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AN ANALYSIS
OF
NAVY BACHELOR HOUSING FUNDING

by

Michelle E. Karsch

December, 1993

Principal Advisor: Louis G. Kalmar

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An Analysis of Navy Bachelor Housing Funding

by

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Submitted in partial fulfillment
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I. INTRODUCTION

The United States Navy provides bachelor housing for permanently stationed, shore based unaccompanied personnel at all major naval bases throughout the world. In addition, bachelor housing includes accommodations provided for transient personnel, such as students and personnel on temporary duty, in many local areas. Funding for operation, maintenance, and repair of bachelor housing is provided to individual installations through the Operations and Maintenance appropriation. Non-Appropriated Funds are also generated at each activity through the charge of fees to transient personnel to cover the cost of amenities, such as housekeeping services.

The primary purpose of this thesis is to investigate the manner in which appropriated bachelor housing funding is budgeted, spent, and controlled to determine what level of funding priority and support Bachelor Housing receives when included in the Operations and Maintenance budget for a field activity.

B. BACKGROUND

Concerns have existed for a number of years over the physical condition of bachelor housing, the efficiency and effectiveness of its management, and the historically low priority bachelor housing has received versus other activity missions. In November 1991, the Chief of Naval Operations (CNO) directed the accomplishment of a Bachelor Housing Management Study to "identify better, more efficient ways of doing business and which organizational structure will provide the best means to assure responsibility and accountability for the execution of bachelor

programs and resources." (CNO, 1991, p.1)

As a result of this study, several initiatives were undertaken, including the assignment of N-1 (formerly OP-01) as the single resource sponsor for all bachelor quarters (BQ) programs and the establishment of Commander, Naval Facilities Engineering Command (NAVFAC) as the single program manager for BQs. (CNO, 1992, p.1) The Chief of Naval Operations also initially directed the establishment of a discreet subactivity group within the Operations and Maintenance budget to allow tracking separate identification of funds for BQs. The primary motive behind this initiative was the concern that BQ funds, if left "unfenced" in individual activity budget allowances, could be used at the discretion of installation commanders for purposes other than BQs. This particular initiative was later deleted from the action package and never implemented, with the stipulation that funding for bachelor housing be closely watched. (CNO, 1992, p.1)

To better understand the relevance of the fencing issue, a brief discussion of Operations and Maintenance appropriations budget structure at Navy installations may be helpful. Appropriations funding is subdivided into budget activities, and further divided into activity groups and subactivity groups. While funding over the amount of $10 million cannot be transferred from one budget activity to another without Navy Comptroller (NAVCOMPT) approval, major claimants and commands vary in their restrictions on moving funds at the activity level between activity groups and subactivity groups.

Prior to FY 94, appropriated funding for bachelor housing fell under activity group/subactivity groups (AG/SAGs) F3FJ for operations and F4FA and F4FB .or maintenance, repair and minor construction within the Operations and Maintenance Appropriation. While AG/SAG F3FJ was specifically for Bachelor Housing operations, F4FA and F4FB included base-wide facilities maintenance (NAVCOMPT Manual, 1983, p. 4-502-2). This made it comparatively easy to track operations funding and difficult to track maintenance funding specifically for bachelor housing.

Starting in FY 94, the Operations and Maintenance budgets were restructured to increase accounting flexibility and better reflect the missions of the Department of Defense (DOD). Under the restructuring, bachelor housing funding for activities is included in the subactivity group for Base Support, the specific code for which varies depending on the mission of the individual installation (i.e. air operations or ship operations). One effect of the restructuring is to dramatically reduce the number of activity groups and subactivity groups used to budget for and control funding.

This reduction in activity groups and subactivity groups increases flexibility for activity-level managers but decreases visibility and control of resources for their chain of command. There are, however, a number of Special Interest Item (SII) codes which will be used to accumulate costs and report data. These include such varied items as environmental compliance, base communications, and ship fuel usage, among others. One SII ("BQ") has been designated for bachelor housing which includes both operations and maintenance (NAVCOMPT MEMO, 1993, Encl(1), p.1).

While this arrangement is expected to give bachelor housing funding more complete and greater visibility than in the past, and thus a greater facility to be controlled; the actual effect remains to be seen. According to Navy Comptroller guidance, the information collected by the SII's will be used to respond to frequent inquiries from the Office of the Secretary of Defense and Congress and to prepare overview budget exhibits at the NAVCOMPT level (NAVCOMPT MEMO, 1993, p.1). There is no known Navy-wide guidance regarding the use of these codes to track actual versus planned spending, or expenditure of funds for their intended purpose. Concern still exists among some Navy personnel and quality of life managers that, despite the restructuring and its associated special interest items, funding designated for bachelor housing may not be used for its intended purpose; especially given the historic low priority for bachelor housing versus other activity missions.

II. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Literature was reviewed for the general topic of Navy bachelor housing, starting in the late 1960's. There were two recurring themes apparent in this literature:

- Substandard quality of bachelor quarters
- A need for improved management of bachelor quarters and associated resources

Most literature is internally generated, either conducted or commissioned by Navy organizations, such as the Navy Civil Engineering Laboratory or Naval Personnel Research and Development Laboratory. Similarly, the Army and Air Force have also conducted studies of their bachelor quarters with the same findings. There are limited outside publications which address bachelor housing, for the Navy or other services. Those found were General Accounting Office reports, which investigate inefficiencies in the use of government funds at selected activities and proposed methods to reduce costs.

A. HISTORICAL PERSPECTIVE

Several studies conducted in the 1970's and early 1980's focused on reducing vandalism, repairs for which consumed an estimated 57 percent of maintenance resources at that time (Brady and Brill, 1978, p.3; Keane, 1984, p.17). In order to reduce costs, these studies recommended utilization of specific types of vandal-resistant hardware, fixtures, and furnishings which could better withstand the harsh treatment expected in bachelor quarters, specifically junior enlisted quarters. Perhaps

somewhat ironically, one of these studies called for improving the habitability of living conditions as one way to reduce costs of vandalism (Brady and Brill, 1978, p.18). Although not articulated, the idea behind this recommendation appears to be that a higher quality environments encourage higher quality behavior.

A close connection between living standards and Navy personnel behavior was already well-accepted by Navy management at this time. Low quality living environments reduce Navy capacity to compete with civilian alternatives and increase personnel turnover, which in turn increases Navy expenditures for the cost to train replacements (Brady and Brill, 1978, p.147). According to a DOD Task Force Study in 1966, "Housing was one of the most important reasons for leaving the service (and) one of the least important for staying." One could infer from this that the quality of housing does affect personnel retention and ultimately mission capability.

Other studies focused on reducing costs through standardization of designs for bachelor quarters (GAO, 1978), changes to assignment and utilization policy and practices (GAO, 1990), and changes to reporting of housing deficits (GAO, 1982). Although attention in DOD at the time appears to have been primarily directed at cost reduction, DOD also issued criteria for sizing new bachelor housing construction in 1971 and established minimum standards of adequacy for housing permanent party and transient unaccompanied enlisted personnel in 1972 (GAO, 1982, p.4). These standards have been revised slightly several times, most recently in 1992 (a summary of bachelor quarters minimum standards of adequacy is attached as Appendix A). However, the services have not always kept up with these standards. According to

one 1982 General Accounting Office study, servicemembers were housed at levels below DOD minimum standards at seven out of nine installations visited (GAO, 1982, p.8). The reasons for inadequacy in these instances were less living area than prescribed standards, shared bathrooms, and housing in temporary structures.

B. RECENT NAVY BACHELOR QUARTERS STUDIES

In 1991, the Chief of Naval Operations established a working group to determine bachelor quarters requirements and suggest program alternatives. The group found that while the Navy used DOD minimum standards as a target, approximately 73 percent of the current inventory was considered adequate. Fifteen percent of the inventory was considered substandard (i.e., able to be economically renovated) and 12 percent was considered inadequate. The 1991 shortfall, defined as adequate units versus requirement, was estimated to be 90,000 units. The group cited historic *inadequate and uneven resourcing as a contributing factor.* (Navy BQ Working Group, 1991)

As a follow-on to the working group's study, the Chief of Naval Operations commissioned a Bachelor Quarters Management Study in 1992 to identify existing management problems and better, more efficient ways of doing business. This second study listed several bachelor quarters management features, among them numerous resource sponsors and the lack of a designated program manager, as having a negative impact. Since then, the Navy has assigned N-1 (formerly OP-01) as the single resource sponsor for all BQ programs and established Commander, Naval Facilities Engineering Command (NAVFAC) as the single program manager for BQs. Easily

diverted funding was cited as a negative impact as well, resulting in erratic program effectiveness and efficiency. The study recommended placing all BQ funding in a separate AG/SAG in order to allow tracking separate identification of funds, and thus lessen the ease of diverting funds. This initiative was initially approved; however, it was later dropped from the implementation program, with the recommendation that visibility be achieved through separate reporting outside the accounting system (Deputy CNO, 1992).

