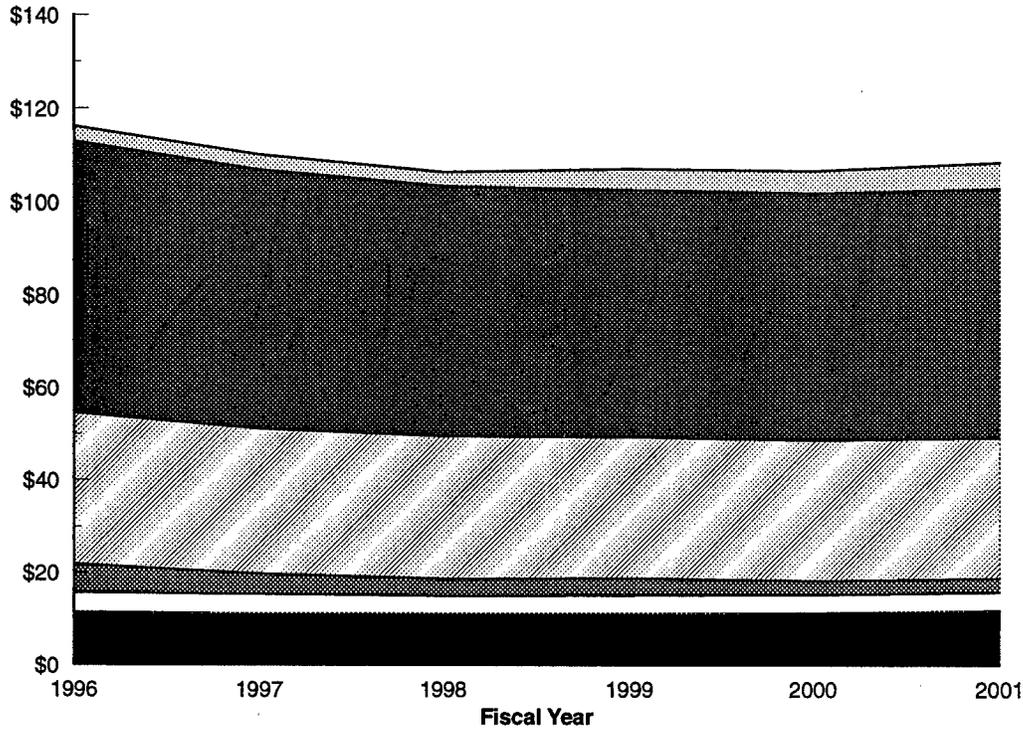
Table 1 shows that three categories, installation support, central training, and central medical, comprise 50 percent of the total direct infrastructure in fiscal years 1996 and 2001. The table also shows that only two categories increase over the 1996-2001 period—force management and acquisition infrastructure.

Although it is not possible to allocate the DBOF infrastructure in mission programs by infrastructure categories, we believe that much of this infrastructure would be included in the central logistics category because many of the DBOF activities perform logistics functions.

## Most Infrastructure Activities Are Funded by the Operation and Maintenance and Military Personnel Appropriations

As shown in figure 3, most direct infrastructure activities are funded by operation and maintenance and military personnel appropriations. These appropriations have been closely associated with the readiness and quality-of-life of the force, priority areas of the Secretary of Defense for the last few years. Thus, DOD must identify significant infrastructure savings from these appropriations to modernize its force.

Figure 3: Direct Infrastructure Funding by Appropriation for Fiscal Years 1996-2001 (Constant 1996 dollars in billions)



- Research, development, test and evaluation
- Family housing
- Military construction
- Military personnel
- Operation and maintenance
- Procurement

As shown in table 2, 90 percent of DOD's planned direct infrastructure costs are funded out of three appropriations—operation and maintenance (about 50 percent), military personnel (about 30 percent), and research, development, test, and evaluation (about 10 percent).

**Table 2: Direct Infrastructure by Appropriation for Fiscal Years 1996-2001**

Constant 1996 dollars in billions

Appropriation	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Operation and maintenance	\$58.50	\$55.75	\$53.95	\$53.40	\$53.37	\$53.68
Military personnel	32.62	31.29	30.80	30.48	30.33	30.30
Research, development, test, and evaluation	11.37	11.11	11.12	11.13	11.32	11.78
Military construction	6.26	4.41	3.78	3.66	3.01	3.16
Family housing	4.29	4.34	3.84	4.04	4.02	3.97
Procurement	3.20	3.17	3.00	4.38	4.72	5.56
Revolving funds and other	0.81	-0.28	-0.07	0.07	0.27	0.40
<b>Total direct infrastructure</b>	<b>\$117.06</b>	<b>\$109.78</b>	<b>\$106.44</b>	<b>\$107.16</b>	<b>\$107.04</b>	<b>\$108.85</b>

Table 2 also shows that infrastructure funded by four appropriations—operation and maintenance, military personnel, military construction, and family housing—decline. The largest percentage decline (about 50 percent) is in the military construction appropriation. Most of the decline in the operation and maintenance, military personnel, and military construction appropriations is from fiscal years 1996 to 1998. The infrastructure funded by the procurement appropriation increases by about \$2.4 billion, or by 73 percent, between fiscal years 1996 and 2001.

Table 3 shows the distribution of operation and maintenance funds by infrastructure program categories. Almost 60 percent of the total operation and maintenance funding for direct infrastructure in fiscal years 1996 and 2001 is for installation support, central logistics, and central medical costs. Central medical is the only category that is projected to increase during the 1996 to 2001 period. Installation support is projected to decline by over 20 percent, or by about \$2.5 billion.

**Table 3: Operation and Maintenance Funds by Infrastructure Category for Fiscal Years 1996-2001**

Constant 1996 dollars in billions

<b>Infrastructure category</b>	<b>FY 1996</b>	<b>FY 1997</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>
Installation support	\$12.09	\$11.22	\$10.65	\$9.60	\$9.49	\$9.53
Central logistics	11.50	10.50	10.21	10.42	10.25	10.25
Central medical	10.24	9.82	9.85	10.02	10.29	10.51
Force management	8.50	8.35	7.68	7.77	7.77	7.82
Central training	8.12	7.87	7.78	7.83	7.86	7.89
Central personnel	3.94	3.93	3.84	3.82	3.77	3.76
Central command, control, and communications	3.71	3.68	3.58	3.60	3.59	3.61
Acquisition infrastructure	0.39	0.38	0.36	0.35	0.34	0.32
<b>Total direct infrastructure</b>	<b>\$58.50</b>	<b>\$55.75</b>	<b>\$53.95</b>	<b>\$53.40</b>	<b>\$53.37</b>	<b>\$53.68</b>

Table 4 shows the distribution of military personnel funds by infrastructure category. Central training accounts for about 30 percent of the infrastructure funded by military personnel appropriations in fiscal years 1996 and 2001. As the table shows, all of the categories decline slightly during the 6-year period.

