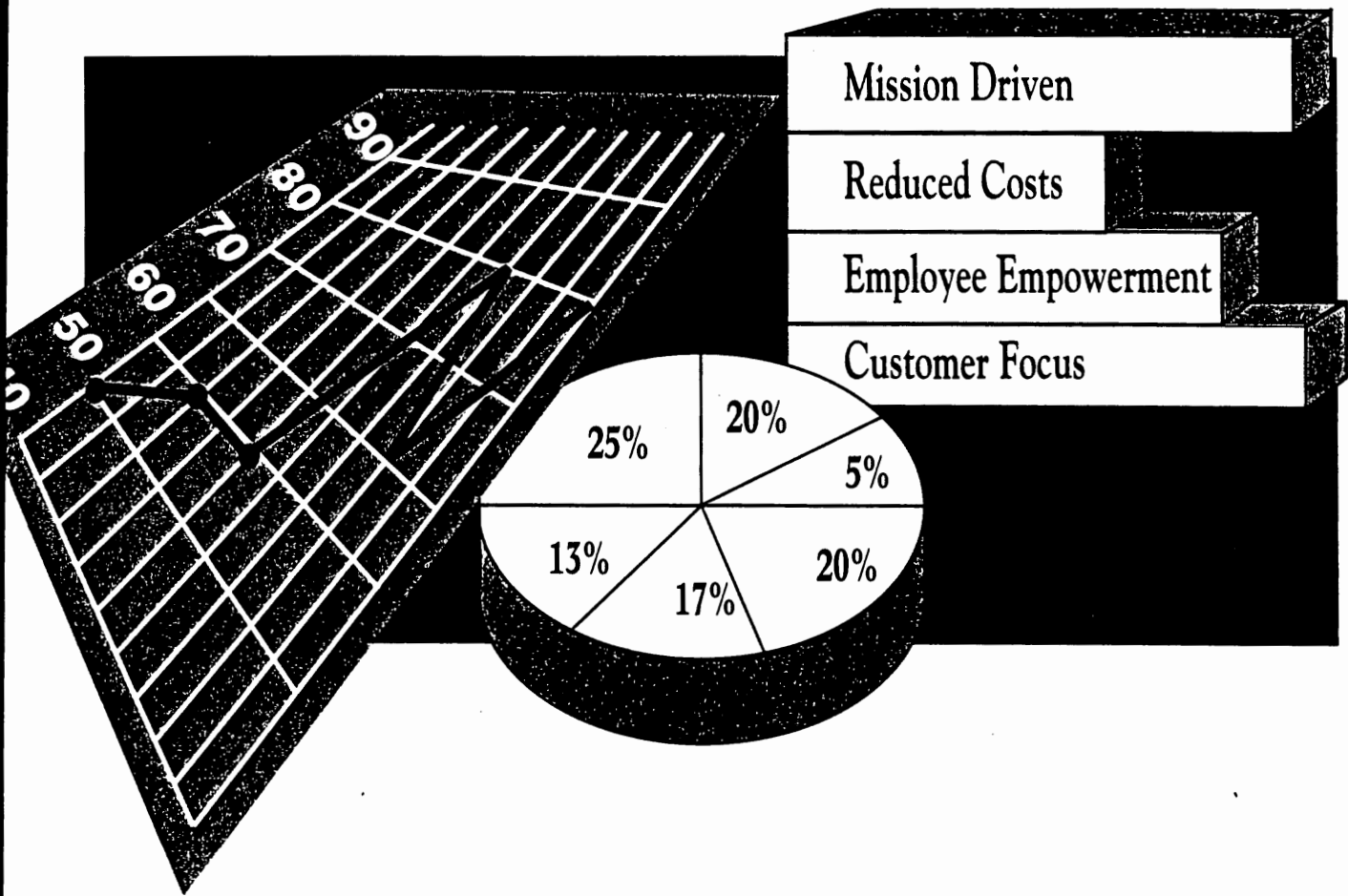




96-F-0550

DEFENSE STREAMLINING PLAN



CHARTING A NEW COURSE

OCTOBER 1994

#798

TABLE OF CONTENTS

	Page
EXECUTIVE SUMMARY	i
I. INTRODUCTION	1
II. BACKGROUND:	3
A. DoD WORKFORCE REQUIREMENTS DETERMINATION	5
B. DEFENSE MISSION CATEGORY	6
III. STREAMLINING STRATEGY AND TOOLS:	
A. OUTSOURCING	9
B. CONSOLIDATION	12
C. BETTER BUSINESS PRACTICES	14
IV. DoD STREAMLINING INITIATIVES:	
A. FY 1987-93 ACCOMPLISHMENTS	25
B. FY 1994-99 OBJECTIVES	27
C. PRIMARY FOCUS REDUCTION TARGETS:	
1. SUPERVISORS	34
2. MANAGEMENT HEADQUARTERS	35
3. HIGH GRADES.....	37
4. OCCUPATIONAL-SPECIFIC:	
a. Finance	40
b. Personnel	42
c. Procurement	45
V. PERSONNEL SEPARATION STRATEGY	49
VI. STREAMLINING CHALLENGES AND CONSIDERATIONS	53
VII. CONCLUSION	57
APPENDIX	
A. DEPARTMENT OF DEFENSE COMPONENTS	
B. DEFENSE MISSION CATEGORY DEFINITIONS	
C. BASE CLOSURE SUMMARY	
D. CONGRESSIONAL WORKFORCE RESTRICTIONS	

EXECUTIVE SUMMARY

The President's memorandum of September 11, 1993, "Streamlining the Bureaucracy," directs that each executive department and agency prepare a streamlining plan consistent with National Performance Review (NPR) recommendations. The Department submitted its initial streamlining plan to the Office of Management and Budget (OMB) last January. On August 19, the OMB directed that each agency submit an updated streamlining plan in support of their FY 1996 budget requests.

The Defense Streamlining Plan describes strategies, initiatives, and goals for streamlining the DoD bureaucracy and accomplishing NPR objectives.

Part I - Introduction provides an overview of the Defense establishment and establishes an order of magnitude for the size of DoD's workforce in FY 1993 (the NPR starting point for gauging future reductions).

- o Over 3.7 million military and civilian personnel
- o Over 984,000 civilians, including:
 - oo Over 931,000 direct hire (the focus for NPR reductions)
 - oo Plus 53,000 indirect hire foreign nationals

Part II - Background describes the Department's ongoing process to rightsize its workforce based on mission and workload. Part II clarifies that DoD civilian personnel are a resource, not a program.

Part III - Streamlining Strategy and Tools discusses DoD's primary avenues for achieving savings in civilian personnel and DoD infrastructure costs: outsourcing, consolidation, and better business practices. Part III identifies ongoing initiatives applicable to each strategy area such as business process reengineering, corporate information management initiatives, benchmarking, reinvention laboratories, regulatory reform, and implementation of the Government Performance and Results Act.

Part IV - DoD Streamlining Initiatives identifies streamlining accomplishments to date and projects workforce savings through FY 1999 to include:

- o Actual civilian reductions between FY 1987-93 of 17 percent (or 196,000);
- o Programmed reductions in direct hire civilians between FY 1993-99 of 22 percent (or 208,000);
- o Programmed reductions in primary focus NPR areas between FY 1993-99, as follows:
 - oo Supervisory Ratios (from 1:7 to 1:14);
 - oo Management Headquarters/Headquarters Support (-14 percent or 8,500 spaces);

- oo High Grade GS-14 and Above (-3,700 by the end of FY 1995 with plans to do more through FY 1999); and
- oo Primary Occupation Groups--i.e., Finance, Personnel, and Procurement (reduction rates equal to overall DoD reduction--i.e., 22 percent between FY 1993-99).

Part V - Personnel Separation Strategy discusses DoD's experience using four primary personnel downsizing tools--i.e., hiring freeze, early retirement authorities, buyouts, and involuntary separations (RIFs). Part V also discusses the Department's assistance to displaced DoD employees.

Part VI - Streamlining Challenges and Considerations identifies potential impediments, in and outside of the Department, to fully implementing NPR-related objectives.

Part VII - Conclusion summarizes the Department's commitment and continuing effort to streamlining the bureaucracy and satisfying NPR goals.

Appendices:

- A. Identifies current DoD components.
- B. Defines Defense Mission Categories (DMCs).
- C. Reflects domestic bases approved to close over the NPR period.
- D. Identifies FY 1994 Congressional workforce restrictions.

DEPARTMENT OF DEFENSE

STREAMLINING PLAN

I - INTRODUCTION

The Department of Defense is the largest federal agency employer with a workforce size of more than 3.7 million active and reserve military and civilian personnel in FY 1993. DoD's civilian component represents approximately one quarter of the Department's total force. The DoD civilian workforce performs many functions essential to the operation of our military forces. DoD civilians repair airplanes, ships, and tanks; provide research, medical, communications and logistical support; and operate and maintain military installations. Civilians contribute directly to the readiness of the Armed Forces by providing continuity and expertise and by freeing uniformed personnel to perform military-specific tasks.

In FY 1993, the Defense Department utilized over 984,000 full-time equivalent civilians in support of its assigned missions at a compensation and benefit cost of approximately \$43.3 billion. Over 931,000 of these civilians were U.S. citizens and foreign nationals on DoD's direct payroll. The other 53,000 were foreign nationals hired indirectly through contractual arrangement with host nations overseas. In FY 1993, the direct hire portion of DoD's workforce comprised 43 percent of Executive Branch civilian employment.

The DoD organizational structure is comprised of four Military Services, sixteen Defense Agencies, nine DoD Field Activities, five Defense Support Activities, and a number of other separate and distinct organizations, hereafter referred to as DoD components. Most all Defense Agencies and DoD Field Activities have evolved over time as a result of DoD-wide functional consolidation initiatives. DoD Field Activities perform missions more limited in scope than Defense Agencies. Defense Support Activities lend technical support to senior members on the Secretary of Defense staff. DoD components, such as the Inspector General, that did not receive their charters from the Secretary of Defense were created by Public Law. Appendix A provides a listing of current DoD components and their acronyms.

This report is submitted in response to Office of Management and Budget (OMB) guidance, dated August 19, 1994, calling for detailed streamlining plans in support of agencies' FY 1996 budget requests. The DoD plan identifies, as Defense Agency reductions, all personnel allocated to DoD organizations outside of the Military Departments. The workforce associated with these organizations represent only four percent of DoD's total military and civilian workforce.

The Department looks forward to working with the OMB and members of the President's Management Council to achieve recommended National Performance Review goals.

II - BACKGROUND

On February 10, 1993, the President released three Executive Orders announcing his plans for deficit control and productivity improvement in the administration of the Federal government. One order called for reducing administrative expenses by not less than 14 percent by FY 1997. A second order called for terminating not less than one-third of the 700 Federal Advisory Committees (not required by statute) by the end of FY 1993 and required Office of Management and Budget approval to create new ones. The third order targeted an initial reduction in federal-wide civilian positions of 100,000 to be accomplished by the end of FY 1995. These three measures were estimated to save American taxpayers approximately \$9 billion by FY 1997.