C. RESIDENT PERCEPTIONS

Perhaps more important than Navy management's assessment of the adequacy of bachelor housing are the perceptions of those who inhabit it. Despite ongoing improvement efforts, dissatisfaction with bachelor housing still exists. According to a DOD survey of single enlisted service members conducted in 1991 and 1992, more than 75 percent would prefer to live off base (Willis, 1993, p.13). Although Navy members were ranked second highest after the Air Force in their preference to live in bachelor housing, approximately 63 percent would still prefer to live off base (DOD, 1993, p.47). Considering that over 90 percent of Navy members regarded adequate bachelor housing either important or very important to quality of life in the service (DOD, 1993, 45), it can be argued that dissatisfaction with bachelor housing is significant in terms of its impact on retention and mission capability.

D. CURRENT POLICY AND FUTURE DIRECTION

In 1993, the Secretary of the Navy, the Chief of Naval Operations, and the Fleet Commanders established housing, for both families and bachelors, as the Navy's premier Quality of Life issue. The "Neighborhoods of Excellence" program embodies their vision of higher standards of quality in all aspects of housing conditions and management, and communicates top-level commitment to improvements in housing throughout the Navy. This top-level vision is backed up by increases in funding over the previous funding levels for bachelor housing of $130 million annually in fiscal years 1994 and 1995, with increases planned for future fiscal years as well (DOD,1993, p.10).

The Navy is not alone in its recognition of the need for and pursuit of improved standards for housing, particularly bachelor housing. In its report accompanying the National Defense Authorization Act for fiscal year 1993, the House Armed Services Committee (HASC) directed the Secretary of Defense to "provide a report analyzing deficiencies in existing barracks and proposing a plan to address these deficiencies". In its response, DOD cited efforts by all the services to implement improvements that require minimal resources as well as the need for funding of necessary facilities improvements. It can be argued that the Air Force is the leader among services in bachelor housing standards. The Air Force has taken the most progressive approach with its *Vision 2020* program. Among other things, this program calls for the Secretary of Defense to allow the services to provide private rooms to all unaccompanied enlisted members beginning in fiscal year 1996 (DOD, 1993, p.27).

This is in contrast to current DOD standards which require private rooms only for E7 and above personnel.

Also in the HASC report, the committee stated that it "expects the Department to give similar priority to barracks as it gives to family housing". While achieving equity between bachelor and family housing is not a published Navy goal at this time, this statement indicates the widespread nature of movement towards higher standards and expectations for bachelor housing. Whether or not the Navy's recent emphasis on quality of life and changes in policy and practice will be sufficient to achieve these higher standards and expectations, is currently unknown. One thing about the future of bachelor housing is certain: achieving the Neighborhoods of Excellence vision will be challenging to all involved, especially commanding officers, BQ officers, and claimant representatives.

III. METHODOLOGY

Research methodology included opinion research and archival research as primary strategies, in order to balance views and judgements of concerned parties with actual facts. A list of commands contacted during this study is attached as Appendix B.

A. OPINION RESEARCH

Opinion research consisted primarily of interviews with Bachelor Housing Officers at nine field activities and Bachelor Quarters Representatives at eight claimant-level commands. A list of questions used to guide interviews is attached as Appendix C. Interviews were also conducted with three comptrollers at the field activity level and the claimant level. Interviewees were selected to represent a broad spectrum of commands and Navy mission areas including both operational and training commands, and commands representing aviation, surface and submarine components of the Navy. This was done in order to ascertain if there were similarity or trends in responses based on command level, type, or mission.

B. ARCHIVAL RESEARCH

Archival research consisted of collecting and analyzing a variety of documents, including budget submissions, financial status reports, written instructions and other publications, and printouts of obligation and expense records from both the field activity and claimant level. Again, sources of archival data were initially selected to represent a range of Navy command types and missions. Some limitations were experienced in that not all types of data were available from all sources.

IV. DATA PRESENTATION AND ANALYSIS

A. OPINION RESEARCH

Interviews of Navy managers in various positions at both the activity level and the claimant level revealed diverse opinions regarding the adequacy of BQ funding and controls over it. There was greater consistency in responses to questions from comptrollers than there was in the responses from BQ officers and representatives.

1. Activity-level BQ Officers

Seven out of nine BQ officers interviewed stated that, in their opinion, bachelor housing was a top priority for their command. The remaining two said that, although they perceived a low priority for bachelor housing, they felt it was improving and would continue to do so. Of those who perceived a high priority, four cited their commanding officers' personal attention and support of "people programs" as a significant factor in determining that priority. Another stated that since hers was a training command, bachelor housing consisted of a large portion of the business of the base; thus it necessitated a large portion of the commanding officer's attention. Those who perceived a low priority theorized that other areas of base operations were visibly more career enhancing for a commanding officer, thus explaining the greater attention.

Six of the BQ officers stated that they felt bachelor housing was adequately funded at their activity. Of these six, three cited heavy reliance on self-help and/or Defense Reutilization and Marketing Office (DRMO) acquisitions as a key factor in stretching resources. Two others stated that they felt BQ funding was only minimally

adequate, but without significant future capital investment, quality of life would rapidly diminish. Two of the BQ officers stated that they had often received additional funds for furniture at the end of the fiscal year because theirs was one of the few divisions on base which could spend as much as one hundred thousand dollars in a matter of weeks.

Of the three BQ officers who believed that funding was not adequate, two stated that although they received funding for contracts and basic supplies at the beginning of the fiscal year, money for furniture and fixtures was made available to them only at the end of the fiscal year. This made it necessary for them to have purchasing documents prepared ahead of time, otherwise they would not be able to spend the several hundred thousand dollars "dumped" on them during the last two to three weeks of the year. In addition, only certain sources, namely Federal Prison Industries or open Government Services Administration (GSA) contracts, could be used during this time frame, thus limiting selection. The other BQ officer who perceived inadequate funding stated that his major claimant "never had enough money" to give them.

Only one of the BQ officers interviewed was aware of the restructuring of the Operations and Maintenance appropriation which took effect starting fiscal year 1994. When the changes inherent in the restructuring were described to the BQ officers, all stated that they felt this would have little or no effect on their funding situation. Five of the BQ officers stated that they were aware of the increases planned for bachelor housing in the next few years, and four of these could give estimated

amounts and plans for spending the increases. Of the four who were not aware of planned increases in bachelor housing funding, two cited their activity's placement on the base closure list as the reason that they were not receiving increases.

When asked if they believed there was a need to fence bachelor housing funds, five of the nine BQ officers stated that fencing in some form is either necessary or a good idea. Three of these five believed that fencing of funds was the only method that could guarantee spending of bachelor housing money to achieve the new standards of quality called for in the Neighborhoods of Excellence program. Of the four BQ officers who were not in favor of fencing, three stated that, although the current system may not be working well for the entire Navy, it had worked well for them. They were willing to risk competing with other departments for scarce resources, but admitted that their commanding officer's previously demonstrated support of bachelor housing made this an acceptable risk. One of the four stated that, although he believed fencing was not necessary, a "watchdog" at the claimant level or higher is necessary to track spending. One BQ officer also stated that fencing funds would be most helpful if there was also a separation of responsibility for permanent party and transient personnel.

2. Claimant-level BQ Representatives

In general, claimant representatives had a good understanding of the complexity of issues facing installation commanders as well as BQ officers. In addition, they were well aware of the tradeoffs involved in increasing controls on funding for bachelor housing.

All eight representatives interviewed stated that, in their opinion, bachelor housing has been a low priority for their claimancy, as it has been throughout the Navy. Two went on to say that it has been poorly managed at both the activity and claimant level for a long time. While all agreed that the priority of bachelor housing is increasing, only one of the representatives believed there was a strong commitment to bachelor housing at his claimancy. Three stated that, while activity commanding officers probably have the best intentions, they are generally operationally focused; consequently, bachelor housing becomes one of their lower priorities. One continued to say that bachelor housing funding was often held as a "contingency" source of funds until other expenses, such as utilities and communications, were met. Thus, bachelor housing became the "sacrificial lamb" of the commands.

All of the representatives reported that there were few or no controls on moving funds within activity groups under the previous O&M appropriation. Therefore, most anticipated little change under the new O&M restructuring. Only one reported having concerns initially due to an underestimation of BQ maintenance and repair funding, but this understatement was later corrected. Of the eight representatives, only two reported that their claimants had imposed controls on moving funds out of SII-designated categories. One of the representatives cited a "personal for" message sent out by the head of the organization stating that detailed justification would be required to move funds. The other stated that an 80 percent spending floor has been established for the SIIs, and funding can be moved only after that floor has been reached.