**Table 4: Military Personnel Funds by Infrastructure Category for Fiscal Years 1996-2001**

Constant 1996 dollars in billions

<b>Infrastructure categories</b>	<b>FY 1996</b>	<b>FY 1997</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>
Central training	\$10.17	\$9.83	\$9.61	\$9.46	\$9.44	\$9.46
Central personnel	6.10	5.87	5.68	5.65	5.70	5.74
Central medical	5.35	5.19	5.13	5.05	5.00	4.98
Force management	4.20	4.05	4.26	4.20	4.15	4.13
Installation support	4.07	3.78	3.67	3.62	3.59	3.61
Central command, control, and communications	1.19	1.09	1.08	1.06	1.05	1.04
Acquisition infrastructure	0.96	0.86	0.82	0.81	0.79	0.79
Central logistics	0.84	0.78	0.76	0.75	0.74	0.74
Resource adjustments	-0.26	-0.17	-0.22	-0.12	-0.14	0.19
<b>Total direct infrastructure</b>	<b>\$32.62</b>	<b>\$31.29</b>	<b>\$30.80</b>	<b>\$30.48</b>	<b>\$30.33</b>	<b>\$30.30</b>

Table 5 shows the distribution of research, development, test, and evaluation funds by infrastructure categories. As the table shows, about 90 percent of the funds are in the acquisition infrastructure category. The table also shows that the total direct infrastructure funding for research, development, test, and evaluation remains relatively constant during the 6-year period.

**Table 5: Research, Development, Test, and Evaluation Funds by Infrastructure Category for Fiscal Years 1996-2001**

Constant 1996 dollars in billions

Infrastructure category	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Acquisition infrastructure	\$10.50	\$10.30	\$10.38	\$10.24	\$10.44	\$10.95
Central command, control, and communications	0.42	0.39	0.35	0.37	0.35	0.34
Installation support	0.22	0.19	0.14	0.13	0.13	0.11
Force management	0.21	0.21	0.24	0.36	0.38	0.35
Central logistics	0.02	0.02	0.02	0.02	0.02	0.02
Central personnel	0.01	0.01	0.01	0.01	0.01	0.01
<b>Total direct infrastructure</b>	<b>\$11.37</b>	<b>\$11.11</b>	<b>\$11.12</b>	<b>\$11.13</b>	<b>\$11.32</b>	<b>\$11.78</b>

## Our Work Identifies Ways to Reduce DOD's Infrastructure Funding

Our ongoing work and prior reports have identified numerous opportunities to reduce, consolidate, and streamline operations in areas such as industrial facilities, inventory management, and training activities. We believe that changes would yield savings in DOD's infrastructure over the longer term and need to be aggressively pursued. This is critical, since the savings derived from reducing infrastructure can be used for other purposes, such as to modernize weapon systems or reduce the deficit. Moreover, savings could also help address long-standing financial management problems in DOD. Historically, DOD has encountered problems in putting effective financial management systems in place. Our work has shown that DOD continues to have serious problems in many areas, including accounting for billions of dollars in annual disbursements, failing to identify and disclose potential future government liabilities, failing to protect its assets from fraud, waste, and abuse and being unable to reliably report on the costs of its operations.<sup>6</sup> In order to address these problems, DOD may need to make investments to consolidate and improve the quality and reliability of its financial and accounting systems as well as to upgrade

<sup>6</sup>Financial Management: Challenges Facing DOD in Meeting the Goals of the Chief Financial Officers Act (GAO/T-AIMD-96-1, Nov. 14, 1995); High Risk Series: Defense Contract Management (GAO/HR-95-3, Feb. 1995); and High Risk Series: Defense Inventory Management (GAO/HR-95-5, Feb. 1995).

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the agency's financial management personnel. Below, we discuss several examples of our work.

- Our work highlights several actions that could be taken to improve the cost-effectiveness of the DOD depot maintenance program. These actions include using more cross-servicing and public-private competitions and reducing costly excess capacity that exists at intermediate level maintenance units.
- Our work suggests that DOD could reduce costs by adopting commercial inventory management practices for hardware items. For example, DOD inventories of hardware items existing in 1992 are expected to decrease only 20 percent by 1997. Even then, projected inventory for construction, electronics, general, and industrial hardware items could last for between 2 to 4 years, compared to private sector levels of about 90 days.
- Our work on DOD's training infrastructure found that an overall plan to guide and measure the progress of reducing the training infrastructure is lacking. Moreover, the lack of a management information system with reliable cost data within the various training categories makes it difficult for DOD to evaluate the overall effectiveness of alternate methods of providing training and assess whether actions taken to reduce costs are achieving the expected results.
- Reengineering and modern technology offer opportunities to reduce costs and improve the quality of service. DOD has invested heavily in costly information systems that have failed to produce dramatic service improvements, increase productivity, or reduce costs. As a result, DOD may lock itself into automated ways of doing business that do not serve its goals for the future and cannot provide promised benefits and savings.

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## Specific Options for Reducing DOD's Infrastructure

We present 13 options in appendix I where estimates of budgetary savings were developed by CBO. We discuss a few of these options below. Some of the options reflect our recommendations; others do not, but rather represent one way to address, in a budgetary context, some of the significant problems identified in our evaluation of DOD programs. Inclusion of a specific option in this report does not mean that we endorse it as the only or most feasible approach or that other spending reductions are not also appropriate for consideration by Congress.

Our option with the highest dollar value savings addresses DOD's acquisition workforce. In November 1995, we reported that DOD acquisition organizations had a combined acquisition workforce of about 464,000—398,000 civilian and 66,000 military in 1994. Even with declines in

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both the defense procurement budget and the civilian acquisition workforce since 1990, the number of acquisition organizations remains relatively constant. Subsequent to our report, the National Defense Authorization Act for Fiscal Year 1996 required DOD to provide a plan to reduce the number of military and civilian personnel in acquisition organizations by 25 percent over 5 years and eliminate duplicative functions among existing acquisition organizations. CBO estimates the 5-year savings (fiscal years 1997-2001) associated with the civilian personnel reductions alone would be approximately \$5.5 billion.

