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Briefing Report to the Chairman,
Subcommittee on Defense, Committee
on Appropriations, House of
Representatives

June 1990

DEFENSE BUDGET ISSUES

Effect of Civilian Hiring Freeze on Fiscal Year 1991 Budget



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

National Security and
International Affairs Division

B-238512

June 29, 1990

The Honorable John Murtha
Chairman, Subcommittee on Defense
Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

This briefing report is in response to your February 22, 1990, request that we analyze the effect of the Department of Defense's (DOD) civilian hiring freeze on its fiscal year 1991 budget.

On May 16, 1990, we provided your staff an oral briefing on our preliminary findings. A separate report is being prepared on the matters related to the issue of whether the budget for the Office of the Secretary of Defense properly reflects the funds applied to management support agencies and activities.

The DOD announced a civilian personnel hiring freeze on January 11, 1990. As of June 14, 1990, DOD estimates a potential savings of about \$780 million in fiscal year 1991, as a result of this freeze. However, DOD officials cautioned that this \$780 million savings may include about \$300 million from Defense Management Review initiatives that have already been incorporated in the total fiscal year 1991 budget, but not yet allocated to specific accounts.

The original announcement listed 14 categories of exemptions from the civilian personnel hiring freeze and provided other individual vacancy exemptions. On April 12, 1990, two more categories of exemptions were added. The exemptions are set forth in the appendix. A DOD official estimated that the two additional exemptions would decrease the estimate of fiscal year 1991 budget savings by about 25 percent (or \$195 million), resulting in an estimated net 1991 savings figure of about \$585 million. This demonstrates that the amount of savings are very sensitive to any changes in the basic assumptions used by DOD to calculate those savings.

Scope and Methodology

To determine the effect of the DOD civilian personnel hiring freeze on the fiscal year 1991 budget, we interviewed DOD officials and reviewed their savings calculations at the Offices of the Comptroller and the Assistant Secretary of Defense (Force, Management and Personnel). We also analyzed the reasonableness of DOD's methodology used to calculate savings.

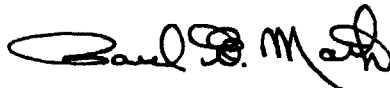
In general, we believe DOD's methodology for calculating savings is reasonable and its savings calculations are accurate.

We met with cognizant DOD officials to discuss the report contents and their comments have been incorporated where appropriate. These officials concurred with the facts presented in this report. Our review was performed between February and June 1990 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Chairmen, House and Senate Armed Services Committees, House and Senate Committees on Appropriations, Senate Committee on Governmental Affairs, and House Committee on Government Operations and the Secretary of Defense. Copies will be made available to others upon request.

Please contact me at (202) 275-4587 if you or your staff have any questions concerning this briefing report. Major contributors to this briefing report are John A. Rinko, Assistant Director; Shirley E. Hendley, Evaluator-in-Charge; and Ronald J. Bonfilio, Evaluator.

Sincerely yours,



Paul F. Math
Director, Research, Development,
Acquisition, and Procurement Issues

Original and Subsequent Exemptions to the Civilian Personnel Hiring Freeze

After DOD announced its civilian personnel hiring freeze in January 1990, it set forth 14 categories of exemptions and provided other individual vacancy exemptions. In April 1990, two other categories of exemptions were added. This appendix sets forth the original and subsequent categories of exemptions.

Original Exemptions

Each of the service secretaries and the directors of the Defense agencies may approve filling positions on a case-by-case basis, if, after personally reviewing the justifications, they determine that such positions must be filled in order to maintain a national defense capability. In addition to individual vacancy exemptions, certain categories of exemptions were established. According to information provided by DOD, these include:

- Commitments made to employees or applicants before January 11, 1990, will be honored. This covers employees who had been selected for promotion, reassignment, or a permanent change-of-station, but the action had not yet been completed. It also covers applicants who had been selected, but had not yet entered on duty.
- Hiring to prevent employment from falling below a statutorily imposed level. Some examples are child care, reserve and National Guard technicians, and Defense Contract Audit Agency employees.
- College and university graduates for entry level positions, and the various programs for summer and school year employment. This prevents the loss of the 1990 group that will be graduating from colleges and universities and sustains efforts to provide youth with summer employment opportunities.
- Teachers for the DOD dependent schools were exempted to assure that the DOD overseas and section VI schools are adequately staffed for the 1990 school year.
- Hiring individuals for non-appropriated fund positions in morale, welfare, and recreation activities. Because non-appropriated fund salaries are not included in Defense appropriations, and are paid from revenue generated by the non-appropriated fund activities, loss of staff would have a direct impact on ability to generate revenue. This will cause an increased demand on the need for appropriated funds to maintain non-self-supporting morale, welfare, and recreation operations.
- Employees who are registered in the Priority Placement Program as a result of force reductions or installation closures. This exemption provides employment opportunities to employees identified for separation from federal service through force reductions or installation closures. This exemption affirms earlier Secretary of Defense assurances that individuals affected by base closures will be protected.

- Employment positions in Berlin, which are Deutsche mark funded and paid for by the West German government.
- Employment positions in foreign military sales are exempt because the salaries are reimbursed to the United States by the purchasing countries. Furthermore, a hiring freeze in this category could prevent DOD from fulfilling the terms of some foreign military sales agreements.
- Individual positions directed by adjudicated settlements such as arbitration, Federal Labor Relations Authority, or Merit System Protection Board decisions are exempt to comply with court and administrative orders.
- Medical positions (up to 1,000 for each service), are exempt to comply with the Congress' request that each service accelerate civilian health care staff recruiting. Failure to hire staff could lead to serious cost increases in the Civilian Health and Medical Program of the Uniformed Services.
- The 1985 Military Family Act requires that for every two vacancies occurring overseas, one vacancy may be filled by employing a military spouse. Spouses ordinarily transfer with military personnel. The hiring freeze would prohibit their employment and would adversely affect troop morale and readiness.
- Vacancies may be filled in commissary stores to prevent degradation of service. High personnel turnover can quickly affect such functions as check-out counters, meat cutting, and shelf stocking.
- Overseas vacant positions, which directly support child and day care centers, are exempt because very high turnover rates have adversely affected the ability of some child care centers to remain open.
- To meet emergencies, the Military Sealift Command may fill up to 35 positions without prior clearance.

Subsequent Exemptions

- Internal transfers, reassignments, or promotions are exempted to help implement Defense Management Review decisions and to reduce the work load associated with case-by-case exemptions.
- Temporary employees are exempt if they have no break in service. The civilian employment freeze did not permit the retention of temporary employees beyond the date set at the time of their initial appointment. A large number of appointments, made before the hiring freeze, had expired and had generated a large number of case-by-case exemptions.

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