Although not a formal control, one type commander, Commander, Naval Air Force U.S. Pacific Fleet (AIRPAC), reported that they had implemented an incentive program for Personnel Support Equipment (PSE; also known as FFE - Furniture, Fixtures, and Equipment) starting in fiscal year 1993. Under this policy, AIRPAC provides "matching funds" to any subordinate activities which obligated their own PSE funds during the first quarter of the fiscal year, up to a maximum of 10 percent of total activity PSE inventory. This program is intended to improve execution of BQ plans and motivate a 20 percent annual replacement program; 10 percent by activity funds and 10 percent by AIRPAC-provided matching funds (COMNAVAIRPAC INST 11101.1, 1993, p.2). The results of this program are discussed later in this chapter.

While all of the representatives reported tracking BQ obligations on an annual basis, only one reported previously tracking obligations on a more frequent quarterly basis. One additional representative stated that quarterly expense reports would be reviewed starting this fiscal year. It should be noted that these two representatives are the same ones whose claimants have imposed controls on moving funds out of SII-designated categories. Of those who reported tracking obligations only annually, three admitted that it would take a long time (well over a year) to see how funds were being spent due to delays inherent in the reporting system.

Of the eight representatives interviewed, four stated that fencing bachelor housing funding in some manner is either necessary or a good idea. One added that this would be successful only if budget figures are accurate. Those who believed that

fencing was not necessary were essentially advocates of flexibility in the budget execution process. While they realized that fencing would protect the bachelor housing program from degradation, they were concerned that it would also hamper commanding officers' abilities to effectively run a base and make a positive impact. One cited the results of an internal study which revealed a decrease in discretionary funding at activities from 15 percent three years ago to approximately 8 percent last year. Another two speculated that if BQ funding were fenced, there would be little chance that additional funding would be diverted to bachelor housing, either throughout the year or particularly at the end of the fiscal year. They went on further to say that, although fencing may seem like a good short-term solution, they feared that bachelor housing may end up worse off in the long run.

3. Comptrollers

All three comptrollers interviewed were opposed to the enforcement of any additional controls that would decrease the flexibility of commanding officers in executing their commands' budgets. As an explanation, they cited the large degree to which fixed or non-discretionary expenses (civilian labor, contracts and utilities expenses) consumed their budgets. This was as much as an estimated 95 percent according to one comptroller. All agreed that the majority of bachelor housing funding fell into the "discretionary" category for their base and thus did not receive as high a priority as perhaps it should.

Two of the comptrollers cited prior Navy experiences in fencing funding support for child care as reasons to avoid taking similar actions with bachelor housing

funding. According to them, when funding for child care was fenced by movement to a new budget activity, the amount of funding required was underestimated because figures used for budgeting purposes were considerably less than actual requirements. Shortfalls could not be made up by transferring funds from other areas of base operations, since they were funded from a separate budget activity. Although this is past issue is not directly related to bachelor housing, it illustrates an important point: once funding is fenced, it may not be diverted to other purposes, but it is also possible that funding from other sources will not diverted to make up for any shortfalls that may occur.

None of the comptrollers could recall specific instances where funding had been diverted from bachelor housing to meet other base needs; however, one conceded that diversion of funds from bachelor housing to another division within the same department (the supply department) could occur without his express knowledge. One comptroller cited an example where funding had been diverted to bachelor housing at the end of the fiscal year, since the BQ officer was prepared and able to spend the money quickly.

Two of the three comptrollers stressed the importance of the commanding officer's recognition of his/her primary role as a support commander/service provider in addition to an operational commander. In their opinion, it was the key ingredient in establishing adequate funding priority for bachelor housing. One added that the commanding officer must develop a mindset of investing in people and realize that money spent improving quality of life, and living conditions in particular, would

likely mean money saved through higher quality operations later. Once this role or mindset is adopted, arguments for support of bachelor housing are more easily won and improved living conditions follow.

B. ARCHIVAL RESEARCH

Archival research consisted of accumulating and examining budget documents and financial reports which were on file or could be produced by activities and claimants within a few working days. Two areas were researched: budgeting, which is the process by which activities determine and justify their requirements; and budget execution, which is the spending of and accounting for funds allotted to individual activities. Comparison of budgeted amounts versus actual budget execution was done for three activities from which both budgeting and execution data were available.

1. Budgeting

Analysis of budgeting was done by examining budget documents provided by six activities: Naval Air Station North Island, Naval Air Station LeMoore, Naval Air Weapons Station Point Mugu, Naval Construction Battalion Center Port Hueneme, Naval Station Long Beach, and Fleet Anti-Submarine Warfare Training Center, Pacific. Additional summary information was provided by AIRPAC.

The budgeting process was conducted in essentially the same manner at all activities contacted. The BQ officers and their staffs prepared annual budgets in accordance with guidance provided by the Navy Bachelor Quarters Manual, NAVPERS 15606. A sample BQ Appropriated/Non-appropriated Fund Budget Worksheet from that manual is attached as Appendix D. While these budgets are

required to be submitted separately to activity major claimants (NAVPERS 15606, 1992, p.3-27), they are also used as inputs for the commands' annual budget submissions to their individual claimants.

a. BQ Officer Involvement in the Budgeting Process

While all of the BQ officers interviewed were actively involved in the preparation of the annual appropriated/non-appropriated fund budget, only one actually met with the activity comptroller to discuss the budget submission. All of the other BQ officers discussed the budget with their department head, usually the Supply Officer, who met with the comptroller and commanding officer. Only one of the BQ officers interviewed had a list of budget shortfalls (unfunded requirements) resulting from the preparation of the command budget.

Although maintenance and repair (F4FA) and minor construction (F4FB) funding is included in the appropriated/non-appropriated fund budget, BQ officers are not responsible for determining the amounts of these two line items. (NAVPERS 15606, 1992, p.3-28) Rather, the activity Public Works Officer or Staff Civil Engineer provided those amounts. Only two of the BQ officers interviewed reported having worked closely with Public Works and claimant representatives in determining maintenance and repair and minor construction amounts.

b. Appropriated vs. Non-appropriated Funds

Non-appropriated funding contributed a significant amount to the total budget of most activities. Since only appropriated funding is used for BQ maintenance and repair and minor construction, the following figures comparing

appropriated and non-appropriated funding apply to BQ operations only.

While the amount of appropriated funding budgeted as a percentage of total funding budgeted varied greatly between activities, it was consistent over time for each individual command. Appropriated funds as a percentage of total funding for fiscal year 1993 varied from 22 percent at Naval Station Long Beach to 88 percent at Naval Air Weapons Station Point Mugu. The median was 62.5 percent. All activities except one used the same percentage or a figure within 3 percent for projecting appropriated funding as a percentage of total funding in future years. The remaining activity used a figure 5 percent less in fiscal year 1994 than in 1993.

There was little consistency among activities in the amount of appropriated funding as a percentage of total funding budgeted for various purposes (i.e. civilian personnel, consumable supplies, or furnishings and equipment). Percentages budgeted for fiscal year 1993 in selected major categories are tabulated below.

APPROPRIATED FUNDING
AS A PERCENTAGE OF TOTAL FUNDING BUDGETED

	Highest %	Lowest %	Median %
Civilian Personnel	100	0	29.7
Consumable Supplies	90	25	66.5
Furnishings/Equipment	100	12	76.5
All Other Expenses	100	0	59.0

Activity BQ officers reported that they used historical data to project the amounts of non-appropriated revenue and expenses expected. They found these amounts to be fairly consistent over time, although sometimes subject to the operational tempo of the units which used their facilities for transient berthing. While

investigation of non-appropriated funding is not a focus of this thesis, it apparent from these figures that heavy reliance upon non-appropriated funding is prevalent in the management of BQs.

c. Budgeted vs. Required Appropriated Funds

In general, activities budgeted appropriated funding in amounts far less than their budgets indicated was required. The reasons for this practice were not identified; however, several of the BQ officers interviewed indicated that they referred to prior years' funding figure to establish future budget amounts or received guidance from their comptrollers citing the figures to use. If requirements exceeded previous years' spending, this would explain the consistent shortfalls. Budgeted funds were compared to required funds for only five of the six activities listed above because the summary sheet used by Fleet Anti-submarine Warfare Training Center Pacific did not distinguish between required and budgeted appropriated funds.

Total budgeted appropriated funds as a percentage of total required funds varied from 30 percent at Naval Station Long Beach to 82 percent at Naval Air Weapons Station Point Mugu, with a median of 33.1 percent over all activities. This is similar to what was found with the appropriated vs. non-appropriated funding, percentages were relatively consistent over time at individual activities; the percentages varied no more than 3 percent except at one activity, which used a figure nearly 8 percent less than fiscal year 1993 in 1994. Selected fiscal year 1993 figures for budgeted appropriated funding as a percentage of required appropriated funding are tabulated below.