Another option addresses savings for the central logistics infrastructure category. In February 1996, we reported that DOD's transportation costs are higher than necessary. DOD customers frequently pay prices for transportation services that are double or triple the cost of the basic transportation. Driving these higher costs are the U.S. Transportation Command's fragmented management processes and its inefficient organizational structure, which includes not only the command headquarters but the Army Military Traffic Management Command, the Navy Military Sealift Command, and the Air Force Air Mobility Command. Salaries and wages alone for the U.S. Transportation Command in fiscal year 1994 were more than \$1 billion. Our option illustrates one way to improve the U.S. Transportation Command's operations by combining functions and eliminating some personnel at the Military Traffic Management Command and Military Sealift Command. Civilian personnel savings associated with this reorganization effort could be \$450 million for fiscal years 1997-2001.

An option for the central medical infrastructure category establishes copayments for care received in military hospitals. Health care received by military beneficiaries in military hospitals and clinics is free. However, military beneficiaries share in the costs of care they obtain from civilian providers. Research has shown that free care leads to greater and unnecessary utilization and, therefore, greater costs. By establishing cost-sharing requirements for care received in military hospitals similar to civilian cost-sharing requirements, 5-year savings for fiscal years 1997-2001 of approximately \$1 billion could be achieved.

Table 6 summarizes our options organized by infrastructure category. The cumulative 5-year total (fiscal years 1997-2001) of budgetary savings estimated by CBO is \$11.8 billion.

**Table 6: Summary of GAO Options for Potential Savings in DOD Infrastructure**

Budget authority in millions of dollars for fiscal years 1997-2001

Infrastructure category	Option title	Five-year savings
Acquisition infrastructure	Reduce DOD's acquisition workforce and provide more efficient operations	\$5,540
	Reassess defense conversion spending	1,067
Installation support	Consolidate Air Force fighter squadrons	718
	End U.S. presence at Soto Cano Air Force Base, Honduras	150
	Eliminate funds for the Legacy Resource Management Program	50
Force management	Reduce the size of DOD's finance and accounting infrastructure	1,390
	Cap funding for the Civil Air Patrol	30
Central logistics	Reduce the size of DOD's transportation infrastructure	450
Central medical	Close DOD's Uniformed Services University of the Health Sciences	299
	Establish copayments for care in military hospitals	1,018
Central personnel	Collocate and close recruiting facilities	104
	Discontinue or phase out the Junior Reserve Officers' Training Corps Program	912
Central training	Discontinue National Guard youth programs	71
<b>Total budget authority</b>		<b>\$11,799</b>

Sources: GAO options for which CBO provided savings estimates.

## Agency Comments

In oral comments, DOD agreed with this report's findings and conclusions. The comments dealt primarily with technical accuracy and clarification. We have changed the report, as appropriate, to respond to these comments.

## Scope and Methodology

To define and evaluate DOD's infrastructure activities, we interviewed officials in DOD's Office of PA&E and analyzed data contained in the fiscal year 1996 FYDP. The fiscal year 1997 FYDP was not available. In addition, we reviewed DOD's Reference Manual For Defense Mission Categories, Infrastructure Categories, and Program Elements prepared by the Institute for Defense Analyses; the President's fiscal year 1996 budget submission; the fiscal year 1996 Authorization Report; our prior reports; and pertinent reports by the CBO, the Congressional Research Service, and others.

The direct infrastructure was derived using DOD's mapping scheme. The DBOF infrastructure funded by mission programs was projected using PA&E's data. For the fiscal year 1995 FYDP, which included data for fiscal

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years 1995-1999, PA&E estimated the DBOF portion of the infrastructure funded by mission programs as 20 to 25 percent of the total infrastructure. DOD did not calculate an annual value of DBOF infrastructure funded by mission programs for the years included in the 1996 FYDP. Therefore, we based our fiscal years 1996-2001 estimates of DBOF infrastructure funded by mission programs on the same proportions DOD had estimated for the 1995 FYDP. For example, we took the direct infrastructure, which we could measure using the 1996 FYDP, to equal 75 to 80 percent of the total value of infrastructure. We then extracted the additional 20 to 25 percent of infrastructure from the total value of mission programs as DBOF infrastructure funded by mission programs to obtain our estimated values for total infrastructure.

Infrastructure options were drawn from our prior and ongoing work. CBO determined the budgetary effects of these options.

Our work was conducted from October 1995 to March 1996 in accordance with generally accepted government auditing standards.

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We are providing copies of this report to appropriate congressional House and Senate 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, Deborah Colantonio, Edna Thea Falk, and Scott Hornung.



Richard Davis  
Director, National Security  
Analysis



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**Abbreviations**

AMC	Air Mobility Command
CBO	Congressional Budget Office
DBOF	Defense Business Operations Fund
DOD	Department of Defense
DFAS	Defense Finance and Accounting Service
FYDP	Future Years Defense Program
JROTC	Junior Reserve Officers' Training Corps
MSC	Military Sealift Command
MTMC	Military Traffic Management Command
PA&E	Office of Program Analysis and Evaluation
ROTC	Reserve Officers' Training Corps
USTRANSCOM	U.S. Transportation Command

# Infrastructure Options

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This appendix provides GAO's infrastructure options organized by infrastructure category. In addition to the infrastructure category, GAO provides information about the budget account, GAO's framework theme,<sup>1</sup> and a summary and description of budgetary implications. Although the descriptions are intended to synopsize the key issues and problems developed in GAO's audits and evaluations, readers are encouraged to refer to the related GAO products, listed at the end of each option, for a complete discussion.

## Acquisition Infrastructure

- Reduce DOD's acquisition workforce and provide more efficient operations
- Reassess defense conversion spending

## Installation Support

- Consolidate Air Force fighter squadrons
- End U.S. presence at Soto Cano Air Force Base, Honduras
- Eliminate funds for the Legacy Resource Management Program

## Force Management

- Reduce the size of DOD's finance and accounting infrastructure
- Cap funding for the Civil Air Patrol

## Central Logistics

- Reduce the size of DOD's transportation infrastructure

## Central Medical

- Close DOD's Uniformed Services University of the Health Sciences
- Establish copayments for care in military hospitals

## Central Personnel

- Collocate and close recruiting facilities
- Discontinue or phase out the Junior Reserve Officers' Training Corps Program

## Central Training

- Discontinue National Guard youth programs

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<sup>1</sup>For a complete discussion of GAO's deficit reduction framework, see *Addressing the Deficit: Budgetary Implications of Selected GAO Work for Fiscal Year 1996* (GAO/OCG-95-2, Mar. 15, 1995).