During this time, the Defense Department had already begun streamlining its infrastructure. Programmed reductions had already been laid into the Department's revised President's budget that included a reduction in DoD civilian positions of 62,000 by the end of FY 1995. Thus, the Department was already positioning itself to lead the President's federal-wide streamlining effort.

On March 3, 1993, President Clinton asked Vice President Gore to lead a six-month review of the Federal government for the purpose of creating a government that works better and costs less. DoD employees contributed toward this review which produced roughly 100 recommendations which, if enacted, would produce savings of \$108 billion over five years. The report recommended a reduction in federal-wide civilians of 12 percent by FY 1999--an additional 152,000 over and above the previously targeted 100,000 positions.

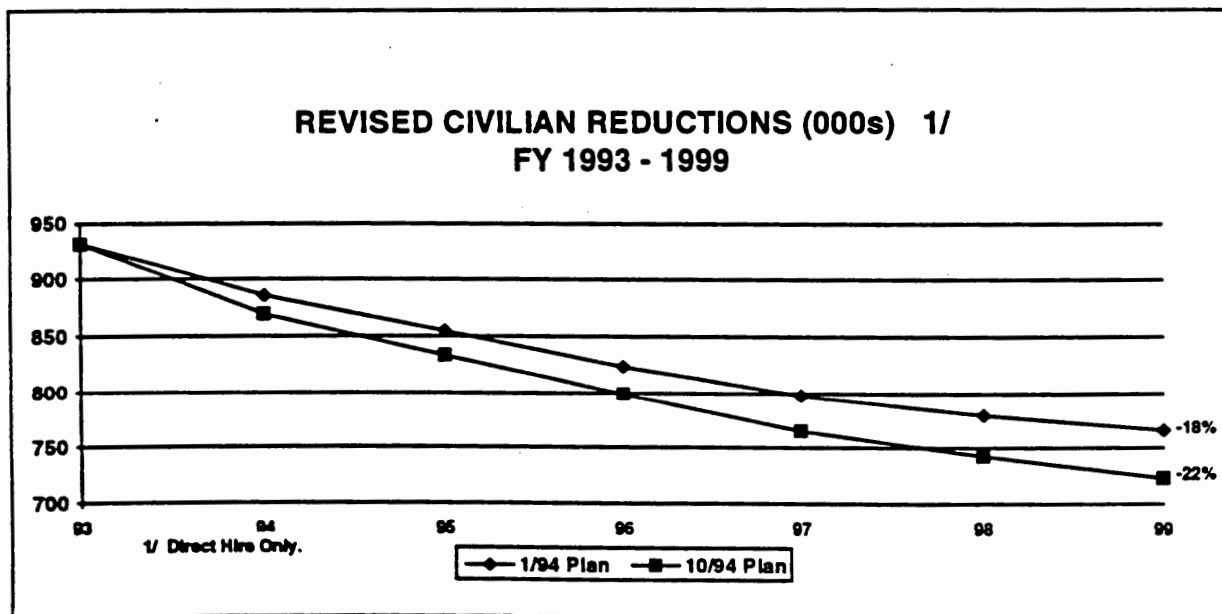
The National Performance Review (NPR) focused primarily on *how* government should work, not on *what* it should do. In FY 1993, the Defense Department launched its own internal Bottom Up Review (BUR) to identify what missions, forces, capabilities, modernization, and policy initiatives would be required in the new post Cold War era. The review produced a top down strategy that would provide for commensurate reductions in DoD civilian versus military personnel and would ensure that infrastructure functions did not consume increasing percentages of the Defense budget. The BUR targeted reductions in the DoD civilian workforce of approximately four percent per year through FY 1999. Civilian reduction goals were limited to four percent, annually, in order to minimize involuntary personnel separations. The overall reduction (18 percent or 166,000 positions through FY 1999) was identified in DoD's initial streamlining plan, submitted to the National Performance Review office last January.

Identification of the DoD programmed reduction spurred an increase to the previously-established NPR reduction goal (from 252,000 to 272,900). This new federal-wide reduction target (272,900) was subsequently codified in Section 5 of the Federal Workforce Restructuring Act of 1994 (Public Law 103-226). This Act establishes federal-wide limitations on the number of full-time equivalent positions for fiscal years 1994 through 1999.

Since completion of the Department's Bottom Up Review, the DoD has continued to scrutinize infrastructure mission areas with a goal of identifying additional cost savings and achieving continued operational improvements through streamlining and reinvention initiatives. On June 2, 1994, the Department decided to accelerate and increase previously programmed civilian reductions, as identified in the DoD budget and associated streamlining plan. At the same time, the DoD provided for continued reduction in civilian manpower beyond FY 1999. The acceleration of previously established BUR levels was based on the Department's assessment that NPR-driven reinvention changes and ensuing employment trends called for a greater magnitude of reduction in FY 1994. This revision allowed the Department to increase previously programmed reductions through FY 1999 from 18 to approximately 23 percent.

Subsequent revisions to the June 2 levels occurred in DoD's most recent program review. Minor civilian restorations were approved to allow for military-to-civilian substitutions and to exempt civilians that are 100 percent funded from host nations overseas. The civilian resource levels identified in this plan:

- o reflect a programmed reduction in DoD direct hire civilians (measured in terms of full-time equivalents) of 22 percent (or 208,000 positions) between FY 1993 and 1999;
- o reflect the most recent decisions by the Secretary of Defense, as documented in DoD's FY 1996-2001 Program Decision Memorandum (PDM), dated August 16, 1994;
- o incorporate estimates for some DoD operating components that have programmed below approved PDM levels as identified in their FY 1996/97 budget submissions; and,
- o increase previously programmed civilian reductions, as identified in DoD's initial streamlining plan, by 43,000. (See Figure below.)



It must be noted that the Department has not completed its internal FY 1996-2001 program review. The levels identified for aggregate Defense Agencies may be increased slightly if the Secretary of Defense approves some, still pending, component-specific funding appeals. In addition, the Department has just begun its FY 1996/97 budget review which may shift reduction targets among DoD components as the Department continues to reap the benefits of functional consolidation initiatives. The review is also expected to address any Congressional direction that may impact DoD workforce levels in FY 1995. Section 8118 of the Conference Report on DoD Appropriations Act for 1995 prohibits the Department from reducing civilian (military) technicians unless such reductions can be linked to force structure changes. Under this provision, personnel savings that may have been achievable through improved organizational structure and better work methods and processes may not be realized. Mandated restorations in this regard could increase the FY 1999 civilian workforce target, identified in this plan, by up to 12,000 full-time equivalents. Other challenges to currently established DoD civilian drawdown goals are discussed in Chapter VI.

A. DoD WORKFORCE REQUIREMENTS DETERMINATION

The Department of Defense has long established policies governing workforce requirements determination and utilization. Such policies call for the accomplishment of national security objectives with a minimum number of personnel organized to provide for maximum operational effectiveness. To this end, Defense components are directed to seek optimal personnel utilization, maintain a high level of personnel performance and morale, and undertake only those program activities that are essential. The Department is committed to maintaining the highest practicable proportion of combat to total operating forces. Within operating forces, continuing emphasis is placed on reducing support type positions.

The Under Secretary of Defense (USD) for Personnel and Readiness (P&R) is delegated primary responsibility with the Defense Department for the promulgation of DoD policies governing personnel requirements. Workforce requirements determination involves the full range of decisions concerning force size, mix, composition, allocation, and documentation. More recently, such determinations have been especially important and are given a high degree of priority in order to support the ensuing restructuring of the Defense Department. The reorganization, restationing, and reinvention needed to support national defense strategy, given current fiscal constraints, mandates that every organization conduct a careful analysis of missions, work load, and required personnel.

Departmental workforce requirements associated with combat support and other infrastructure oriented DoD missions are determined from analyses involving force structure, program objectives, work load forecasts, and utilization of the best available workforce estimating techniques. DoD workforce estimating techniques range from highly technical engineered standards (in missions subject to work load measurement) to less engineered program estimating equations, models, and staffing guides (in missions less conducive to quantifiable output measurement). In mission areas that involve both military and civilian personnel, workforce requirements are determined in total, pending the subsequent application of DoD force mix criteria governing military-essentiality.

DoD forces are broadly delineated as either military or civilian. This overall mix is comprised of active, reserve, and retired military; in-house and contract civilians; and military and civilian personnel support received from host nations overseas. Civilians are used to satisfy all requirements that do not require uniformed incumbents for reasons of military-unique training, skill, or experience; combat readiness, security, discipline, unusual duty hours, or rotation base purposes. The Department encourages the use of contract service support to obtain special knowledge and skills not available in the government, to satisfy temporary or intermittent work, and to acquire more cost-effective services that are not "inherently governmental" in nature.

The Department adheres to Office of Federal Procurement Policy guidelines governing "inherently governmental" functions and utilizes cost comparative analyses to support its determinations governing in-house versus contractor support. However, final decisions affecting what DoD work is contracted out are not limited to cost comparative analyses. The Department considers other assessments involving, but not limited to, the nature and duration of the requirement, the adequacy of sufficient contract oversight, as well as the availability of alternative labor sources.

Current DoD policy requires, among other factors, documentation of workforce requirements in terms of number, occupation/specialty, pay grade, and allocated program area. In this regard, the Department maintains a centralized data base for reporting and aggregating critical management information. Such information is used to support staff analyses pertaining to force allocation among a number of DoD components and across a multitude of DoD mission areas. This data base is maintained by the Defense Manpower Data Center, a support activity, under the cognizance of the Under Secretary of Defense for Personnel and Readiness.

The DoD civilian workforce is considered a resource, not a program. This resource is measured in terms of full-time equivalents (FTEs). The Office of Management and Budget (OMB) Circular A-11 defines an FTE as a standardized workyear equating to approximately 2,080 compensable hours. The personnel (face) composition of the full-time equivalent (resource) measure varies among DoD components and across DoD mission areas. Such composition is contingent upon the staffing decisions of individual program managers regarding the hire of full-time versus part-time or intermittent employees to satisfy work load requirements.

Since the primary focus of FTE data under the National Performance Review (NPR) is limited to direct hire civilians, most sections of the Department's plan exclude data on DoD's indirect hire workforce. However, it must be noted that the Department considers all foreign nationals (including the 44,000 hired indirectly) in accountability pertaining to its total civilian workforce.

B. DEFENSE MISSION CATEGORY

The National Performance Review (NPR) report recommended that departments and agencies begin the President's budget formulation process with a mission-driven Executive Budget Resolution process that would replace current hierarchical budget development.

In FY 1991, the Congress directed that the Defense Department submit a mission-oriented budget that would array DoD resource requirements (both personnel and dollars) in terms of assigned program area. As a result, the DoD developed the Defense Mission Category (DMC) structure. The DMC model provides for the aggregation of DoD resources at six varying levels of detail ranging from major mission category to the thousands of eight-digit program element codes depicting the multitude of functions performed across the Department. This past year, the DoD Personnel and Readiness organization adopted the DMC structure for purposes of workforce requirements aggregation and analyses. This structure is preferred to any other existing workforce aggregation approach since it leaves little room for individual component interpretation pertaining to DoD-wide mission identification. The structure ensures that all direct and indirect personnel associated with a particular function are aggregated under the same mission category.