BUDGETED FUNDS
AS A PERCENTAGE OF REQUIRED FUNDS

	Highest %	Lowest %	Median %
Civilian Personnel	112.0	100.0	100.0
Consumable Supplies	100.0	48.8	60.6
Furnishings/Equipment	100.0	1.5	21.9
Operations Total	90.7	23.2	27.0
Maintenance and Repair	100.0	39.9	68.9

A few BQ officers interviewed stated that they occasionally used non-appropriated funds to make up the deficiencies in appropriated funding, both "overtly" and, perhaps more notably, somewhat "covertly". "Overt" examples include paying for amenities and cleaning in common areas with non-appropriated funds, which was at one time allowed, but is no longer authorized (NAVPERS 15606, 1992, p.3-30). An example of "covertly" using non-appropriated funds to meet appropriated fund requirements would be the purchase of new PSE for transient rooms and subsequent movement of the "replaced" PSE into permanent party rooms, whose PSE is in worse condition than that of the transient rooms. While such methods were not reported to be practiced widely, they did apparently exist.

Data on PSE funding collected as a result of the newly-implemented matching funds program was provided by AIRPAC for fiscal year 1993. Only two out of fourteen AIRPAC commands for which data were provided budgeted appropriated funds for PSE equal to total required appropriated funds. The twelve remaining commands had deficiencies ranging from $56,000 to $1,645,612. The total budgeted appropriated funding for all fourteen commands was $2,483,760; only 29

percent of the total $8,469,866 required. The newly-implemented AIRPAC policy of matching funds spent on PSE during the first quarter may have influenced decisions to budget appropriated funds, artificially lowering them. This definitely appears to be the case at two commands which received PSE matching funds equal to their appropriated fund deficiencies. If total AIRPAC matching funds for PSE of $1,435,000 are added to the command-budgeted amounts, the figure increases to $3,918,760; or 46 percent of required appropriated funding.

2. Budget Execution

Analysis of budget execution was done by examination of obligation reports provided by three activities: Naval Air Station North Island, Naval Air Station LeMoore, and Naval Station San Diego; two type commanders: AIRPAC and Commander, Naval Surface Force, U.S. Pacific Fleet (SURFPAC); and one major claimant, Chief of Naval Education and Training (CNET). These reports contain data representing a total of twenty-six activities. Data was requested for AG/SAGs F3FJ (bachelor quarters operations), F4FA (maintenance and repair) and F4FB (minor construction), broken out by expense element by month.

AIRPAC, SURFPAC and CNET were able to provide data for AG/SAG F3FJ. None were able to provide data for bachelor housing obligations in AG/SAGs F4FA and F4FB, since these included funding for all base facilities. Naval Air Station LeMoore and Naval Station San Diego provided data for F3FJ, F4FA and F4FB by expense element and by month, while Naval Air Station North Island was able to provide only quarterly totals for F3FJ and year-end totals for F4FA.

a. Operations

Analysis of operations funding data from all commands revealed a pattern of disproportionate spending in the last few months of each fiscal year.[1] Of sixteen AIRPAC activities for which data was provided, all but two obligated over half their operations funds for fiscal year 1991 during the last quarter of the year. Of the two that did not; one did not have any PSE purchases during the year, and the other obligated 93 percent of its funds by contract during May. In fiscal year 1992, only eight of the sixteen commands obligated over half their funds during the last quarter; however, the effects of the Base Realignment and Closure (BRAC) process appears to account for this difference.

Similarly, out of ten SURFPAC activities, six obligated over half their operating funds during the last quarter of fiscal year 1991. In fiscal year 1992, seven activities obligated over half their operating funds in the last quarter. It is interesting, although perhaps not significant, to note that all three of the activities which obligated less than half of their funds during the last quarter were overseas.

The percentages of total funds obligated by all AIRPAC activities and all SURFPAC activities in each quarter of fiscal years 1991 and 1992 are tabulated on the following page for selected expense elements, which together comprise the majority of BQ funding.

---

[1] The times during the fiscal year at which activities received their allotted funding from their claimants may have an effect on the way in which funding is obligated by activities. For instance, if funding is not received until the third quarter of the fiscal year, it would not be unreasonable for activities to spend over half their funding during the last quarter of the year. This study did not address the issue of the timing of activities' receipts of funds, hence the significance of this occurrence is unknown.

AIRPAC OPERATIONS FUNDING
OBLIGATED BY QUARTER

FY 1991

	First	Second	Third	Fourth
Purchased Services	8.3	31.2	39.7	20.8
Materials and Supplies	11.3	9.5	14.9	64.3
Civilian Labor	21.9	23.0	26.9	28.2
Equipment	0.3	0.9	14.6	84.2

FY 1992

	First	Second	Third	Fourth
Purchased Services	81.0	0.5	7.9	10.6
Materials and Supplies	11.3	9.8	13.6	65.3
Civilian Labor	21.2	24.9	25.0	28.9
Equipment	3.6	1.4	6.3	88.7

SURFPAC OPERATIONS FUNDING
OBLIGATED BY QUARTER

FY 1991

	First	Second	Third	Fourth
Purchased Services	36.6	18.1	21.3	24.0
Materials and Supplies	3.9	14.6	40.1	41.4
Civilian Labor	21.1	21.5	26.0	31.4
Equipment	0.0	4.0	6.8	89.2

FY 1992

	First	Second	Third	Fourth
Purchased Services	43.0	8.1	29.8	19.1
Materials and Supplies	3.2	8.5	11.7	76.6
Civilian Labor	26.1	21.0	25.3	27.6
Equipment	0.5	2.5	3.0	94.0

Figures from these two type commanders indicate a consistent pattern of purchasing contracted services toward the beginning of the fiscal year and materials, supplies, and equipment at the end of the year. Civilian labor funding is rather evenly spent throughout the year, as might be expected. The practice of postponing purchased of material, supplies and equipment appears to have become more common from 1991 to 1992, possibly indicating an increased preference for treating this funding as discretionary.

Examination of figures provided by CNET reveal different practices. Out of nineteen activities for which data was provided for fiscal year 1991, nine obligated over half their operating funds during the last quarter of the fiscal year. In fiscal year 1992, however, only two out of twenty-one activities obligated over half their funds during the last quarter of the fiscal year. Of these two, one obligated all of its funds (approximately $7,600) during September. The other obligated only $300 throughout the entire fiscal year.

When told about the differences between CNET obligation rates and those of AIRPAC and SURFPAC, the CNET BQ representative attributed their higher obligation rates to several factors; primary among those his monthly review of activity obligation rates, close communication with functional and activity level managers, and staunch support of quality of life at the CNET flag level. He added that obligation was unusually slow during fiscal year 1991, speculating that Operation Desert Storm probably caused activities to be more cautious in executing their budgets than they might otherwise have been. Also, fiscal year 1992 was a "lean" year in that no

additional funding was devoted to bachelor housing at the end of the year. Unfortunately, only year end totals of obligations by expense element could be provided, so no analysis of expense element obligations by quarter could be performed.

Although complete budget execution data was not available from AIRPAC for fiscal year 1993, figures for first-quarter obligation of PSE funds were available. During the first quarter of fiscal year 1993, a total of $1,435,000 was obligated by eight AIRPAC activities participating in the newly-established "matching funds" program for PSE. This is a dramatic increase from $192,333 and $21,577 obligated during the first quarters of fiscal years 1991 and 1992, respectively. The program appears to have achieved its intended result of motivating commands to spend PSE funding earlier in the fiscal year.

Appendices E through J are graphic depictions of total operations spending for AIRPAC, SURFPAC, CNET and selected individual activities.

b. Maintenance and Repair

Maintenance and repair funding data from Naval Air Station LeMoore and Naval Station San Diego was analyzed. Obligations for maintenance and repair for both activities were, in general, much more consistent throughout the fiscal year than those for operations. A notable exception is fiscal year 1991 for Naval Station San Diego, where approximately 46 percent of the annual obligations occurred in September. This unusual occurrence was due in part to the signing of a contract for exterior painting of three buildings. A graphical display of fiscal years 1991-1993

REPRODUCED AT GOVERNMENT EXPENSE

maintenance and repair obligations for Naval Air Station LeMoore and Naval Station San Diego are attached as Appendices K and L, respectively.

3. Budgeted vs. Executed Amounts

Budgeted amounts were compared to actual obligations for Naval Air Station North Island, Naval Air Station LeMoore, and Naval Station Long Beach for fiscal year 1993. Only obligations through July were available for Naval Station Long Beach, since data was collected for this site prior to the end of the fiscal year. The following table shows budgeted amounts, actual obligations, and actual obligations as a percent of amount budgeted.