**Option:  
Reduce DOD's  
Acquisition Workforce  
and Provide More  
Efficient Operations**

Infrastructure category	Acquisition infrastructure
Budget accounts	Multiple
GAO framework theme	Improve efficiency

In November 1995, GAO reported that DOD had a combined acquisition workforce of about 464,000—398,000 civilians and 66,000 military personnel in fiscal year 1994. The DOD acquisition infrastructure consumes enormous resources that could otherwise be used to meet modernization needs. In 1994, DOD's civilian acquisition workforce was 12 percent lower than in 1980; however, these personnel reductions have not resulted in a commensurate decline in civilian payroll costs. This is due in part to the significant decline in blue collar workers. In addition, DOD officials stated that civilian payroll costs increased because of other factors, such as the advent of locality pay and changes in grade structure.

Despite declines in both the defense procurement budget and the civilian workforce since 1990, the number of acquisition organizations remains relatively constant. Each acquisition organization maintains similar occupational fields in common areas, such as personnel, budgeting, computer specialists, and contracting, and many of the duties performed in these occupations are not unique to an acquisition organization's mission. As a result, there are significant opportunities to improve efficiencies in these areas.

The National Defense Authorization Act for Fiscal Year 1996 contains a provision (title IX, section 906) that requires DOD to provide a plan to reduce the number of personnel (both military and civilian) assigned to defense organizations by 25 percent over a 5-year period. The provision also requires an actual reduction of 15,000 personnel during fiscal year 1996. The total civilian personnel reductions would be about 90,000. Further, the provision requires eliminating duplicative functions among the acquisition organizations.

Successful implementation of a 25-percent reduction in DOD's acquisition workforce and consolidation of functions would result in substantial future savings. The savings from civilian personnel salaries alone are estimated in the following table.

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Infrastructure Options**

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**Five-year Savings**

Dollars in millions

	<b>FY 1997</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>
Budget authority	\$80	\$450	\$1,040	\$1,880	\$2,090
Outlays	80	440	1,020	1,850	2,090

Source: CBO.

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**Related GAO Product**

Defense Acquisition Organizations: Changes in Cost and Size of Civilian Workforce (GAO/NSIAD-96-46, Nov. 13, 1995).

**Option:  
Reassess Defense  
Conversion Spending**

Infrastructure category	Acquisition infrastructure
Budget account	Research, Development, Test, and Evaluation, Defense-wide (97-0400)
GAO framework theme	Reassess objectives

Estimates of DOD's portion of the total federal funds to be spent on defense conversion for fiscal years 1993 through 1997 increased in the early years of the current administration. However, GAO found no evidence that (1) the level of spending is appropriate in light of other government programs that support similar purposes and (2) the private economy has not responded to the need for which these funds were authorized and appropriated. Consequently, Congress may wish to slow DOD's spending in this area.

The President's defense conversion initiative, announced on March 11, 1993, totaled \$19.6 billion over 5 years; DOD's portion was 42 percent. The administration's February 1994 estimate of the initiative's cost was \$21.6 billion; DOD's portion had increased to 59 percent. A study for DOD's 1993 Defense Conversion Commission identified 116 federal or state programs, not classified as defense conversion, that could help ease the impact of defense downsizing. These programs cost about \$24 billion in fiscal year 1993. Other related programs include federal activities to develop advanced industrial technology with costs of about \$10 billion in fiscal year 1994.

The United States is now in the 11th year of defense downsizing, and many firms, individuals, and communities that were adversely affected may have already responded. Overall, savings from slowing defense conversion spending would depend on the programs and activities affected. As an illustrative example, CBO estimates that if the Technology Reinvestment Program, one component of defense conversion spending, is eliminated beginning in fiscal year 1997, the following savings could be achieved.<sup>2</sup>

<sup>2</sup>The National Defense Authorization Act for Fiscal Year 1996 reduced the administration's request of \$500 million for the Technology Reinvestment Program to \$195 million.

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**Infrastructure Options**

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**Five-year Savings**

Dollars in millions

	<b>FY 1997</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>
Budget authority	\$201	\$207	\$213	\$220	\$226
Outlays	87	170	200	209	218

Source: CBO.

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**Related GAO Products**

Technology Reinvestment Project: Recent Changes Place More Emphasis on Military Needs (GAO/T-NSIAD-95-167, May 17, 1995).

Defense Conversion: Capital Conditions Have Improved for Small- and Medium-Sized Firms (GAO/NSIAD-94-224, July 21, 1994).

Defense Conversion: Status of Funding and Spending (GAO/NSIAD-94-218BR, June 30, 1994).

Defense Conversion: Slow Start Limits Spending (GAO/NSIAD-94-72, Jan. 25, 1994).

**Option:  
Consolidate Air Force  
Fighter Squadrons**

Infrastructure category	Installation support
Budget account	Operation and Maintenance, Air Force (57-3400)
GAO framework theme	Improve efficiency

The Air Force accounts for its fighter force structure in wing equivalents that represent 72 aircraft. At the end of the Air Force's planned drawdown, the Air Force's active component F-15 and F-16 communities will make up about 10 fighter wing equivalents. The Air Force plans to station these aircraft in 37 squadrons at 17 bases in the United States and overseas. Until recently, Air Force fighter wings were predominantly organized in 3 squadrons of 24 aircraft. However, the Air Force has decided to reduce its squadron size to 18, which also reduced its wing size to 54. This change in unit size increased the number of wings and squadrons to more than would have been needed had the squadron size stayed at 24.

The Air Force has not demonstrated that it needs additional squadrons. Air Force officials maintain that more squadrons are needed to provide the Air Force with additional flexibility to respond to numerous potential conflicts across the globe. Although the Air Force considers smaller fighter squadrons beneficial, it had not performed any analysis to justify its decision. Further, according to Air Force officials, Commanders in Chiefs, who are responsible for conducting these operations, developed plans based on the number of aircraft that are needed to execute missions—regardless of squadron size.