The Department has restructured its streamlining plan to provide for identification of downsizing and reinvention initiatives in Defense Mission Category terms. DoD civilian requirements are aggregated at the third DMC level for purposes of this plan. Appendix B provides for a definition of DMCs. Additional displays by appropriation/fund account, selected workforce elements, and particular occupational groups are also included in the Department's plan.

III - STREAMLINING STRATEGY AND TOOLS

The Defense Department is committed to the principles of the National Performance Review calling for a new government that:

- o cuts unnecessary spending;
- o serves its customers;
- o empowers its employees;
- o helps communities solve their own problems; and
- o fosters excellence.

Throughout this process, the Department is also committed to maintaining readiness. President Clinton has pledged to keep America's military the best-trained, best equipped, and best-prepared fighting force in the world. DoD's continuing assessment of the Nation's defense posture has identified dramatic changes in the environment which do not alter the basic mission of the Department, but do offer opportunity to downsize, reinvent, or streamline.

Consistent with the principles of the NPR, the Department has set about charting a new direction. The restructuring and other streamlining initiatives identified in this plan are all focused on making the Defense Department work better at less cost. Various streamlining tools are being used to define solutions to the federal-wide problems surfaced under the NPR. The Department plans to work with the Congress on necessary legislative change. Costs are being reduced, senseless regulations are being repealed; mechanisms to enhance customer satisfaction are being created; and changes are occurring. The Department is getting back to the basics.

Over the years, the DoD has developed and utilized a multitude of management tools and techniques to facilitate optimum resource utilization. Many of these efforts are cross-cutting and interrelated, using different strategic paths to arrive at common management objectives associated with achieving operating efficiencies. In FY 1993, the Defense Planning Guidance identified three primary avenues for achieving savings in civilian personnel and DoD infrastructure costs: outsourcing, consolidation, and better business practices. The following discusses each of these tools and current applicable initiatives.

A. OUTSOURCING

Outsourcing or contracting out of most defense activities fall under the auspices of OMB Circular A-76, "Performance of Commercial Activities." This circular establishes federal-wide policies and procedures for determining whether government required commercial or industrial type work should be performed using contractual or in-house staff. The scope of DoD's commercial activities (CA) program encompasses the United States, its territories and possessions, and the Commonwealth of Puerto Rico.

The A-76 competitive process has been used as a streamlining tool within the DoD for a number of years. The tool supports the NPR recommendation to expose more Federal operations

to competition. Inherent to the cost comparison analyses conducted under this initiative is the government's requirement to determine the most efficient organizational structure and best method or process for accomplishing the work involved. As a result, the DoD has experienced workforce savings averaging 15 percent or more in developing in-house bids. Additional savings result when contractors beat the government's personnel cost estimates by ten percent or more. Over the years, the average overall savings associated with competing DoD commercial activities type work has been in the order of 27 percent. In addition, outsourcing permits the Department to turn fixed costs into variable costs.

Section 2461(c) of Title 10, United States Code requires that the DoD submit an annual report describing the extent to which commercial and industrial type functions are performed by Defense contractors versus in-house staff. FTEs associated with DoD installation services and non-manufacturing type functions account for most (44 percent) of the total FTEs (approximately 459,000) associated with DoD commercial activities. The following table identifies the contract workforce contribution (45 percent) in this regard for FY 1993.

FY 1993 COMMERCIAL ACTIVITIES FTEs (000s) 1/					
BY MAJOR FUNCTIONAL AREA					
MAJOR FUNCTION	IN-HOUSE		CONTRACT 2/		TOTAL FTEs
	FTEs	%	FTEs	%	
SOCIAL SERVICES	23	85%	4	15%	27
HEALTH SERVICES	40	89%	5	11%	45
EQUIPMENT MAINTENANCE AND REPAIR	16	55%	13	45%	29
DEPOT MAINTENANCE AND REPAIR	18	50%	18	50%	36
BASE MAINTENANCE	*	0.4%	21	99.6%	21
RDT&E SUPPORT	5	42%	7	58%	12
INSTALLATION SERVICES	65	63%	39	38%	104
EDUCATION AND TRAINING	8	80%	2	20%	10
AUTOMATIC DATA PROCESSING	10	48%	11	52%	21
REAL PROPERTY MAINTENANCE	17	46%	20	54%	37
MANUFACTURING	4	20%	16	80%	20
OTHER NON-MANUFACTURING	47	48%	50	52%	97
TOTAL - DOD	253	55%	206	45%	459

1/ ACTUALS AS REPORTED BY DOD COMPONENTS.
2/ REFLECT ADDITIONAL FTEs THAT WOULD HAVE BEEN REQUIRED TO PERFORM THE CONTRACTED WORK USING IN-HOUSE STAFF.
* LESS THAN 500.

Comparable data, by major operating component, are provided below. In FY 1993, the Army accounted for 37 percent of the total FTEs supporting DoD commercial activities type work.

**FY 1993 COMMERCIAL ACTIVITIES FTEs (000s) 1/
BY MAJOR OPERATING COMPONENT**

MAJOR COMPONENT	IN-HOUSE		CONTRACT 2/		TOTAL FTEs
	FTEs	%	FTEs	%	
ARMY	113	67%	55	33%	168
NAVY/MC	49	48%	54	52%	103
AIR FORCE	50	35%	91	65%	141
DEFENSE AGENCIES	41	87%	6	13%	47
TOTAL DOD	253	55%	206	45%	459

1/ ACTUALS AS REPORTED BY DOD COMPONENTS.

2/ REFLECT ADDITIONAL FTEs THAT WOULD HAVE BEEN REQUIRED TO PERFORM THE CONTRACTED WORK USING IN-HOUSE STAFF.

The Under Secretary of Defense for Acquisition and Technology has primary responsibility for reviewing the status of the Department's outsourcing programs and initiating any necessary improvements in this regard.

Ongoing Initiatives:

1. **Commercial Activities Review Plans.** More recently, DoD components have been encouraged to determine whether additional functions performed by defense personnel could be more efficiently obtained from private sources. In this regard, the Department has identified broad area candidates for review such as base operations support, housing, health services, maintenance and repair, training, labs, and transportation. In addition, the following component-specific functions are under consideration:

<u>DoD Component</u>	<u>Function</u>
Army	Morale, Welfare, Recreation Business Programs
Navy	Defense Printing Service
Air Force	304 Conference Switch and Associated Command Display Systems, Consoles, and Maintenance
DFAS	DoD Travel Reimbursement
DISA	Network Switched Services
DLA	Defense Reutilization and Marketing Service
DMA	Custodial Services
DNA	Technical Library Functions

The Department expects to rejuvenate commercial activities reviews in FY 1995 and beyond to assist in producing projected FTE savings. The Department's outsourcing activity was slowed by the Congress in FY 1993 and for the first half of FY 1994. Over this time frame, the DoD was prohibited from executing commercial activities contracts using cost comparison studies conducted under OMB Circular A-76 or any successor administrative regulation.

2. Legislative Proposals. The Department plans to submit two legislative proposals pertaining to commercial activities, through the Office of Management and Budget, for their consideration in FY 1995. These include the following:

a. **Fire-Fighting and Security-Guard Functions**--Subsection 2464, Chapter 146 of Title 10, U.S.C. prohibits DoD from contracting for the performance of fire-fighting or security guard functions at any military installation or facility. The Department believes this prohibition should be repealed so these functions could be subjected to competition.

b. **Commercial Activities (CA) Reviews**--The current cost competitive process governing commercial activities reviews needs to be streamlined. The Department is in the process of completing a proposal that would modify the current Executive Order 12615 governing CA reviews. The new order is designed to provide for more flexibility at local levels and for a more expeditious cost comparison review.

B. CONSOLIDATION

Between FY 1987-93, the Department accomplished much in the order of mission consolidations as a result of base closure/realignment actions and Defense management reform initiatives. However, the DoD acknowledges additional opportunities for savings through consolidation, both within and across DoD components.

1. BASE CLOSURES AND MISSION REALIGNMENT ACTIONS. Military base closures and realignments actions save dollars and support the reinvestment necessary to foster economic growth. Closures free up valuable defense assets (i.e., people, facilities, and real estate) for productive private sector use. Historically, base closure and realignments have lagged behind DoD budget reductions. Between FY 1987-93, very few major domestic military bases actually closed. However, approximately 15 percent of U.S. bases (measured by plant replacement value) are currently targeted for closure by FY 1999. Detailed information concerning the number of domestic military bases targeted for closure and realignment, along with their associated impact on defense budgets, employees, and communities involved, may be found in the DoD Base Closure and Realignment Report, dated March 1993.

Between FY 1987-93, 536 overseas DoD sites were returned for host nation use. An additional 382 have been identified for return by FY 1999. These overseas closures (918) represent a 55 percent reduction (measured in terms of sites) from the FY 1987 DoD level. The Assistant Secretary of Defense (Economic Security) has primary responsibility for evaluating worldwide military base closure and associated mission realignment opportunities.

Ongoing Initiatives:

a. **Base Closure Review Plans.** Over the NPR period, the Department will close the remaining domestic bases that were approved under the first three rounds of recommended base closure proposals. See Appendix C. The Department will devote continuing attention to closing and realigning military bases as an essential element of efforts to reconcile the drawdown of forces and budgets with infrastructure and overhead. The DoD is confident that continuing mission and force structure changes will entail more closures and realignments than those identified so far. Such actions provide a primary vehicle for reducing DoD infrastructure costs and achieving manpower savings in a number of areas, including installation services; real property maintenance; family housing; and morale, welfare, and recreation activities. Additional savings in management headquarters functions can result when installation-level missions are realigned or transferred to alternative Defense sites.

b. **Base Closure Process Streamlining.** Closing domestic military bases is difficult, especially for the communities impacted. A close working relationship between the bases and the local communities is essential to helping the closure process proceed smoothly. Early employment of a viable reuse plan speeds the process immensely and benefits everyone because economic recovery is expedited and DoD savings are realized earlier. Consequently, the DoD is developing a new reuse and reinvestment strategy that will (1) close bases more quickly; (2) promote reuse opportunities, in concert with local community efforts; and (3) re-focus DoD internally to consider, for the first time, the trade-offs between DoD needs and local community needs. In addition, the DoD wants to ensure that environmental cleanup is not a barrier to economic recovery. The Department has spent and will continue to spend significant resources on environmental restoration, but will need help from the Environmental Protection Agency and the Congress to streamline this part of the base closure process.

c. **Community Economic Adjustment.** The Department, in coordination with other Cabinet agencies, is in the process of creating a community economic redevelopment fund to assist communities most affected by base closures. The fund will be used as a catalyst to spur new economic growth, especially where recovery would be difficult. Funding will be provided by setting aside a portion of the net saving from base closures.