BUDGETED AMOUNTS VS. ACTUAL OBLIGATIONS

	Budgeted	Actual	Percent
NAS LeMoore			
Operations	295,000	755,795	256
Maintenance & Repair	168,000	237,067	141
NAS North Island			
Operations	509,930	1,254,701	246
Maintenance & Repair	414,841	1,271,000	306
NAVSTA Long Beach			
Operations	194,000	127,568*	65.8*
Maintenance & Repair	87,000	not avail.	not avail.

* Indicates that data is for a portion of the fiscal year

For Naval Air Station LeMoore, the increases of actual obligations over budgeted amounts for operations were in the areas of equipment and consumable supplies. For Naval Air Station North Island, the increases were in the areas of equipment and purchased services. The above figures indicate that these activities are

not diverting funding away from bachelor housing; rather they are supplementing it with funding from other mission areas or year end "dump" funding provided by their claimants. Although figures for Naval Station Long Beach are for the first ten months of the fiscal year, they indicate a possibility that actual expenditures will be in excess of budgeted amounts, considering this activity's past pattern of significant spending during the last quarter of the fiscal year. Since data presented for all activities represent only the past fiscal year, it is uncertain if the practice of spending more appropriated funding than is budgeted has been an ongoing trend or if it is only a recent development.

V. CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

Much can be learned about the priority and support that bachelor housing receives at the activity level by examining the manner in which it is budgeted, spent and controlled. In addition, this study revealed that there are a variety of perceptions among Navy managers as to the priority of bachelor housing versus other activity mission areas. Conclusions from this study are as follows:

> That, although BQ officers perceive a high priority for bachelor housing at their activities, it is often under-budgeted and treated as discretionary spending, indicating a low priority.

Although a majority of activity-level BQ officers said that they perceived bachelor housing as a top priority at their command, annual funding for bachelor housing was consistently budgeted less than required amounts, both for operations and maintenance and repair. This was particularly true of budgeting for supplies and equipment. In addition, funding for bachelor housing was often spent only toward the end of the fiscal year, indicating its treatment as discretionary spending and possible consideration as a source "contingency" funding if other activity needs are not met. Again, this was particularly true for supplies and equipment. Both of these practices would indicate that bachelor housing is a relatively low priority for the activities contacted.

> That selected activities are supplementing budgeted funds for bachelor housing or spending funds in a less discretionary manner, indicated a higher or increasing priority.

Despite the apparent low priority of bachelor housing at some activities, others activities have spent more during the last fiscal year on bachelor housing than budgeted, both for operations and maintenance and repair. In addition, some activities are spending the majority of their funds earlier in the fiscal year, which is more representative of non-discretionary spending. This would indicate that bachelor housing has a high enough priority to warrant additional spending, at least in the eyes of selected base commanders, and perhaps that the priority of bachelor housing is increasing.

> That the lack of uniformity and consistency of tracking bachelor housing funding indicates a low priority, and may contribute to actual or perceived in disparities in budget execution.

Bachelor housing funding execution is not uniformly controlled or tracked at either the activity or claimant level throughout the fiscal year. Although activities had detailed records of operations funding, most could not easily produce separate figures for maintenance and repair funding, since it was included with all base facilities. The same was true at the claimant level; although operations funding was tracked at least annually by BQ representatives, maintenance and repair funding was not tracked by them at all. Figures for maintenance and repair may likely be available from existing facilities reports; but since these are maintained in a different department at the claimant level, lack of access and familiarity might lessen their usefulness. The

inclusion of maintenance and repair funding in the Bachelor Quarters Special Interest Item under the new O&M restructuring, however, should enable both activities and claimants to track its execution more easily.

> That the benefits of fencing bachelor housing funds do not outweigh the disadvantages at this time, and that the Navy should consider fencing only after the current practice of under-budgeting has ended or significantly diminished.

There was no agreement among BQ officers, BQ representatives, and comptrollers as to the need for fencing bachelor quarters funding. There are certainly a number of tradeoffs that would be involved in this issue; several were brought forth in this study. There was, however, no compelling evidence found by this study to suggest that bachelor housing funds are being diverted to other base mission areas, which is the primary argument for fencing of bachelor housing funds. Therefore, it appears that fencing is not necessary at this time. *In fact, fencing bachelor housing funding* could have detrimental effects due to the current practice of budgeting less than is required. In addition, fencing bachelor housing funding could discourage activities spending additional discretionary resources in that area. Rather than fencing bachelor housing funds, a more consistent and aggressive approach to budgeting and tracking execution of bachelor housing funding may be needed.

B. RECOMMENDATIONS

While progress toward improving bachelor housing will likely result from recent funding increases and the establishment of a Special Interest Item (SII) for bachelor

quarters in the accounting system, there are some existing practices which may jeopardize that progress. Given the foregoing conclusions, particularly the conclusion that fencing bachelor housing funding may not be advantageous at this time, some recommendations are offered to help promote success in improving bachelor housing conditions:

> That the Navy investigate further the process of budgeting for BQs to determine the reasons for under-budgeting. If necessary, provide additional guidance and support to BQ officers, representatives, and other managers involved in the budgeting process.

Unless funding for bachelor housing is provided in sufficient amounts in the first place, controls on its execution are somewhat meaningless. The widespread pattern of under-budgeting deserves attention from top Navy management.

> That the Navy establish uniform guidelines for tracking execution of BQ funding by activities at the claimant level and by the program manager, NAVFAC. This should be done for both operations and maintenance and repair funding using the recently designated SII for bachelor housing.

As claimed by the CNET representative, consistent and frequent tracking of bachelor housing funding may have a positive effect on activity obligation rates. With the establishment of the SII for bachelor housing, claimant level representatives have been given a very valuable tool in the oversight of budget execution, one that should not go unused.

That the Navy consider establishing a spending "floor" for BQ funding or require justification prior to usage of BQ funding for other purposes.

That the Navy consider establishing service-wide "incentive" programs, such as the PSE matching funds program established at AIRPAC.

While the effects of these recently established policies at selected commands are not conclusively known, it is reasonable to expect that they encourage activities to spend bachelor housing funds only for their intended purpose and earlier in the fiscal year than has been previously the case.

That BQ officers and representatives become more involved in the determination and tracking of maintenance and repair needs.

While the obligation of maintenance and repair funding was found to be more evenly spread throughout the fiscal year than that of operations funding, the process for both budgeting and controlling of maintenance and repair funds may be vulnerable. This potential vulnerability appears to stem from a widespread lack of involvement of BQ officers in determining maintenance and repair needs, and a lack of easy access to financial information by BQ representatives at the claimant level. As a result, there is a potential lack of accountability for maintenance and repair funding. Although the new SII for bachelor housing should make tracking of maintenance and repair funding easier at the claimant level, greater involvement in both the budgeting and controlling areas is necessary to avoid jeopardizing resources.

APPENDIX A

Bachelor Quarters Minimum Standards of Adequacy

Grade	Transient Personnel	Permanent Party Personnel and PCS Students
Civilians	250 square feet net living area; private room; bath shared with not more than one other.	See Table 1-2 for equivalent grades.
O3-O10		400 square feet net living area; living room, bedroom and private bath; access to kitchen or officers' dining facility receiving appropriated fund support.
O1-O2, W1-W4		250 square feet net living area; sleeping/living room; private bath.
E7-E9	100 square feet net living area; private room; central bath.	200 square feet net living area, private room and private bath.
E5-E6	90 square feet net living area; central bath; no more than four to a room	90 square feet net living area; no more than two to a room; central bath.
E1-E4 (other than Recruits/ "A" School)	85 square feet net living area; room configured or open bay space; not more than four to a room except in open bay; central bath.	85 square feet net living area; not more than four to a room; central bath.
"A" School and Recruits	72 square feet net living area; open bay; central bath.	

The net living area of a private room or suite is measured from the inside of the peripheral wall and includes all enclosed, unshared spaces and partitions. The net living area in a shared room comprises the area in the sleeping room allocated for an individual's bed, locker, and circulation; it excludes lounges, bathrooms, hallways, and storage areas designated for military mobility and/or field gear or equivalent. The open bay net living area comprises all within the peripheral walls, less an eight foot corridor the length of the bay. Net living area for each resident is one equal share of the remainder.

APPENDIX B

CONTRIBUTING ACTIVITIES

Chief, Bureau of Naval Personnel
Washington, DC

Chief of Naval Education and Training
Pensacola, FL

Commander, Naval Air Force
United States Pacific Fleet
San Diego, CA

Commander,
Naval Facilities Engineering Command
Alexandria, VA

Commander,
Naval Sea Systems Command
Washington, DC

Commander, Naval Surface Force
United States Pacific Fleet
San Diego, CA

Fleet ASW Training Center, Pacific
San Diego, CA

Naval Air Station LeMoore
LeMoore, CA

Naval Air Station North Island
San Diego, CA

Naval Air Weapons Station
Point Mugu, CA

Naval Construction Battalion Center
Port Hueneme, CA

Naval Station
Long Beach, CA

Naval Station
San Diego, CA

Naval Submarine Base
San Diego, CA

Naval Training Center
San Diego, CA

APPENDIX C

BACHELOR QUARTERS OFFICER/REPRESENTATIVE INTERVIEW QUESTIONS

1. Administrative Information:
   Name, Rank/Paygrade:
   Activity:
   Number of BQ rooms/spaces:
   Time at this activity:
   Previous BQ experience, if any:

2. How much appropriated funding did you request for BQ last FY during budget preparation? How much did your activity include for BQ in its budget request to your claimant? How much did you receive for BQ?