Keeping more squadrons than are needed increases operating costs and may result in more base infrastructure than the Air Force needs. GAO developed several notional basing plans that the Air Force could use in considering how to consolidate its fighter force into fewer squadrons. Implementing these plans could eliminate not only between two and seven squadrons, but also a wing and/or fighter base. CBO identified operating and support cost savings ranging between \$37 million and \$145 million annually (in 1996 dollars).<sup>3</sup> Recurring savings resulting from a base closure are estimated at an additional \$40 million annually (in 1996 dollars). However, these savings would not begin to accrue until 3 to 4 years after the base closure decision. If Congress chose to consolidate the Air Force's

<sup>3</sup>The CBO savings estimate is based on GAO's manpower reduction estimates. Based on these reductions, GAO's work shows that operating costs savings could range between \$25 million and \$115 million annually. Differences between CBO and GAO estimates are attributable to the larger infrastructure cost savings estimated by CBO and not included in GAO's estimates.

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fighter force into fewer squadrons by eliminating seven of them, the following operating savings could be achieved.

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**Five-year Savings**

Dollars in millions

	<b>FY 1997</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>
Budget authority	\$75	\$154	\$158	\$163	\$168
Outlays	71	149	157	162	167

Source: CBO.

Note: Savings estimates do not include funds associated with the base closure. The savings could be significant depending on the base selected for closure.

**Option:  
End U.S. Presence at  
Soto Cano Air Force  
Base, Honduras**

Infrastructure category	Installation support
Budget accounts	Operation and Maintenance, Army (21-2020); Air Force (57-3400)
GAO framework theme	Reassess objectives

In 1983, the U.S. established a military presence at Soto Cano Air Force Base, Honduras, 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 U.S. personnel at Soto Cano has been to support military training exercises. In February 1995, GAO reported that a continuing U.S. presence at Soto Cano was not critical to U.S. government activities in Central America. Although current data on the cost of the U.S. presence were not available, fiscal year 1994 operation and maintenance costs were about \$30 million. Since that time, activities at Soto Cano have not changed substantially. Congress may wish to eliminate the Army and Air Force presence at Soto Cano, which could result in the following savings.

**Five-year Savings**

Dollars in millions

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Budget authority	\$30	\$30	\$30	\$30	\$30
Outlays	25	30	30	30	30

Source: CBO.

**Related GAO Products**

1996 DOD Budget: Potential Reductions to Operation and Maintenance Program (GAO/NSIAD-95-200BR, Sept. 26, 1995).

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

**Option:  
Eliminate Funds for  
the Legacy Resource  
Management Program**

Infrastructure category	Installation support
Budget account	Operation and Maintenance, Defense-wide (97-0100)
GAO framework theme	Improve efficiency

In fiscal year 1995, DOD requested \$10 million for the Legacy Resource Management Program, which was created in 1990 to protect and preserve the natural and cultural resources on DOD-owned land. Congress appropriated \$50 million, but the DOD Comptroller has only released \$30 million for use by this program. Examples of activities funded during fiscal year 1995 by the program included preservation of historic documents related to the Air Force band, a study of Peregrine 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 program. While the 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 infrastructure funding by \$10 million annually.

**Five-year Savings**

Dollars in millions

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Budget authority	\$10	\$10	\$10	\$10	\$10
Outlays	8	9	10	10	10

Source: CBO.

**Related GAO Product**

1996 DOD Budget: Potential Reductions to Operation and Maintenance Program (GAO/NSIAD-95-200BR, Sept. 26, 1995).

**Option:  
Reduce the Size of  
DOD's Finance and  
Accounting  
Infrastructure**

Infrastructure category	Force management
Budget accounts	Multiple
GAO framework theme	Improve efficiency

After several false starts, in May 1994 DOD announced it would begin consolidating and reducing the size of its finance and accounting infrastructure during fiscal year 1995. It plans to reduce the number of sites where finance and accounting activities are conducted from over 300 to 26 which will result in a major reduction in staff years. The 26 sites are composed of 5 large existing finance centers and 21 new sites that are called operating locations. To date, 16 operating locations have been opened.

Despite these consolidation efforts, additional opportunities exist to reduce the infrastructure and improve the efficiency of finance and accounting operations. In September 1995, we reported that the process DOD used to identify the appropriate size and location of its consolidated operations was flawed. Not only would the planned infrastructure be larger than necessary, but it would also perpetuate the continued use of older, inefficient, and duplicative systems. With fewer people available to support the same operations and systems at fewer locations, the consolidation could degrade, rather than improve, customer service. Moreover, DOD's plan does not reflect leading-edge business practices and, therefore, may require additional consolidations if business process reengineering techniques are used to identify more productive business practices for DOD finance and accounting operations.

Because DOD's decision to open 21 new operating locations was not based on current or future operating requirements, customer needs, or leading-edge business practices, other consolidation alternatives could produce substantial infrastructure savings. The Defense Finance and Accounting Service (DFAS) Consolidation Task Force showed that savings could occur by retaining the 5 large centers plus 6, 10, or 15 operating locations. The Task Force concluded, however, that 6 new operating locations was the best alternative because it would save more money and allow an optimum consolidation of finance and accounting functions. Based on this and other factors, we recommended that DOD reassess the number of operating locations needed to efficiently perform finance and accounting operations.

DOD's subsequent reassessment concluded that 16 rather than 21 operating locations are needed to support its finance and accounting operations. Because of its interpretation of congressional intent, however, DOD continues to support the opening of all 21 locations. We are currently in the process of analyzing DOD's reassessment of its operating location requirements but have preliminarily concluded that DOD has misinterpreted congressional intent and at a minimum, should not be opening the 5 facilities that it no longer believes are needed. We have not yet done enough work to determine how many, if any, additional operating locations are excess to DOD's needs. In presenting this option, therefore, we relied on the analysis performed by the DFAS Consolidation Task Force which identified 6 as the optimum number of operating locations.