2. **FUNCTIONAL CONSOLIDATIONS.** In 1958, the Congress authorized the Secretary of Defense to integrate as a separate organizational entity, "any supply or service activity common to more than one military department, whenever (he) determines it will be advantageous to the Government in terms of effectiveness, economy, or efficiency." Since that time, the Secretary of Defense has utilized that authority to create a number of Defense Agencies and DoD Field Activities. The missions of these organizations vary widely, ranging from accounting and finance, mapping, commissary operations, and military dependent education. Functional consolidations increase the Department's efficiency and permit the Military Services to devote a greater portion of their resources to their primary military missions. The Secretary continues to use this management philosophy to improve the effectiveness and efficiency of Defense operations.

Ongoing Initiatives:

The Department expects to achieve additional functional consolidations outside of those mission realignments generated by base closures. Some consolidations are expected to occur in DoD-wide management headquarters elements as the Department continues to reduce organizational layers and streamline overhead and supervisory staffs. Other consolidations will occur in Defense-wide operating support functions to include selected intelligence, communications, research and development, medical, personnel administration, and training activities.

C. BETTER BUSINESS PRACTICES

Opportunities for better business practices offers potential savings in virtually all segments of the DoD infrastructure. For a number of years, the Department has utilized a variety of tools and techniques to support DoD position requirements. Such tools include use of efficiency reviews, work measurement techniques, and engineered and non-engineered labor standards and staffing guides. All of these tools and techniques are still used by manpower analysts today to assist DoD managers in achieving optimal operating efficiency. More recently, additional variations of these same basic streamlining vehicles have emerged under the auspices of functional process improvements, business process reengineering, and benchmarking. These are discussed below. The tools are not unique to any one DoD mission/functional area or any one operating component. All of these interrelated management initiatives are designed to contribute toward the Department's ability to satisfy NPR streamlining objectives.

1. EFFICIENCY REVIEWS. The efficiency review process is a structured and disciplined approach to establishing the most efficient organization and the best method or process for accomplishing a mission/function. The process is structured to achieve economy, efficiency of operations, effective employee utilization, and optimum mix of staffing. It includes, but is not limited to, the following:

- o the development of a performance work statement that identifies authorized products or services of the activity and standards for quantity, quality, and timeliness of the activity's output;
- o a study and analysis that determines whether an activity can be consolidated, transferred, eliminated, or redesigned in any fashion to promote productivity; and
- o a report that recommends operational improvements, estimates implementing costs, and establishes milestones for corrective actions, and estimates savings when all recommendations are completed.

All DoD components are required to submit, by November 15 of each year, a summary report for the past fiscal year of all ongoing and/or completed efficiency reviews. The Under Secretary of Defense for Personnel and Readiness has primary responsibility for the DoD

Efficiency Review Process and related workforce requirements determination tools and techniques.

2. **CORPORATE INFORMATION MANAGEMENT (CIM)**. The Department's CIM initiative is designed to help DoD managers make better use of information technologies to improve performance. Common goals include standardization and integration of information technology across related mission areas and among DoD operating components. The initiative is intended to provide a consistent basis for information systems, in terms of both hardware and software. The Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) is responsible for providing assistance to all DoD components in their CIM efforts.

Ongoing Initiatives:

The Department has established a goal for achieving standardization of data and selected information systems by December 1996. This goal applies to all DoD functional areas. This overall initiative is expected to streamline information infrastructure (people, facilities, and equipment). Since FY 1989, the number of DoD data processing centers have been reduced from 194 to 54. By the end of FY 1996, that number is expected to decline to 16. Subsequent reduction in the number of personnel required to staff each DoD data processing center is anticipated with the introduction of new technologies.

3. **BUSINESS PROCESS REENGINEERING (BPR)**. This streamlining tool, also known as functional process improvement, focuses attention on the elimination of non-value added steps and performance of essential tasks more effectively and efficiently. It relies on critical feedback from the people who perform the work under evaluation for recommending improvements. About 80 percent of BPR projects involve eliminating non-value added work and streamlining policies, procedures, and process work flow. Some of these are manual only and others are existing information systems. However, new technology is often the enabler for quantum improvement. The Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) has been designated to provide functional process improvement assistance under the Defense Corporate Information Management (CIM) initiative.

Ongoing Initiatives:

a. **Business Process Reengineering (BPR) Policy**. One internal Departmental objective has been to institutionalize BPR as a recognized DoD streamlining tool. Two important actions are laying the groundwork for this. First, a DoD directive is in process that assigns the Department's senior functional managers the responsibility for reengineering their activities. Second, a policy is being established that would require that the development of automated information systems be based upon a clear identification of DoD-wide functional requirements through a reengineering-type effort.

b. **DoD Enterprise Integration**. This initiative is designed to give increased emphasis on taking an enterprise or Departmental-wide view of DoD missions and activities. Two DoD senior level committees, the Enterprise Integration Executive Board, and the Enterprise

Integration Corporate Management Council, have been established for identifying and resolving the full range of functions that must be integrated across the Defense Department.

c. Specific BPR Initiatives. The Department has about 230 process reengineering efforts underway, in such diverse areas as medical logistics, acquisition, force mobilization, and military base management and operations. These projects are generating significant performance improvements across the Department. BPR success stories include the following:

(1) **Fire Support**--In Desert Storm and other operations, the effectiveness of DoD combat force fire support was hindered by different Military Service procedures. Soon after Desert Storm, all Services teamed up and developed a standardized fire support procedure that will improve future operational capability and effectiveness. The new procedure will also reduce costs and bring intangible benefits such as a reduction in "friendly fire" casualties.

(2) **Depot Maintenance**--One of the most complex operations in DoD is performing depot maintenance on major end items such as ships, tanks, planes, and missiles. Transporting a Trident submarine into a DoD depot and returning it to the fleet, once repaired, requires careful planning and scheduling. Depot facilities, skilled people, machinery and parts must all come together at the right time. The Department has applied the BPR philosophy to develop a new system designed to improve work flow in depots. The new system helps make better use of resources, provides improved techniques for managing capacity and labor, and gives managers better measures of performance. As a result, DoD depots (and shipyards) have become more competitive with private sector capabilities. The ratio of cost avoidance to investment for this new system is five to one.

(3) **Management of Consumable Items**--End users in DoD require major quantities of consumable supplies--everything from combat rations to nuts and bolts. Filling these requirements in a timely, yet inexpensive manner, is extremely challenging. More recently, the DoD evaluated this process and was able to eliminate many time-consuming, non-value added steps. This resulted in a system that generates improved performance, more rapid customer response, and significant overhead savings.

(4) **Command, Control, and Communications**--Deficiencies in DoD's Worldwide Military Command and Control System are well documented. Management of the electromagnetic spectrum deals with the critical task of assigning frequencies to DoD's vast array of radios, radar, and other devices that depend on the transmission and reception of electronic signals. The old DoD process was slow and cumbersome, taking up to six months to allocate frequencies. A new system, design through BPR techniques, has shortened lead times to approximately three weeks and improved DoD's ability to conduct operational planning.

d. Process Cycle Time Reduction. The Department has had some dramatic successes in reducing cycle time, particularly in its industrial and production functions. However, very little engineering has been applied to DoD white collar areas such as contracting, acquisition, finance, and personnel. More recently, the Secretary of Defense challenged each DoD component to establish performance agreements that will reduce business process cycle times by

at least 50 percent by the year 2000. This initiative is designed to make major reductions, not marginal changes, to the time it takes to:

- o acquire weapons systems;
- o get people through the training pipeline;
- o hire someone, reward an innovator, or get rid of a poor performer;
- o close the books at the end of the year;
- o buy computer equipment;
- o make budget decisions; and
- o coordinate approvals for change through multiple stovepipes and layers of review.

4. **BENCHMARKING OF BEST PRACTICES.** The Department's benchmarking initiative compares and measures the products, services, or work processes of an organization against other organizations that are recognized superior performers. The technique is a structured analysis that examines process drivers and "best-in-class" standards of excellence to effect improvement. It short circuits the "do a little better, a little faster" evolutionary approach to improvement by identifying opportunities for real innovation. Benchmarking initiatives are designed to result in quantum leaps in organizational improvement, significant cost reductions, substantial streamlining, or dramatic reductions to process cycle time. The DoD Comptroller is responsible for ensuring that benchmarking efforts are considered throughout the Department's planning, programming, and budgeting system process.

Ongoing Initiatives:

The DoD financial management community has adopted benchmarking as a way to improve business practices and reduce the costs of the Defense infrastructure. As one benchmarking initiative, the Department looked outside DoD to explore innovation and adopted some procedures used by the Department of Veterans Affairs regarding medical logistics.

5. **UNIT COSTING.** The Department's unit cost initiative focuses on the relationship between resources and output by using a business-type cost accounting approach which defines outputs and the total costs of producing outputs. Unit costing provides a functional management tool to improve operations, a resource management tool to support and evaluate budgets, and a productivity tool to assess and reward performance. The initiative supports current streamlining efforts by: (1) improving visibility of costs and providing tools to influence and control costs; (2) increasing management flexibility to make trade-off decisions; (3) delegating authority for fiscal decisions to the lowest level; and (4) holding managers accountable for decision making by linking performance to cost management. The DoD Comptroller is responsible for reviewing and making recommendations pertaining to unit cost initiatives.

Ongoing Initiatives:

The DoD Comptroller is continuing his review of the Defense Business Operating Fund (DBOF) and unit costing system to improve current implementation and operation. The "DBOF Improvement Plan" (September 1993) identified four primary areas for improvement:

- o Accountability and Control--actions necessary to improve DBOF management and effectiveness, evaluate business area performance, and provide feedback on whether operating objectives are being met.

FY 1994 accomplishments include the formation of a DBOF Corporate Board that meets frequently to address issues related to DBOF operations and the development of a master control plan for tracking ongoing systems actions.

- o Structure--actions necessary to ensure that the DBOF structure is well defined, its composition is appropriate, and the proper incentives are in place for sound decision making.

FY 1994 accomplishments include the development of a DBOF charter with provisions for business area supplements and re-establishment of business area working groups to evaluate DBOF applicability, existing unit cost goals, measures, and necessary improvements. As a result of FY 1994 reviews, the following activities are being removed from the Fund in FY 1995: Air Force Peculiar Transportation, Air Force and Navy Academy Laundries, and Defense Technical Information Center. Plans to add the following organizations to the Fund have been suspended: Defense Contract Management Command, Defense Contract Audit Agency, and Base Operating Support prototype test sites.

- o Policy and Procedures--actions necessary to provide appropriate guidelines for budget execution, the mechanics of day-to-day operation, and the education and training required for sound business and financial management.

FY 1994 accomplishments include formalized publication of DBOF policies and procedures in DoD's Financial Management Regulation, development of ongoing policies for consideration, revised financial reports for FY 1994 year-end, and the development of a unit cost brochure and training handbook by the Defense Business Management University.

- o Financial Systems--actions necessary to ensure standardization and modernization of financial management systems.

FY 1994 accomplishments include development of a functional and technical requirements document for use in evaluating and selecting interim migratory financial systems. Selection of interim migratory systems is expected to be completed by the end of FY 1994.

Overall, approximately 90 percent of the milestones established under the DBOF improvement plan for FY 1994 will be accomplished.