3. How much did your activity actually spend on BQ last FY?

   Appropriated Funding:
      Operations:
      Maintenance & Repair:
   Non-Appropriated Funding:

4. Are all non-appropriated funds generated by the BQ last year used for BQ? What type of things were funds used for (please be specific)?

5. What relative priority do you believe BQ has at your activity compared to other mission functions with regard to appropriated funding? Please describe why you believe this is true (i.e. cite past examples or trends).

6. Do you believe that BQ is adequately funded at your activity? Please describe why or why not.

7. Do you know of any instances where funding was diverted from BQ to other activity functions or vice versa? How much was diverted and what for?

8. Are you aware of the O&M,N Appropriation Restructuring which takes effect FY94? If so, what effect do you believe this will have on BQ funding?

9. Are you aware of the large increases planned for BQ funding starting in FY94? If so, do you have special plans prepared for spending these increases?

10. Do you believe there is a need to "fence" funding for BQ? Why or why not?

I. RAMCAS # _____ II. ACTIVITY NAME: _____

III. FY ____ IV. _____ V. POINT OF CONTACT: _____

VI. AUTOVON: _____ VII. COMMERCIAL: _____ VIII. FAX _____

DQ APPROPRIATED/NONAPPROPRIATED FUND BUDGET WORKSHEET

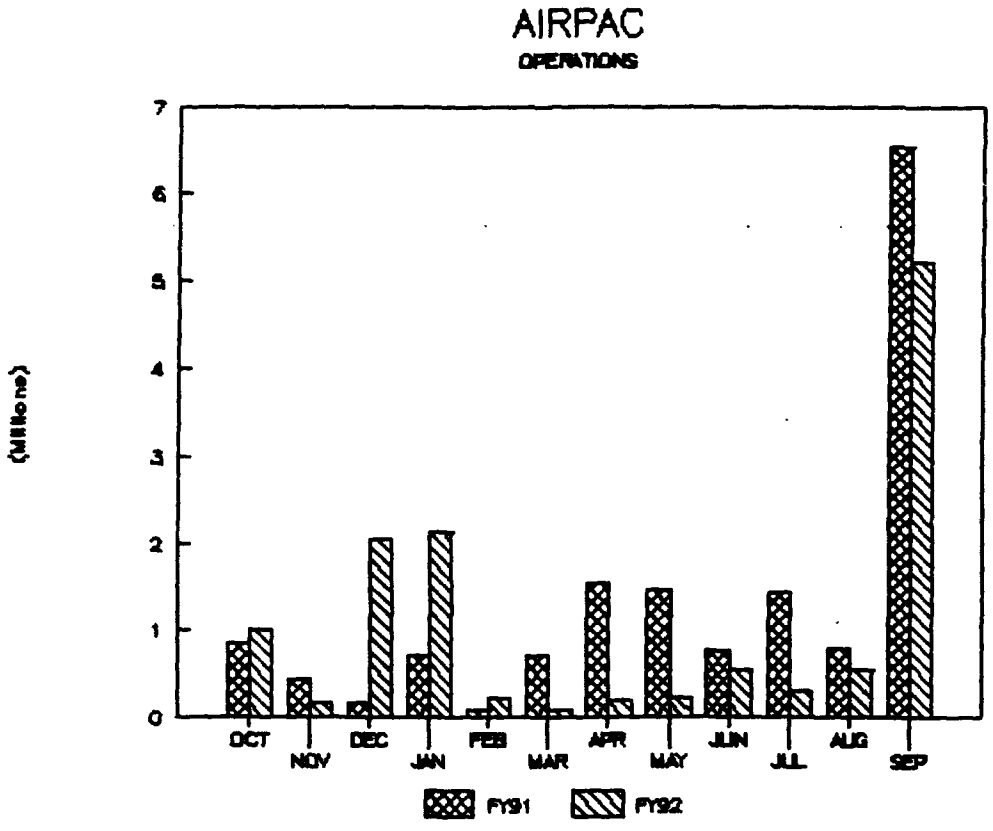
1. LINE NO.	2. CATEGORIES OF EXPENSE	3. TOTAL REQUIRED APF	4. COMMAND BUDGETED APF	5. APF DEFICIENCY (Col 3-4)	6. BUDGETED NAF	7. TOTAL BUDGETED (Col 4 + Col 6)	8. BUDGETED APF AS % (Col 4/Col 7)
1 F3F3	CIVILIAN PERSONNEL						
2 F3F3	TRAVEL & TRANSPORTATION						
3 F3F3	TRANS OF THINGS						
4 F3F3	LEASE				N/A		
5 F3F3	CONSUMABLE SUPPLIES						
6 F3F3	FURNISHINGS & EQUIPMENT						
7 F3F3	MAINTENANCE AND REPAIR FURNISHINGS & EQUIPMENT						
8 F3F3	ALL OTHER EXPENSES		N/A				
9 F3F3	F3 TOTAL						
10 F4F4	MAINTENANCE/REPAIR						
11 F4F4	MINOR CONSTRUCTION						
12 F4F4	F4 TOTAL						
	GRAND TOTAL						

DQ OFFICER: _____ SIGNATURE: _____ DATE: _____

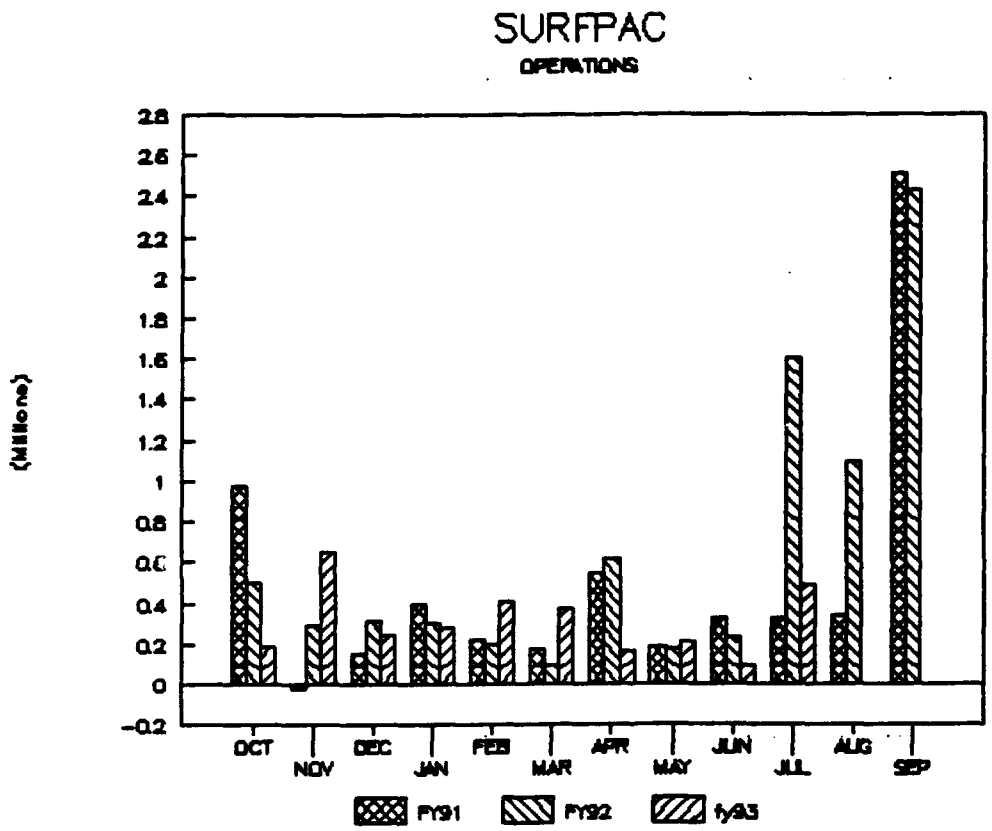
COMPTROLLER: _____ SIGNATURE: _____ DATE: _____