Recognizing the costs DOD has incurred to open 16 centers, reducing the number of operating locations from 16 to 6 could achieve savings in several different ways. First, a reduction in the infrastructure would require fewer support and management personnel and related items to operate the locations. Second, military construction funding for sites that would require extensive renovations would not be necessary. Third, in anticipation of the efficiencies and service improvements that would be achieved under DOD's reengineering and privatization efforts, annual funding could be reduced 10 to 15 percent. If Congress was to direct the Secretary of Defense to reduce the existing 16 locations to 6, as recommended by the DFAS Consolidation Task Force, the following savings could be achieved in civilian personnel and military construction. This represents the optimum consolidation of locations according to the DFAS Consolidation Task Force. The savings estimate assumes that by reducing the number of sites to six, 6,500 civilian personnel positions would be eliminated. This magnitude of personnel reductions can only be attained if DOD achieves the productivity gains it expects from reengineering and privatization/outsourcing initiatives. However, Congress and DOD will need to reach an agreement on the exact number of operating locations and reductions in personnel. Moreover, as we pointed out in our letter, DOD may need to make investments in this area to improve its financial management systems.

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**Appendix I  
Infrastructure Options**

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**Five-year Savings**

Dollars in millions

	<b>FY 1997</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>
Budget authority	\$90	\$210	\$340	\$370	\$380
Outlays	60	190	320	400	400

Source: CBO.

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**Related GAO Product**

**DOD Infrastructure: DOD's Planned Finance and Accounting Structure Is Not Well Justified** (GAO/NSIAD-95-127, Sept. 18, 1995).

**Option:  
Cap Funding for the  
Civil Air Patrol**

Infrastructure category	Force management
Budget account	Operation and Maintenance, Defense-wide (97-0100)
GAO framework theme	Improve efficiency

The Civil Air Patrol is a nonprofit corporation that is 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 the patrol for a number of years.

In response to congressional concerns about patrol funding, in January 1995, the Air Force began a reorganization to reduce (1) the number of active duty military and Air Force civilian employees who provide support to the patrol and (2) the need for funding by \$3 million a year. The reorganization has resulted in a need for more, not less, operation and maintenance 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 operation and maintenance funds.

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

For fiscal year 1996, the Air Force received \$17 million of operation and maintenance funds to provide support to the patrol. This amount represents an increase of \$6 million over the fiscal year 1995 funding level.

Because the reorganization has not achieved the intended savings, Congress could cap the program at the fiscal year 1995 level. The resultant estimated savings are shown in the following table.

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**Five-year Savings**

Dollars in millions

	<b>FY 1997</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>
Budget authority	\$6	\$6	\$6	\$6	\$6
Outlays	4	6	6	6	6

Source: CBO.

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**Related GAO Product**

1996 DOD Budget: Potential Reductions to Operation and Maintenance Program (GAO/NSIAD-95-200BR, Sept. 26, 1995).

**Option:  
Reduce the Size of  
DOD's Transportation  
Infrastructure**

Infrastructure category	Central logistics
Budget accounts	Operation and Maintenance, Navy (17-1804); Army (21-2020); Air Force (57-3400); Marine Corps (17-1106)
GAO framework theme	Improve efficiency

Various studies, commissions, and task forces dating as far back as 1949 have recommended changes in the defense transportation system organizational structure. Transportation processes were found to be fragmented, inefficient, and costly. Traffic management processes and automated systems were developed independently for each mode of transportation. The entire defense transportation system was built along service and modal lines. Furthermore, no one DOD transportation agency was responsible for handling or managing all facets of cargo movement.

In 1987, after the Goldwater-Nichols Act of 1986 urged that actions be taken to unify transportation management, the Secretary of Defense established the U.S. Transportation Command (USTRANSCOM). USTRANSCOM was created as a unified combatant command for transportation missions; combining the missions, responsibilities, and forces of the defense transportation single managers. The managers were the Army's Military Traffic Management Command (MTMC), which is responsible for managing land transportation, military traffic, and water port operations; the Navy's Military Sealift Command (MSC), which is responsible for sealift; and the Air Force's Air Mobility Command (AMC), which is responsible for airlift.

At first, mission responsibility was restricted to times of war or conflicts. But in 1992, USTRANSCOM's mission was expanded to cover both wartime and peacetime, and MTMC, MSC, and AMC, though they remained major commands of their respective services, became component commands of USTRANSCOM. In addition, USTRANSCOM was given control of all transportation assets, except for those that are service-unique or theater-assigned.

A recent study by USTRANSCOM concluded that transportation process fragmentation remains. GAO's recent report concludes that traffic management processes perpetuate fragmentation, typically along service and transportation modal lines, much as they were before USTRANSCOM was created. The report also indicates that even with the establishment of

USTRANSCOM, recommendations to change the organizational structure have not been implemented.

This extensive infrastructure is costly. Transportation services that the military component commands have traditionally provided, such as port handling and intermodal transfers, are being handled primarily by commercial carriers. Component field offices are part of an antiquated system that moves cargo by separate modes and requires on-site personnel at modal transfer points. For example, a military customer is charged \$2,624 for a shipment from New Jersey to Rotterdam, Netherlands; yet a commercial carrier charges \$1,553 for the shipment. The added cost to the customer of \$1,071 (which is 69 percent of the carrier's \$1,553 charge) represents the overhead amount charged to the customer.

Opportunities exist to reduce the defense transportation infrastructure and improve the efficiency of cargo traffic management operations. Combining common-user transportation functions and positions under the direct command and control of a single manager, USTRANSCOM, would eliminate unnecessary overhead, duplication of functions, and overlapping responsibilities. Ultimately, streamlining the command structure would reduce the costs of operations being passed to customers. Under such a realignment, service-unique functions would remain with the services. Likewise, unique transportation readiness requirements would be reported separately and funded directly to the services.

Nearly 90 percent of defense cargo moves by domestic commercial motor carriers during peacetime and noncontingency operations. Additional opportunities for outsourcing include use of direct booking during noncontingency operations whereby customers book directly with carriers and substantially decrease the involvement of government traffic management; use of commercial freight forwarders, not government traffic managers; employment of third-party logistics firms to handle documentation, billing, and payment; and use of existing commercial system capabilities for in-transit and total asset visibility needs. By increasing the use of outsourcing to satisfy peacetime requirements, USTRANSCOM and its customers could achieve additional cost savings as well as dedicate resources to the critical role of strategic planning.