6. **REINVENTION LABORATORIES.** The Department's reinvention laboratory initiative offers opportunities for experimenting with creative, innovative ways of doing business and demonstrating the success of such innovation in improving performance and reducing overall costs. Reinvention labs support specific NPR recommendations calling for improved quality and reduced overall costs.

Ongoing Initiatives:

Reinvention labs are multiplying across the Department. An estimated 30 exist today, including the following:

a. **Army Battle Laboratory.** This laboratory effort, comprises the combined arms and service teams of six Army labs, focusing on areas where changes in technology, training and military doctrine can enhance deployment and force combat effectiveness. Battle Labs integrate technological and materiel advances, state-of-the-art simulation techniques, and innovative training for field soldiers to reduce life cycle costs, lower technical risks, and decrease fielding costs for new equipment.

b. **Army Management Engineering College (AMEC).** The AMEC lab effort is developing methods to obtain full-cost, fee-for-service reimbursement from its customers in order to test more business-like approaches of delivering educational services.

c. **Naval Postgraduate School.** The objectives of this laboratory include the development of methods to optimize the tailoring of graduate education to meet unique customer needs and the elimination of regulations and policies that which hamper educational innovation. The lab will capitalize on opportunities to establish partnerships with other DoD activities.

d. **Air Force Theater Battle Arena.** The Theater Battle Arena is a modeling and simulation (M&S) effort hosting constructive, virtual and live simulations. It is interconnected to other M&S centers. Its purpose is to recommend innovative technological solutions to evaluating Air Force doctrine, capability, requirements and force structure options.

e. **Defense Information Systems Agency (DISA) Enterprise Information and Integration Management.** The DISA lab effort offers technical support to DoD functional managers involved in process reengineering initiatives.

f. **DoD Science and Technology Demonstration Program.** The purpose of this lab is to improve the quality of DoD laboratory infrastructure, categorized into four major categories: laboratory management, contracting/procurement, personnel management, and facilities modernization.

g. **National Security Agency Installations and Logistics Organization.** This lab is designed to provide safe and environmentally sound facilities (government owned and

leased), supplies (stockrooms and supply stem), and support services (mail, travel, transportation, custodial, warehousing, delivery, etc.) based on quality management techniques.

7. LEGISLATIVE AND REGULATORY REFORM. Regulatory reform has received significant focus in the Department since FY 1989. The DoD regulatory reform initiative is designed to clarify and streamline policy direction throughout the entire Defense establishment. It is aimed at eliminating unnecessary or excessively burdensome guidelines, procedures, and reporting requirements. Consistent with Executive Order 12861, current initiatives calls for reducing current DoD regulations by 50 percent by FY 1996. Successful implementation of this initiative will facilitate specific NPR recommendations associated with achieving streamlined administrative processes, increased decentralization, reduced over control and micro-management, increased delegation of authority, increased empowerment of employees in decision making, and improved employee morale. The Director for Administration and Management, as the DoD Regulatory Policy Officer, has responsibility for ensuring that the Department complies with Executive Order 12861.

Ongoing Initiatives:

The Department is moving steadily forward to comply with Executive Order 12861. Under the Department's plan, DoD components are required to review, revise, consolidate, or cancel internal regulations. They are also advised to reflect policy clearly and concisely, thus allowing subordinate organizations flexibility and authority to accomplish their assigned tasks. Each DoD component has developed its own plan and determined its baseline number of regulations and pages to be reviewed by 1996. The current DoD-wide estimate provides for the review of 4,800 regulations equating to 350,000 pages. To date, 1,333 regulations have been canceled, 59 consolidated with other regulations, and 525 revised. The DoD has also issued policy guidance governing newly written regulations, which limits newly written directives to six or fewer pages with a minimum of procedural information.

In conjunction with this effort, the DoD Regulatory Policy Officer directed a review of issuances that are over ten years old with a view towards elimination. To date, 75 issuances are scheduled for cancellation, resulting in a reduction of 75 forms and 11 associated reporting requirements. In addition, an extensive effort was conducted to eliminate implementation reporting requirements directed in DoD issuances. To date, implementation reporting requirements have been deleted from 68 DoD issuances.

8. QUALITY MANAGEMENT (QM). Quality Management applies planning, teamwork, individual contributions, quantitative methods, and systems theory to continually improve work processes. It relies on DoD's executive leadership to help create a quality culture and work environment that will encourage active participation of all members in identifying and implementing opportunities for innovation and continual improvement. In a quality culture, employees are empowered to seek improvements to their work processes. Mutual trust between leadership and employees must be fostered to facilitate mission accomplishment. DoD QM initiatives are attuned with NPR recommendations involving employee decision-making and

improving morale and productivity. The Director, Administration and Management, leads DoD Quality Management initiatives.

Ongoing Initiatives:

All Military Departments and most DoD activities have QM efforts underway; each provides an excellent source of information on the appropriate application of QM principles and techniques. QM training, including strategic planning, is widely available throughout the DoD. In addition, DoD's Quality Management Office provides just-in-time training, quantitative measurement techniques, and facilitation services to a wide variety of DoD offices and cross-functional teams involved in process improvement initiatives. The Deputy Secretary of Defense, the Secretaries of the Military Departments and the Chief of Naval Operations were each in attendance as six DoD organizations were honored as recipients of awards at the 1994 Presidential Quality Awards program, clear evidence of QM implementation successes within DoD.

9. WORKFORCE MOTIVATION. Workforce motivation techniques, to include employee suggestions and incentive awards and bonus programs, have been used by the Department for a number of years. Workforce motivation techniques utilize incentives to involve and empower employees to increase productivity. Creativity is rewarded where job performance and adopted ideas benefit the government and exceed job requirements and performance standards. Groups or individuals may be recognized or rewarded for suggestions, inventions, superior performance, and special acts or services. In addition, the DoD began experimenting with Productivity Gain Sharing (PGS) efforts in the early 1980s. The PGS program provides for savings achieved through employee innovations to be shared between the employees and the organization. Based on earlier DoD success involving PGS, the Congress provided \$1 million dollars in FY 1992 for DoD to underwrite PGS implementation strategy. The Under Secretary of Defense (Personnel and Readiness) has primary responsibility for promoting DoD workforce motivation initiatives.

Ongoing Initiatives:

During FY 1994, the Department completed and/or initiated the following actions to help DoD activities design and implement PGS programs:

- o developed and revised three PGS training courses;
- o developed a user-friendly managers' guide based on the results of six research studies;
- o hosted a successful federal-wide PGS conference;
- o offered federal-wide consultation and assistance services and;
- o began work on a revised DoD-wide incentive awards policy implementing an NPR recommendation to expand types of awards and focus on group-based incentive structures.

10. LABOR MANAGEMENT PARTNERSHIP. Executive Order 12871 recognizes the value of involving Federal employees and their union representatives in effecting government-wide change. The initiative requires that the DoD use labor-management partnership arrangements as an avenue for employees and unions to assist in streamlining and redesigning organizations and processes. Union involvement up front promotes employee trust and personal commitment, improves labor management relations, and helps deter disputes that may hamper overall streamlining progress. The Under Secretary of Defense (Personnel and Readiness) represents the Defense Department on the National Partnership Council.

Ongoing Initiatives:

FY 1994 accomplishments include the following:

- o development of a Defense Partnership Agreement designed to guide constructive labor management relations and serve as a federal-wide model;
- o formation of a Defense Partnership Council to oversee training, provide policy direction to local partnership councils, and address issues of DoD-wide labor-management concern;
- o introductory partnership training for over 500 senior installation-level labor and management officials to pave the way for subsequent, more advanced training; and
- o continued active participation on the National Partnership Council.

11. GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA). The words "performance" and "performance measurement" have been used by public officials around the Nation to emphasize the need for a linkage between the funds provided by the public and the expectations of the public as to the level of services to be provided. Over time, this linkage has become less distinct.

In FY 1993, the Clinton Administration and the Congress signed into law the "Government Performance and Results Act" (GPRA). The Act requires Federal agencies to set performance goals, and to relate those goals to budget requests and to actual results. GPRA plans will amend the current budget formulation process to more clearly articulate the performance goals and measurement system for agency's major outputs and outcomes. Under the law, general implementation is preceded by pilots to test concepts and assess what works well. Three types of pilots, including performance measurement, managerial flexibility, and performance budgeting are recommended. Government-wide GPRA implementation is mandated by September 1997 in support of the FY 1999 budget. OMB Circular A-11 was revised on July 6, 1994 to incorporate performance objectives and results in the development of budgets. The DoD Comptroller has been assigned responsibility for reviewing the status of GPRA implementation across the Department. However, performance measurement is the responsibility of all functional managers, not just financial managers. GPRA is a methodology for engaging the DoD as a whole in focusing on essential mission requirements.

DoD Comptroller policy objectives pertaining to GPRA implementation are to:

- o present performance information on the most important aspects of Defense;
- o facilitate consensus on measures of Defense output and outcomes;
- o provide integration with DoD's Planning, Programming, and Budgeting System (PPBS) process and Future Years Defense Plan (FYDP);
- o serve as a methodology to engage the broader Defense community on essential outputs and results at given resource levels; and
- o ensure that performance is the responsibility of all DoD functional managers.

Ongoing Initiatives:

FY 1994 accomplishments include:

a. **GPRA Pilot Projects.** As of September 1994, the DoD has six performance measurement pilot projects. By mid October, the number may increase to seven. These are being conducted at the Defense Logistics Agency, the Defense Commissary Agency, the Air Combat Command, the Army Research Laboratory, the Army Audit Agency, and the Army Corps of Engineers' Civil Works. In FY 1995, the OMB will select managerial pilots from among the current federal-wide inventory (71 in total) of performance measurement pilots. Performance budgeting pilots are scheduled to begin in FY 1998.

b. **GPRA Training.** The Defense Business Management University is designing a process to develop and deploy core curricula to educate DoD managers on GPRA requirements and issues. Through this educational strategy, DoD intends to build awareness and capability prior to full scale implementation.