COMMANDING OFFICER: _____ SIGNATURE: _____ DATE: _____

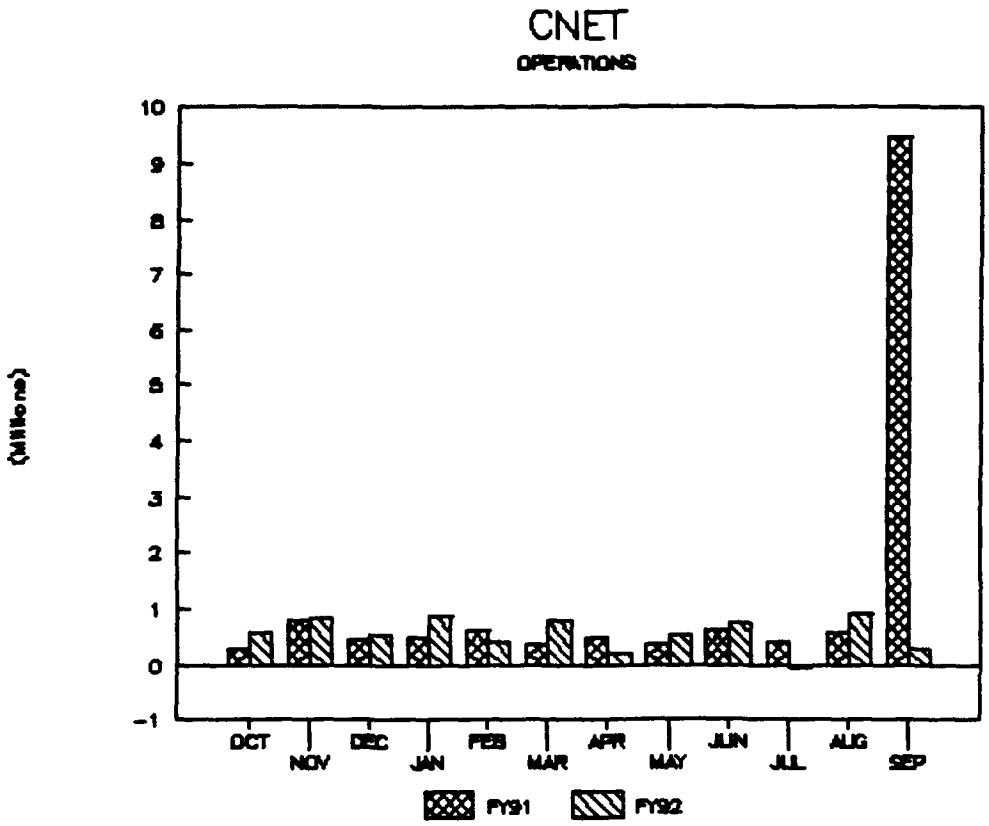
APPENDIX E


AIRPAC
OPERATIONS
(Millions)
0
1
2
3
4
5
6
7
OCT
NOV
DEC
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
FY91
FY92

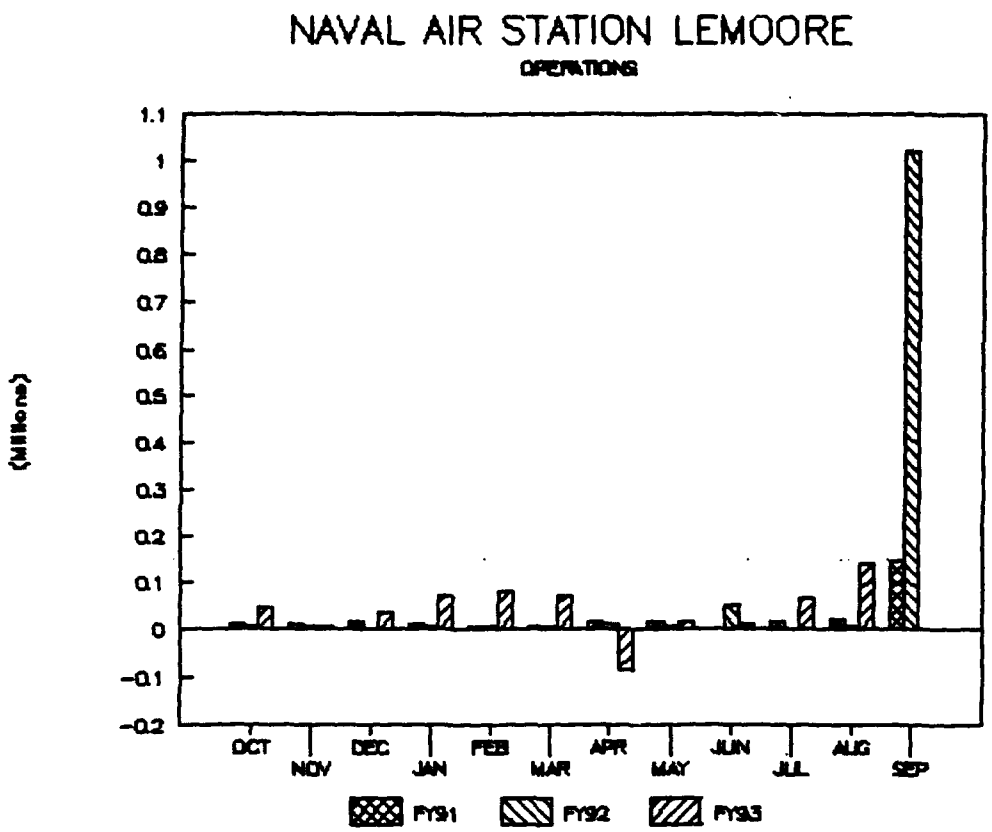
APPENDIX F


SURFPAC
OPERATIONS
(Millions)
2.8
2.6
2.4
2.2
2
1.8
1.6
1.4
1.2
1
0.8
0.6
0.4
0.2
0
-0.2
OCT
NOV
DEC
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
FY91
FY92
fy93

APPENDIX G


CNET
OPERATIONS
(Millions)
10
9
8
7
6
5
4
3
2
1
0
-1
OCT
NOV
DEC
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
FY91
FY92

APPENDIX H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OPERATIONS
(Millions)
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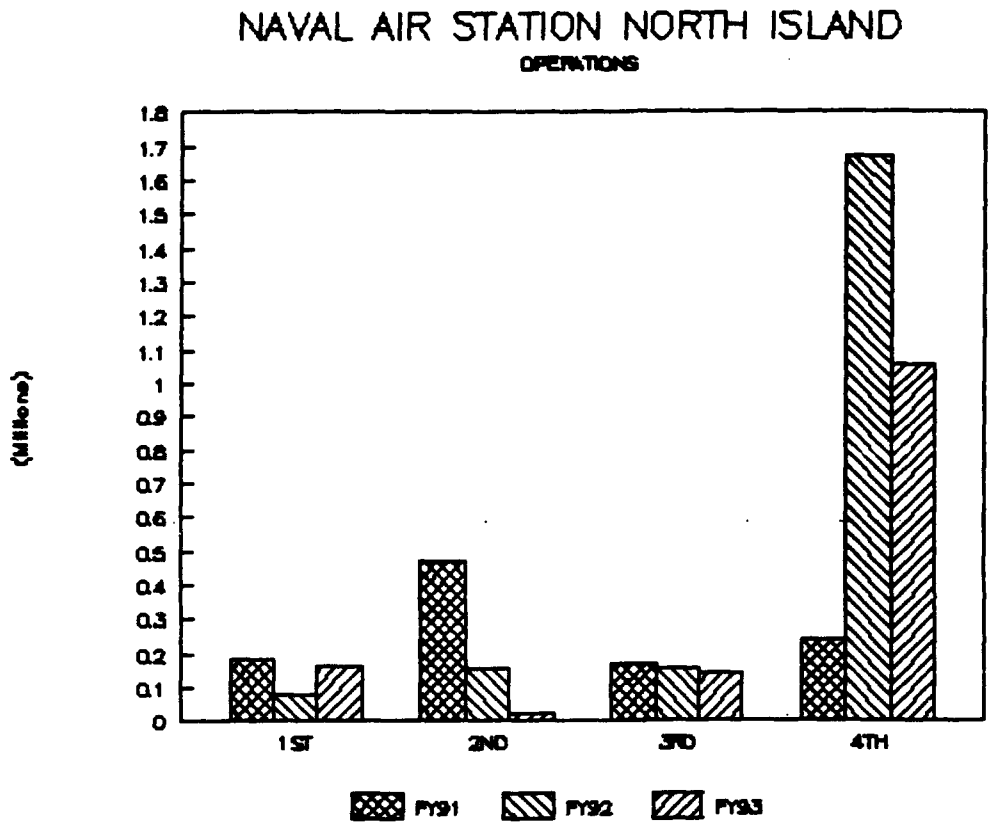
1
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
-0.1
-0.2
OCT
NOV
DEC
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
FY91
FY92
FY93