Various options exist to achieve defense transportation infrastructure savings. Fixing the organizational structure is a mandatory first step to

substantially reduce costs. A logical way, though not the only one, would be to take the following steps.<sup>4</sup>

- First, place the 362 Defense Business Operations Fund Transportation MSC staff worldwide together with MTMC. This move would create a single MTMC/MSD headquarters staff—one set of personnel responsible for such activities as public affairs, internal review, equal employment opportunity, and other staff functions. MTMC's Field Operating Activity and MSC's Central Technical Activity would be consolidated. One office would be responsible for all contract negotiations and administration, comptroller/budget activities, litigation/legal activities. And, all MSC field staff functions currently at area commands would be merged with MTMC area command staff. In fiscal year 1994, MSC's Defense Business Operations Fund Transportation staff costs were \$54 million.
- Second, close MTMC continental United States area commands at Bayonne, New Jersey, and at Oakland, California. These commands are not justifiable because of budgetary pressures. Labor costs for these two commands alone in fiscal year 1994 were \$65 million,
  - \$29 million for Eastern Area-Bayonne (civilian and military),
  - \$12 million for Eastern Area-Bayonne (military garrison-Bayonne),
  - \$21 million for Western Area-Oakland (civilian and military), and
  - \$3 million for Western Area-Oakland (military garrison-Oakland)
- Third, eliminate MTMC overseas area commands. Overseas areas commands in fiscal year 1994 were \$29 million—\$20 million for MTMC-Europe, Rotterdam (civilian and military) and \$9 million for MTMC-Pacific, Wheeler Army Air Field, Hawaii (civilian and military).
- Fourth, eliminate MTMC port commands. MTMC operates 26 port and terminal facilities around the world, with more than 1,200 staff, with a support cost, based on fiscal year 1994 data, exceeding \$70 million (not including contract stevedore costs).

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<sup>4</sup>All cost data come from "Defense Business Operations Fund, Defense-wide, FY 1996/1997 Biennial Budget Estimates, Operating and Capital Budgets, February 1995, Congressional Data," and MTMC, MSC, and AMC financial reports.

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**Appendix I  
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If Congress chose to consolidate the organizational structure as outlined above, the following civilian personnel savings could be achieved.

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**Five-year Savings**

Dollars in millions

	<b>FY 1997</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>
Budget authority	\$20	\$60	\$105	\$130	\$135
Outlays	20	60	105	130	135

Source: CBO.

Note: Savings estimates do not include funds associated with operating costs or closing sites.

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**Related GAO Products**

Defense Transportation: Streamlining of the U.S. Transportation Command Is Needed (GAO/NSIAD-96-60, Feb. 22, 1996).

Defense Transportation: Commercial Practices Offer Improvement Opportunities (GAO/NSIAD-94-26, Nov. 26, 1993).

**Option:  
Close DOD's  
Uniformed Services  
University of the  
Health Sciences**

Infrastructure category	Central medical
Budget account	Defense Health Program (97-0130)
GAO framework theme	Reassess objectives

In 1972, Congress created two complementary physician accession sources: the Health Profession Scholarship Program and the Uniformed Services University of the Health Sciences. Under the scholarship program, DOD pays tuition and fees, plus a monthly stipend for students enrolled in civilian medical schools. In return, the students incur an obligation to serve a year of active duty service for each year of benefits received, with a 2-year minimum obligation. In contrast, students at the University enter active military service as medical students, receive the pay and benefits of an officer at the O-1 level, and incur a 10-year service obligation. In 1994, 155 medical students graduated from the University.

GAO's analysis shows that the University provides a medical education that compares well with that of other U.S. medical schools. Traditional measures of quality place the University within the mid-range of medical schools nationwide and its graduates at or above other military physicians. In addition, the University provides education and training for other health care and related professions and engages in research, consultation, and archival activities. These activities, which do not directly contribute to the education of military physicians, involve University faculty and staff. DOD would likely continue to conduct these activities even if the University were closed.

University graduates begin their military medical careers with more readiness training than their peers, but the significance of the additional training is unclear. Due to the absence of objective measures, no conclusive evidence exists that University graduates are better prepared to meet the needs of military medicine than their civilian-educated peers. The services have not assessed the impact of readiness training, and a thorough assessment is needed to determine the type and amount of such training that military physicians need.

GAO's analysis shows that on a per graduate basis, the University is the most expensive source of military physicians when considering DOD costs and total federal costs. With DOD education and retention costs of about \$3.3 million, the cost of a University graduate is more than 2 times greater than the \$1.5 million cost for a regular scholarship program graduate.

When costs are distributed over the expected years of military physicians' service, the University remains more costly when only DOD costs are considered, but it is nearly equal to the cost of the regular scholarship program and lower than the cost of the deferred program when total federal costs are considered. This difference occurs because University graduates are expected to have much longer military careers and the University receives much less non-DOD federal support than civilian medical schools.

Given the changes in operational scenarios and DOD's approach for delivering peacetime health care, new assessments of the military's physician needs and the means to acquire and retain such physicians are needed. For example, if DOD continues to need a cadre of experienced career physicians, alternative strategies, such as an additional scholarship option with a longer service obligation, could be considered as a potentially less expensive way to increase the length of selected military physicians' careers. Additional readiness training could be provided through a post graduate period specifically designed to enhance the physician's preparation for the special needs of military medicine. If Congress chose to close the Uniformed Services University of the Health Sciences and maintain a steady supply of physicians through other sources, the following savings could be achieved.

Five-year Savings

Dollars in millions					
	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Budget Authority	\$21	\$35	\$52	\$94	\$97
Outlays	17	31	47	84	93

Source: CBO.

Related GAO Product

Military Physicians: DOD's Medical School and Scholarship Program  
(GAO/HEHS-95-244, Sept. 29, 1995).

**Option:  
Establish Copayments  
for Care in Military  
Hospitals**

Infrastructure category	Central medical
Budget account	Defense Health Program (97-0130)
GAO framework theme	Redefine beneficiaries

Currently, care received by military beneficiaries in military hospitals and clinics is free. However, when care must be obtained through civilian providers, military beneficiaries share in the costs of the care they receive. This uneven system has led to confusion, uncertainty, and inequity among beneficiaries as to what their health care benefits are. Further, research has shown that free care leads to greater (and unnecessary) use and, therefore, greater costs.

Congress may wish to establish beneficiary cost-sharing requirements for care received in military hospitals that are similar to the cost-sharing for care that beneficiaries receive from civilian providers. Estimated savings from doing so are shown in the following table.

**Five-year Savings**

Dollars in millions					
	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Budget authority	\$202	\$203	\$204	\$204	\$205
Outlays	175	197	201	201	202

Source: CBO.