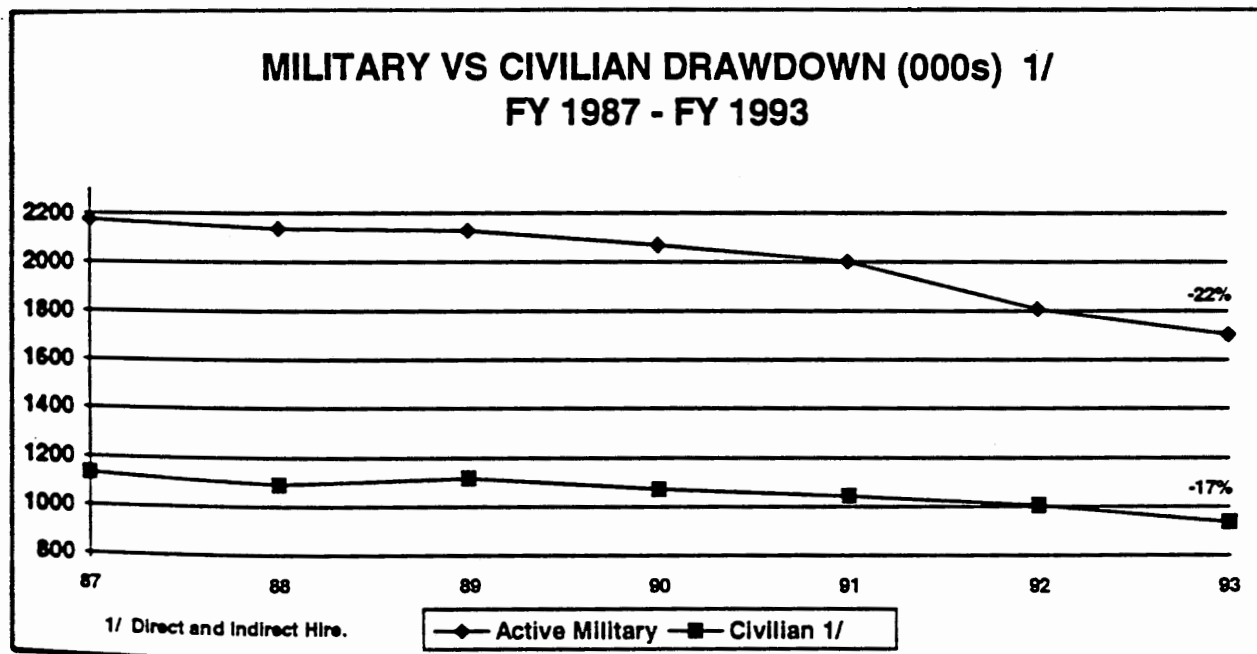
Based on information received from DoD components, implementation of better business practices is expected to be the primary avenue for achieving most of the Department's FTE reduction through FY 1999.

IV - DoD STREAMLINING INITIATIVES

The DoD senior level leadership will identify high-payoff areas for streamlining, establish realistic goals, link authority with responsibility, eliminate unnecessary controls, develop results-oriented metrics, and create new opportunities for proven innovators. Principal assistants to the Secretary of Defense, including the Chairman of the Joint Chiefs of Staff, are assigned responsibility, within the Department, for streamlining their respective mission/program areas. The Under Secretary of Defense (Personnel and Readiness) has primary responsibility for allocating workforce reductions and ensuring that reductions occur on schedule and in NPR targeted focus areas.

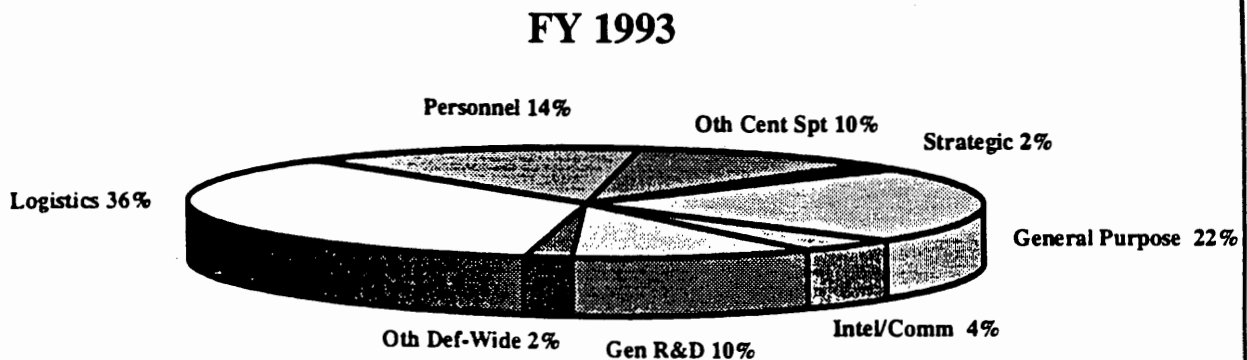
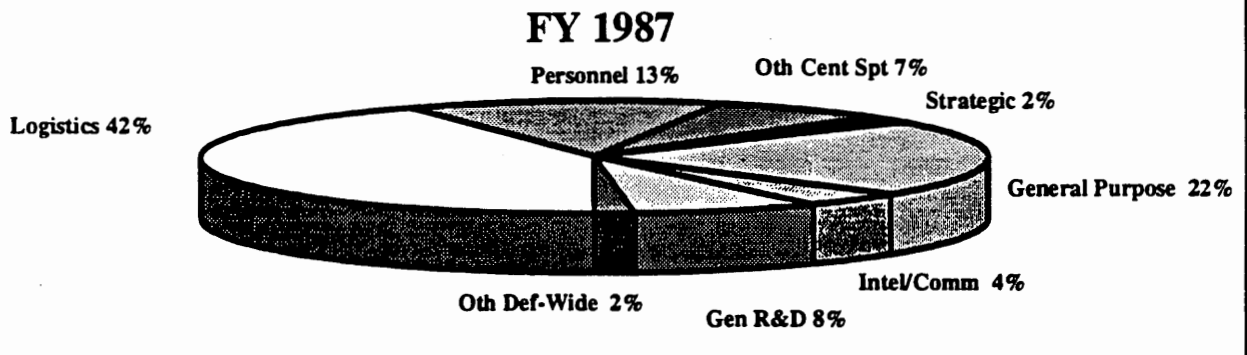
A. FY 1988-93 ACCOMPLISHMENTS

The Defense Department began streamlining its operations and reducing its military force structure, associated infrastructure, and overall budget in FY 1988. Between FY 1987 and FY 1993, the DoD budget declined by 22 percent (measured in constant FY 1995 dollars). At the same time, the Department reduced its active duty military force by 22 percent (or 468,000). The associated reduction in civilian manpower was 17 percent (or 196,000), as reflected below.



Civilians associated with logistics functions account for most of the reduction between FY 1987-93. The following figure portrays the change in civilian allocation by Defense mission category.

FY 1987-93 CIVILIAN ALLOCATION 1/ (BY DEFENSE MISSION CATEGORY) 2/

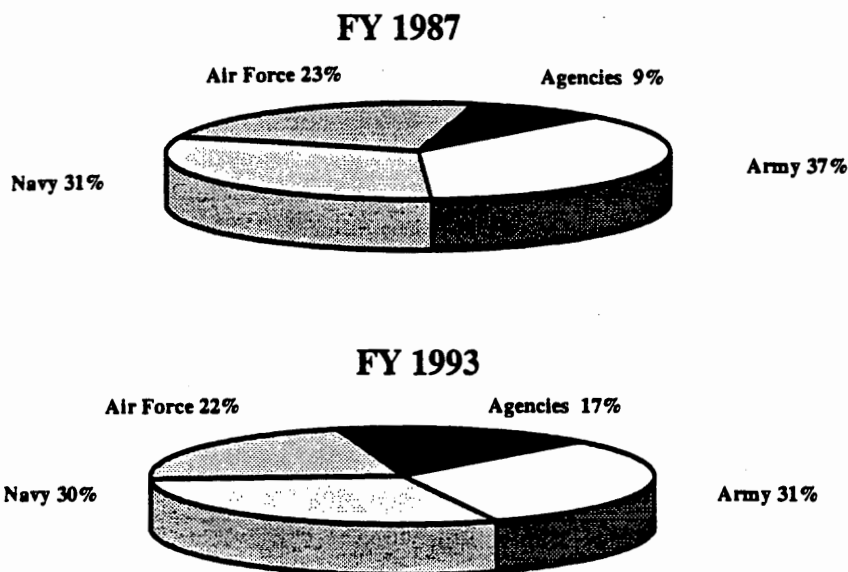


1/ Direct and Indirect Hire.

2/ Second DMC Level Aggregation.

Manpower allocated to Defense Agencies increased, over this time frame, as portrayed below. The increase was based on a number of functional consolidations involving manpower transfers from the Military Departments. These include the consolidation of DoD contract management, accounting and finance, and commissary store operations.

FY 1987-93 CIVILIAN ALLOCATION 1/ (BY MAJOR OPERATING COMPONENT)



1/ Direct and Indirect Hire.

Most (83 percent) of the reduction between FY 1987-93 occurred in DoD's direct hire workforce, where approximately 94 percent of personnel separations were accomplished through normal attrition, limited hiring, use of early-out retirement, and separation incentives.

B. FY 1994-99 OBJECTIVES

In FY 1993, the Department of Defense conducted a Bottom Up Review (BUR) to assess what national defense strategy and resources were needed to accomplish its post-Cold War mission. As part of that review, the Department acknowledged civilian manpower as a significant infrastructure cost driver and surmised civilian reductions lagging significantly behind those being made in DoD uniformed personnel. As a result, the Department developed a top down strategy to provide for commensurate reductions in civilian versus military personnel and to ensure that infrastructure functions did not consume increasing percentages of the Defense budget.

As part of that strategy, the Department directed that DoD components plan to achieve civilian workyear reductions on the order of four percent per year for each of fiscal years 1995-99. The direction also required the development of rightsizing plans to depict what streamlining initiatives and personnel drawdown strategy would be required to accomplish the targeted reductions. DoD components were directed to achieve their reductions by a) reassessing overall mission/program objectives, b) reorganizing major functional areas to create more efficient organization structure, and c) streamlining, automating, and standardizing of work methods and processes to achieve more efficient work load accomplishment. Reduction targets were limited to four percent, annually, in order to minimize involuntary personnel separations. This direction resulted in a programmed reduction in DoD's direct hire workforce of approximately 18 percent (or 166,000 positions) between FY 1993-99. These programmed levels were identified in DoD's initial streamlining plan that was submitted to the National Performance Review office this past January.

On June 2, 1994, the Department decided to accelerate and increase previously programmed civilian reductions through FY 1999, and issue guidance for continuing reductions through FY 2001. The acceleration was based on the Department's assessment that NPR-driven reforms and ensuing employment trends called for a greater reduction in FY 1994. As a result, the Department was able to increase overall reductions from 18 to 23 percent based on the FY 1994 revision and application of the four percent reduction strategy for FY 1995-99.

More recently, revisions to the June 2 levels have occurred. Minor adjustments were approved relative to military-to-civilian substitutions and for civilians that are 100 percent host nation funded. The civilian resource levels identified in this plan:

- o reflect a programmed reduction in DoD direct hire civilians (measured in full-time equivalents) of 22 percent (or 208,000 positions) between FY 1993 and 1999;
- o reflect the most recent decisions by the Secretary of Defense, as documented in DoD's FY 1996-2001 Program Decision Memorandum (PDM), dated August 16, 1994;
- o incorporate estimates for some DoD operating components that have programmed below approved PDM levels as identified in their FY 1996/97 budget submissions; and
- o Increase previously programmed civilian reductions, as identified in DoD's initial streamlining plan, by 43,000.

The following table compares current programmed civilian FTE levels, by major operating component, to those identified in DoD's initial streamlining plan, submitted last January.