APPENDIX I


NAVAL AIR STATION NORTH ISLAND
OPERATIONS
(Millions)
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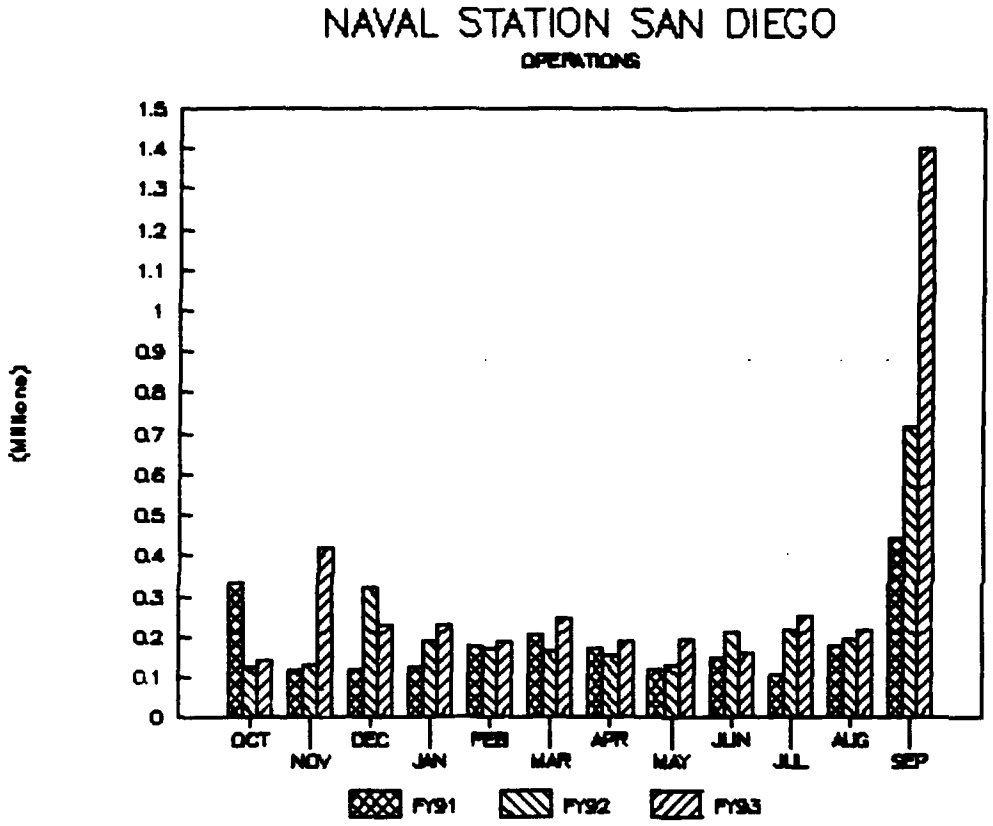
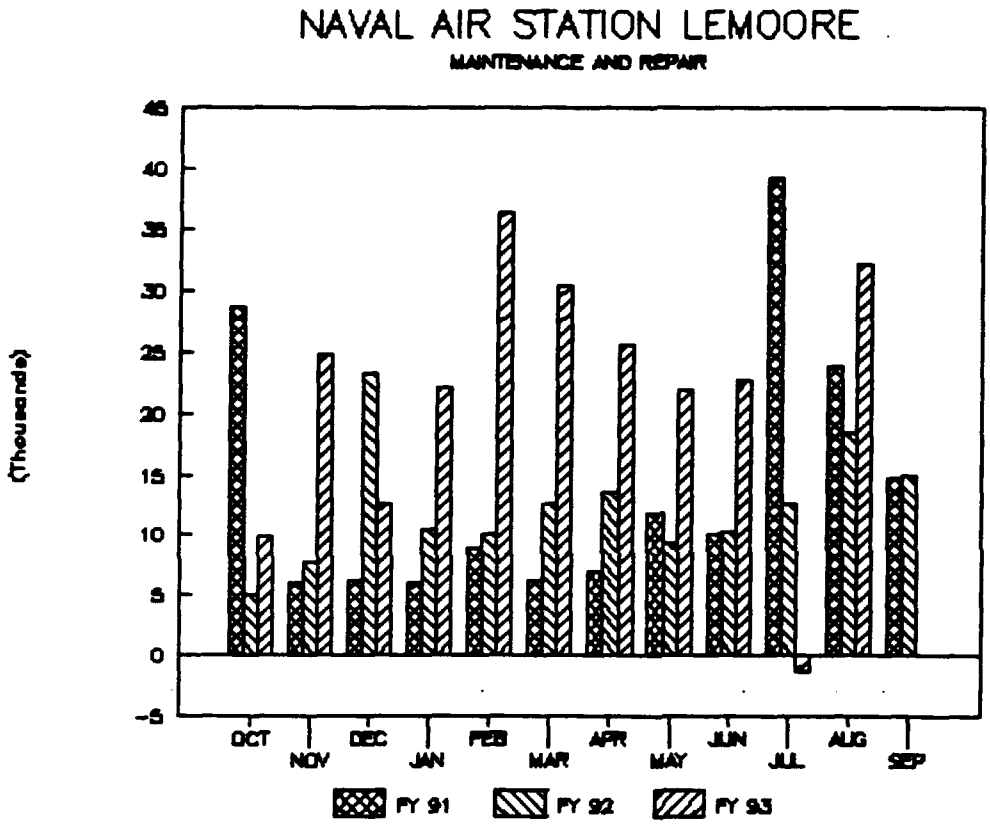
1.7
1.6
1.5
1.4
1.3
1.2
1.1
1
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
1ST
2ND
3RD
4TH
FY91
FY92
FY93

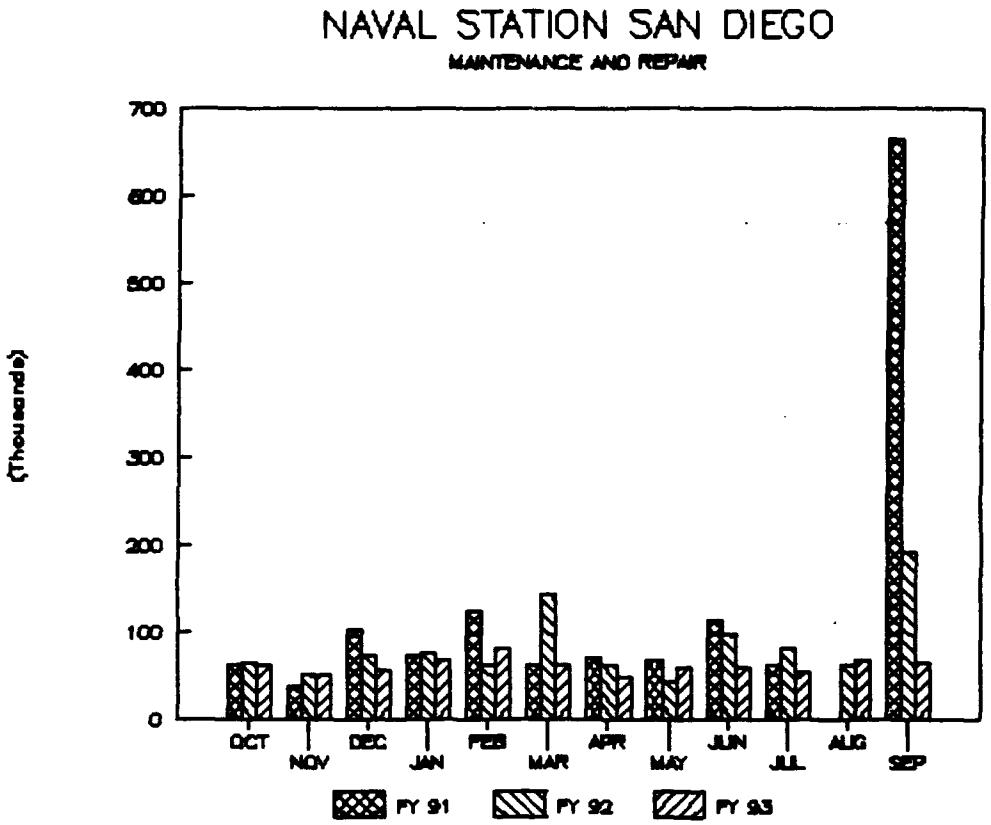
APPENDIX J


NAVAL STATION SAN DIEGO
OPERATIONS
(Millions)
1.5
1.4
1.3
1.2
1.1
1
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
OCT
NOV
DEC
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
FY91
FY92
FY93

APPENDIX K


NAVAL AIR STATION LEMOORE
MAINTENANCE AND REPAIR
(Thousands)
45
40
35
30
25
20
15
10
5
0
-5
OCT
NOV
DEC
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
FY 91
FY 92
FY 93

APPENDIX L


NAVAL STATION SAN DIEGO
MAINTENANCE AND REPAIR
(Thousands)
700
600
500
400
300
200
100
0
OCT
NOV
DEC
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
FY 91
FY 92
FY 93

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