**Related GAO Products**

Defense Health Care: DOD's Managed Care Program Continues to Face Challenges (GAO/T-HEHS-95-117, Mar. 28, 1995).

Defense Health Care: Issues and Challenges Confronting Military Medicine (GAO/HEHS-95-104, Mar. 22, 1995).

Defense Health Care: Lessons Learned From DOD's Managed Health Care Initiatives (GAO/T-HRD-93-21, May 10, 1993).

Defense Health Care: Obstacles in Implementing Coordinated Care (GAO/T-HRD-92-24, Apr. 7, 1992).

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Defense Health Care: Implementing Coordinated Care—A Status Report  
(GAO/HRD-92-10, Oct. 3, 1991).

The Military Health Services System—Prospects for the Future  
(GAO/T-HRD-91-11, Mar. 14, 1991).

**Option:  
Collocate and Close  
Recruiting Facilities**

Infrastructure category	Central personnel
Budget account	Operation and Maintenance, Army (21-2020)
GAO framework theme	Improve efficiency

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 operation and maintenance budget request includes \$102.6 million for leasing costs associated with the recruiting facilities.

GAO estimates 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 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. GAO's December 1994 report noted that 518 counties, out of a total of 1,036 counties in which recruiting offices were located, accounted for only 13.5 percent of the services' accessions. Of this total, approximately 290 counties each produced only one 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 the 518 counties, about 2,800 recruiters could be reassigned and \$13.3 million dollars could be saved in annual leasing costs. Thus, 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 could result in the following savings.

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**Appendix I  
Infrastructure Options**

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**Five-year Savings**

Dollars in millions

	<b>FY 1997</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>
Budget authority	\$20	\$20	\$21	\$21	\$22
Outlays	15	19	20	21	22

Source: CBO.

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**Related GAO Products**

1996 DOD Budget: Potential Reductions to Operation and Maintenance Program (GAO/NSIAD-95-200BR, Sept. 26, 1995).

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

**Option:  
Discontinue or Phase  
Out the Junior  
Reserve Officers'  
Training Corps  
Program**

Infrastructure category	Central training
Budget accounts	Operation and Maintenance, Navy (17-1804); Army (21-2020); Air Force (57-3400)
GAO framework theme	Reassess objectives

The National Defense Act of 1916 established the Junior Reserve Officers' Training Corps (JROTC) program for high schools and private secondary schools. The program's primary purpose was to disseminate military knowledge among the secondary school population of the United States. The ROTC Vitalization Act of 1964 expanded the 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 program within 5 years.

The services' fiscal year 1996 operation and maintenance requests include \$124.3 million for the JROTC program, an increase of \$16.8 million, which will be used in part to add 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's objectives are to teach military and citizenship subjects. In addition, the Army operates a summer camp, and operation and maintenance funds are used to help pay instructors' salaries. Service officials emphasized that the program is not viewed as a recruiting tool for the services.

While the program may benefit 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. Congress may wish to discontinue or phase out the JROTC program, which would save about \$124 million annually. If the program was eliminated the following savings could be achieved.

**Five-year Savings**

Dollars in millions					
	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Budget authority	\$173	\$177	\$182	\$187	\$193
Outlays	164	177	182	187	193

Source: CBO.

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**Appendix I**  
**Infrastructure Options**

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**Related GAO Product**

1996 DOD Budget: Potential Reductions to Operation and Maintenance Program (GAO/NSIAD-95-200BR, Sept. 26, 1995).

**Option:  
Discontinue National  
Guard Youth Programs**

Infrastructure category	Central training
Budget account	Operation and Maintenance, Defense-wide (97-0100)
GAO framework theme	Reassess objectives

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. This program, known as ChalleNGe, 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 operation and maintenance 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 benefit 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. Congress may wish to discontinue National Guard youth programs, which would result in the following savings.

**Five-year Savings**

Dollars in millions					
	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Budget authority	\$71	\$0	\$0	\$0	\$0
Outlays	67	4	0	0	0

Source: CBO.

Note: Authorization for this program expires after fiscal year 1997.

**Related GAO Product**

1996 DOD Budget: Potential Reductions to Operation and Maintenance Program (GAO/NSIAD-95-200BR, Sept. 26, 1995).

# Categories of Defense Infrastructure

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Installation support consists of activities that furnish funding, equipment, and personnel to provide facilities from which defense forces operate. Activities include construction planning and design, real property maintenance, base operating support, real estate management for active and reserve bases, family housing and bachelor housing, supply operations, base closure activities, and environmental programs.

Acquisition infrastructure consists of all program elements that support program management, program offices, and production support, including acquisition headquarters, science and technology, and test and evaluation resources. This category includes earlier levels of research and development, including basic research, exploratory development, and advanced development.

Central logistics consists of programs that provide support to centrally managed logistics organizations, including the management of material, operation of supply systems, maintenance activities, material transportation, base operations and support, communications, and minor construction. This category also includes program elements that provide resources for commissaries and military exchange operations.

Central training consists of program elements that provide resources for virtually all non-unit training, including training for new personnel, aviation and flight training, military academies, officer training corps, other college commissioning programs, and officer and enlisted training schools.

Central medical consists of programs that furnish funding, equipment, and personnel that provide medical care to active military personnel, dependents, and retirees. Activities provide for all patient care, except for that provided by medical units that are part of direct support units. Activities include medical training, management of the medical system, and support of medical installations.

Central personnel consists of all programs that provide for the recruiting of new personnel and the management and support of dependent schools, community, youth, and family centers, and child development activities. Other programs supporting personnel include permanent change of station costs, personnel in transit, civilian disability compensation, veterans education assistance, and other miscellaneous personnel support activities.

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**Appendix II**  
**Categories of Defense Infrastructure**

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Command, control, and communications consists of programs that manage all aspects of the command, control, and communications infrastructure for DOD facilities, information support services, mapping and charting products, and security support. This category includes program elements that provide nontactical telephone services, the General Defense Intelligence Program and cryptological activities, the Global Positioning System, and support of air traffic control facilities.

Force management consists of all programs that provide funding, equipment, and personnel for the management and operation of all the major military command headquarters activities. Force management also includes program elements that provide resources for defense-wide departmental headquarters, management of international programs, support to other defense organizations and federal government agencies, security investigative services, public affairs activities, and criminal and judicial activities.