CIVILIAN FTE REDUCTIONS 1/									
COMPONENT	BASE	PROJECTED						FY 93-99 Cum	
	FY93	FY94	FY95	FY96	FY97	FY98	FY99	Amt.	%
ARMY									
1/94 Plan	295.7	264.6	261.4	258.3	256.7	254.6	252.6	-43.1	-14.6%
10/94 Plan		256.3	250.8	243.0	235.1	230.8	226.2	-69.5	-23.5%
Difference		-8.3	-10.6	-15.3	-21.6	-23.8	-26.4		
NAVY/MC									
1/94 Plan	284.7	268.6	251.3	232.2	223.1	216.4	212.6	-72.1	-25.3%
10/94 Plan		267.5	250.2	237.2	223.8	216.4	210.8	-73.9	-25.9%
Difference		-1.1	-1.1	5.0	0.7	0.0	-1.8		
AIR FORCE									
1/94 Plan	200.3	196.7	192.7	184.4	178.5	174.8	171.4	-28.9	-14.4%
10/94 Plan		192.5	186.2	179.7	173.5	167.4	161.7	-38.6	-19.3%
Difference		-4.2	-6.5	-4.7	-5.0	-7.4	-9.7		
DEFENSE AGENCIES									
1/94 Plan	150.8	156.1	149.5	148.4	139.7	134.4	129.7	-21.1	-14.0%
10/94 Plan		153.4	146.1	138.7	132.3	128.1	124.6	-26.2	-17.4%
Difference		-2.7	-3.4	-9.7	-7.4	-6.3	-5.1		
TOTAL DoD									
1/94 Plan	931.4	886.0	854.9	823.4	798.0	780.1	766.2	-165.2	-17.7%
10/94 Plan		869.7	833.3	798.5	764.7	742.6	723.2	-208.2	-22.4%
Difference		-16.3	-21.6	-24.9	-33.3	-37.5	-43.0		

1/ Direct Hire Only.

Between FY 1993 and FY 1999, the Department expects to reduce its direct hire civilian workforce by 208,000 or 22 percent. The following table identifies the DoD's workforce allocation across Defense mission categories.

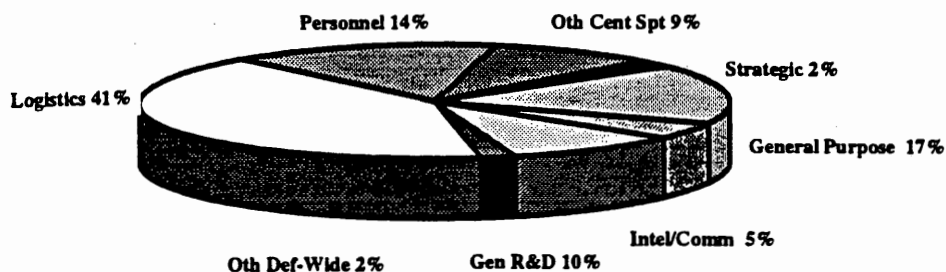
CIVILIAN FTEs									
BY DEFENSE MISSION CATEGORY 1/									
	ACTUAL	PROGRAM						CHANGE	
		- FY 93	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	FY93-99
<u>MAJOR FORCE MISSIONS</u>									
	177598	173724	162538	156905	151732	148822	146648	-30950	-17%
Strategic Forces	18119	16973	16616	15292	15272	15088	14604	-3515	-19%
Strategic Offense	11849	10682	10829	10098	10489	10349	9951		
Strategic Defense	5792	5819	5422	4896	4425	4354	4217		
Strategic C	478	472	365	298	358	385	382		
General Purpose Forces	159479	156751	145922	141613	136460	133734	132044	-27435	-17%
Land Forces	64516	63188	58661	56370	80270	52894	52754		
Tactical Air Forces	31809	31162	28607	27814	105	26064	25596		
Naval Forces	27212	26295	24811	24238	23637	22848	22394		
Mobility Forces	30523	31934	29499	29005	28383	27858	27298		
Special Operations Forces	2993	2686	2867	2673	2559	2576	2515		
General Purpose Support		99	102	165	165	161	161		
Counter Drug Support	2426	1387	1375	1348	1341	1333	1326		
<u>DEFENSE-WIDE MISSIONS</u>									
	152496	149963	149185	142953	138182	133603	128979	-23517	-15%
Intelligence & Communications	42312	43020	42206	39508	37059	36467	35627	-6685	-16%
Intelligence	18095	17520	17008	16282	15700	15358	15090		
Communications	24217	25500	25198	23226	21359	21109	20537		
General Research & Development	92397	89441	88515	85063	83091	79411	76217	-16180	-18%
Science & Technology Program	22188	18841	17567	16930	16661	15811	14788		
Undistributed Development Program	320	218	242	253	229	207	210		
RDT&E Management & Support	69889	70382	70706	67880	66201	63393	61219		
Other Defense-Wide Missions	17787	17502	18464	18382	18032	17725	17135	-652	-4%
Geophysical Sciences	12395	11251	11241	11317	11080	10649	10166		
Space Launch Support	877	1093	1007	785	785	783	768		
Nuclear Weapons Support	499	513	883	864	842	823	806		
International Support	4016	4645	5333	5416	5325	5470	5395		
<u>DEFENSE-WIDE SUPPORT MISSIONS</u>									
	601345	546000	521552	498679	474827	460210	447540	-153805	-26%
Logistics Support	383324	333772	307585	290948	274257	264965	257100	-126224	-33%
Supply Operations	130001	113325	98471	102451	106955	102910	99696		
Maintenance Operations	158544	146591	136278	119317	100534	96644	93129		
Other Logistics Support	94779	73856	72836	69180	66768	65411	64275		
Personnel Support	134622	120613	124170	119438	115148	112972	110606	-24016	-18%
Personnel Acquisition	10731	9937	11046	11404	11514	11447	11358		
Training	56144	47839	46171	44317	42562	40919	39223		
Medical	46901	41751	46019	43826	41764	40905	39866		
Federal Agency Support	17	14	8	8	9	9	9		
Other Personnel Support	20829	21072	20926	19883	19299	19692	20150		
Other Centralized Support	83399	91615	89797	88293	85422	82273	79834	-3565	-4%
Departmental Headquarters	83399	91615	89797	88293	85422	82273	79834		
GRAND TOTAL	931439	869687	833275	798537	764741	742635	723167	-208272	-22%

1/ Direct Hire Only

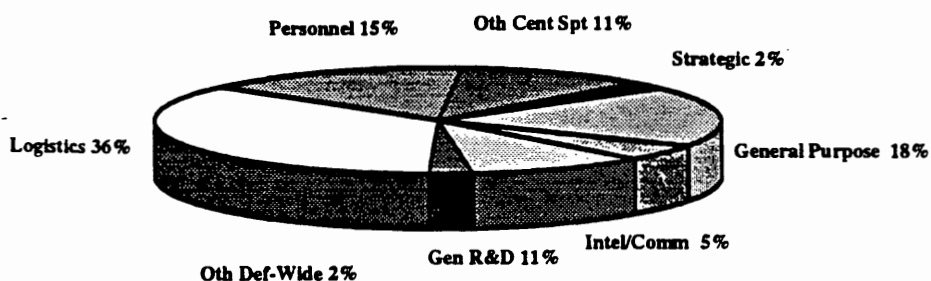
As depicted below, civilians associated with logistics support functions account for most (61 percent) of the reduction over this period.

FY 1993-99 CIVILIAN ALLOCATION ^{1/} (BY DEFENSE MISSION CATEGORY) ^{2/}

FY 1993



FY 1999



^{1/} Direct Hire Only.

^{2/} Second DMC Level Aggregation.

Over this period, Defense depot activities are directed to continue reducing excess capacity while retaining only the minimum essential core capabilities required to exercise DoD acquisition and support management responsibilities. The Department is also in the process of formulating plans to control medical costs and reduce associated workforce requirements.

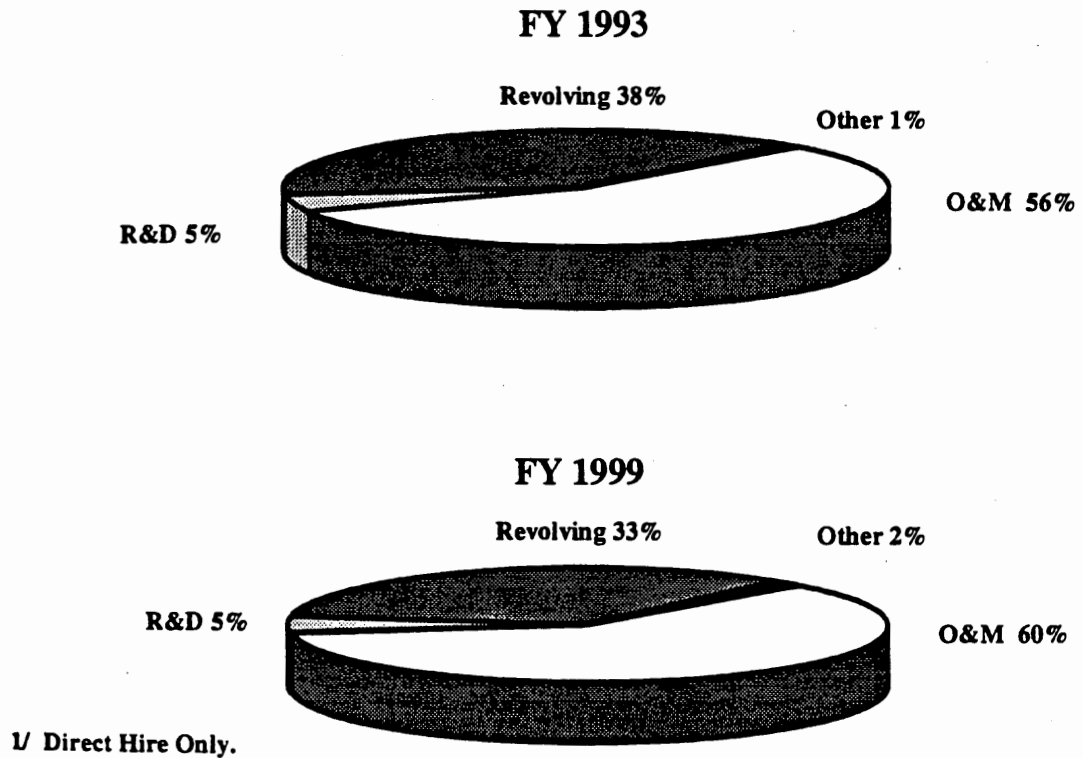
The following table identifies how DoD's direct hire civilian workforce is allocated among different appropriation accounts/funds.

CIVILIAN FTEs							
BY APPROPRIATION AND MAJOR OPERATING COMPONENT 1/							
	ACTUAL	PROGRAM					
	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
ARMY							
O&M	173,423	148,943	148,027	143,905	139,071	137,996	137,069
O&M (Res)	11,573	9,923	10,468	10,760	10,527	10,385	10,221
O&M (Nat Guard)	28,771	27,760	26,638	25,643	24,691	24,200	23,720
O&M (Rifle)	32	32	32	0	0	0	0
R&D	31,885	27,870	26,414	25,312	24,803	24,008	22,799
MILCON	7,515	6,846	6,807	6,822	6,635	6,588	6,554
MFH	1,236	1,197	1,156	1,097	1,081	1,082	1,086
REVOLVING	41,183	33,636	31,171	29,334	28,193	26,467	24,659
MILITARY ASSIST	32	47	92	91	91	91	91
TOTAL	295,650	256,254	250,805	242,964	235,092	230,817	226,199
NAVY							
O&M (Navy)	91,719	86,094	83,910	86,758	81,310	78,162	76,164
O&M (Marine)	12,923	12,860	12,803	13,034	13,117	13,246	13,236
O&M (Navy Res)	2,758	2,785	2,743	2,657	2,625	2,622	2,606
O&M (Marine Res)	165	148	150	161	161	159	155
R&D	2,038	2,025	2,026	1,994	1,960	1,925	1,896
MILCON	2,833	2,481	2,434	2,205	2,243	2,310	2,310
REVOLVING	172,114	161,019	146,065	130,259	122,279	117,869	114,280
MILITARY ASSIST	115	118	118	118	118	118	118
TOTAL	284,665	267,530	250,249	237,186	223,813	216,411	210,765
AIR FORCE							
O&M	95,527	90,935	98,295	94,442	90,575	86,310	82,731
O&M (Res)	14,580	15,328	15,683	15,803	15,667	15,369	15,047
O&M (Nat Guard)	26,175	26,175	26,126	25,198	24,446	24,136	23,812
R&D	11,976	11,308	11,381	11,084	10,760	10,150	9,715
REVOLVING	52,024	48,747	34,679	33,174	32,046	31,390	30,347
TOTAL	200,282	192,493	186,164	179,701	173,494	167,355	161,652
AGENCIES							
O&M	61,878	58,220	56,787	53,539	50,683	49,157	48,413
O&M (IG)	1,556	1,514	1,453	1,395	1,339	1,286	1,234
O&M (CMA)	51	59	59	59	59	59	59
O&M (Drugs)	0	2,257	1,375	1,348	1,341	1,333	1,333
O&M (DHP)	871	1,030	1,000	889	561	271	260
R&D	1,112	615	1,105	1,179	1,241	1,249	1,252
REVOLVING							
Stockpile/T Fund	279	293	294	284	262	247	240
Pentagon Res	1,086	1,110	1,171	1,126	1,081	1,038	997
DBOF	83,872	88,174	82,671	78,726	75,636	73,274	70,626
TRUST	5	9	15	15	15	15	15
MILITARY ASSIST	94	94	92	92	92	92	92
GSA /BMF	38	35	35	34	32	31	30
TOTAL	150,842	153,410	146,057	138,686	132,342	128,052	124,551
TOTAL DOD							
O&M	522,002	484,063	485,549	475,591	456,173	444,691	436,060
R&D	47,011	41,818	40,926	39,569	38,764	37,332	35,662
MILCON	10,348	9,327	9,241	9,027	8,878	8,898	8,864
MFH	1,236	1,197	1,156	1,097	1,081	1,082	1,086
REVOLVING	350,558	332,979	296,051	272,903	259,497	250,285	241,149
TRUST	5	9	15	15	15	15	15
MILITARY ASSIST	241	259	302	301	301	301	301
GSA	38	35	35	34	32	31	30
GRAND TOTAL	931,439	869,687	833,275	798,537	764,741	742,635	723,167

1/ Direct Hire Only

As portrayed below, a slightly greater workforce allocation funded through direct operation and maintenance accounts is projected by FY 1999. However, the percentage identified to operations and maintenance accounts is somewhat misleading considering the source of most revolving (DBOF) accounts is O&M dollars.

FY 1993-99 CIVILIAN ALLOCATION 1/ (BY APPROPRIATION)



The Department has not completed its internal FY 1996-2001 program review. The aggregate levels identified for Defense Agencies may be increased slightly if the Secretary of Defense approves some, still pending, component-specific funding appeals. In addition, the Department has just begun its FY 1996/97 budget review. The budget review is expected to address any Congressional direction that may impact DoD workforce levels. Section 8118 of the Conference Report on DoD Appropriations Act for 1995 prohibits the Department from reducing civilian (military) technicians unless such reductions can be linked to force structure changes. Under this provision, personnel savings that may have been achievable through

improved organizational structure and better work methods and processes may not be realized. Mandated restorations in this regard could increase the FY 1999 target, identified in this plan, by up to 12,000 FTEs. Other challenges to currently established DoD civilian drawdown goals are discussed in Chapter VI.

C. PRIMARY FOCUS REDUCTION TARGETS

The NPR report recommended that selected workforce elements and particular occupational groups should be the primary focus for achieving federal-wide civilian reductions. The report indicated that most of the reductions should be concentrated in structures of over-control and micro-management that now bind the Federal government: supervisors, headquarters staffs, personnel specialists, budget analysts, procurement analysts, accountants, and auditors. According to the NPR, these central control structures stifle the creativity of line managers and workers and consume billions per year in salary, benefits, and administrative costs. Accordingly, the Department has initiated actions that address each one of these areas in conjunction with overall reduction goals. Each one of these areas is discussed below.

1. SUPERVISORS

Streamlining plan guidance calls for the identification of FY 1993 supervisory ratios and the agencies' plans to double their ratios by FY 1999. Departmental data provided in this regard complies with OMB guidance to identify supervisors and managers according to Federal Personnel Manual (FPM) letter 298-46 (dated October 26, 1993). That FPM letter governs white collar supervisors only. However, the Department has included, in its supervisory counts and goals, all DoD Federal Wage System supervisors, as well.

The following table establishes the Department's FY 1993 supervisory ratio and identifies year-by-year goals for doubling that ratio by FY 1999.

	Ratio Goal
FY 1993 (actual)	1:7.3
FY 1994	1:7.7
FY 1995	1:8.4
FY 1996	1:9.1
FY 1997	1:10.1
FY 1998	1:12
FY 1999	1:14

The reduction in supervisors is expected to occur in conjunction with overall DoD downsizing initiatives, particular those pertaining to:

- o streamlining management headquarters/headquarters support elements;
- o reducing overhead areas;

- o redesigning organizational structures;
- o reinventing how work is performed; and
- o empowering employees in decisionmaking.

The Under Secretary of Defense for Personnel and Readiness has primary responsibility for ensuring that the DoD components take appropriate actions to double their FY 1993 supervisory ratios by FY 1999.

2. MANAGEMENT HEADQUARTERS/HEADQUARTERS SUPPORT

DoD Directive 5100.73, dated November 25, 1988, provides for a definition of Departmental management headquarters and headquarters support functions and for a common methodology for associated workforce accounting. Functions comprising DoD management headquarters elements are identified to exercise oversight, direction, and control over subordinate organizations through:

- o developing and issuing policies and policy guidance;
- o reviewing and evaluating program performance;
- o allocating and distributing resources; and
- o conducting mid- and long-range planning, programming, and budgeting.

Functions comprising management headquarters support are defined as critical professional, technical, administrative, or logistic support that is performed in, or provided directly to, a designated management headquarters element. Management headquarters support includes policy or program analysis and operating support (such as secretarial, typing, editorial, and automated data processing).

Direct support does not include specific products or technical and operating-type services that are provided on a DoD or component-wide basis (such as payroll or personnel), or base operating support provided by a host unit to all tenant organizations.

DoD organizational components that dedicate more than 25 percent of their time performing management headquarters or headquarters support functions, or a combination thereof, are designated accordingly. For personnel accountability purposes, the Department counts:

- o all personnel working in DoD organizations that have a primary management headquarters and headquarters support mission; and
- o only those personnel in other DoD organizations that devote more than 50 percent of their effort to the accomplishment of management headquarters or headquarters support functions.

The Department has been tracking the size of its management headquarters/support elements for at least 20 years. Over this period, the Congress has been interested in the size of DoD's headquarters elements, as well. Chapters 303, 503, and 803 of Title 10, U.S. Code provide for permanent ceilings on the number of Armed Forces and civilian employees assigned or detailed to permanent duty in Military Secretariat organizations. In addition, the Department has been directed under various legislative initiatives to reduce the overall size of DoD headquarters and related support activities and to report such data in conjunction with DoD's President's Budget. Such reductions have been conducted in an integrated fashion, allowing for DoD components to determine the military versus civilian allocation.

Section 906 of the National Defense Authorization Act for FY 1991 (Public Law 510) required that DoD reduce the number of employees in management headquarters and headquarters support activities, for each of fiscal years 1991-95, by not less than four percent of the number of September 30, 1990. In FY 1991, the Department assigned overall reduction goals to each DoD component, through FY 1995. By the end of FY 1992, the Department had already achieved an 11 percent headquarters reduction based on numerous functional consolidations. In FY 1993, the Department sought legislative relief from the incremental four percent reductions in FY 1994 and FY 1995 so that DoD would not be penalized for having streamlined faster. Section 942 of the National Defense Authorization Act for FY 1994 (Public Law 103-160) provided that relief in allowing flexibility in annual reduction rates, as long as an overall (20 percent) reduction is achieved by the end of FY 1995.

Between FY 1990-1993, the Department reduced its management headquarters/headquarters support staffs by approximately 18 percent (over 13,000 FTEs). By FY 1995, the Department expects to surpass the 20 percent reduction required in the FY 1994 Authorization Act. Current estimates reflect a reduction of 23 percent (or 16,500 FTEs) off the Department's FY 1990 headquarters level.

Continued management headquarters/headquarters support staff reductions, on the order of 14 percent (or 8,500 FTEs), are projected through FY 1999. Civilians are estimated to comprise 40 percent (or 3,400 FTEs) of the total reduction, as depicted on the following page.

MANAGEMENT HEADQUARTERS FTEs

FY 1993-1999

	ACTUAL	PROGRAM						FY93-99	
	FY93	FY94	FY95	FY96	FY97	FY98	FY99	Amt	%
ARMY									
Military	8,133	7,194	6,839	6,321	6,252	6,252	6,252	-1,881	-23%
Civilian	9,825	10,442	9,885	8,629	8,505	8,555	8,522	-1,303	-13%
TOTAL	17,958	17,636	16,724	14,950	14,757	14,807	14,774	-3,184	-18%
NAVY/MC									
Military	8,546	8,426	8,060	7,730	7,455	7,199	6,911	-1,635	-19%
Civilian	6,392	6,478	6,386	6,193	5,911	5,639	5,428	-964	-15%
TOTAL	14,938	14,904	14,446	13,923	13,366	12,838	12,339	-2,599	-17%
AIR FORCE									
Military	11,215	10,418	10,122	10,134	10,038	9,962	9,885	-1,330	-12%
Civilian	5,653	5,559	5,356	5,393	5,364	5,200	5,105	-548	-10%
TOTAL	16,868	15,977	15,478	15,527	15,402	15,162	14,990	-1,878	-11%
DEFENSE AGENCIES									
Military	2,442	2,217	2,224	2,197	2,194	2,193	2,191	-251	-10%
Civilian	6,606	6,756	6,639	6,461	6,279	6,143	6,007	-599	-9%
TOTAL	9,048	8,973	8,863	8,658	8,473	8,336	8,198	-850	-9%
GRAND TOTAL									
Military	30,336	28,255	27,245	26,382	25,939	25,606	25,239	-5,097	-17%
Civilian	28,476	29,235	28,266	26,676	26,059	25,537	25,062	-3,414	-12%
TOTAL	58,812	57,490	55,511	53,058	51,998	51,143	50,301	-8,511	-14%

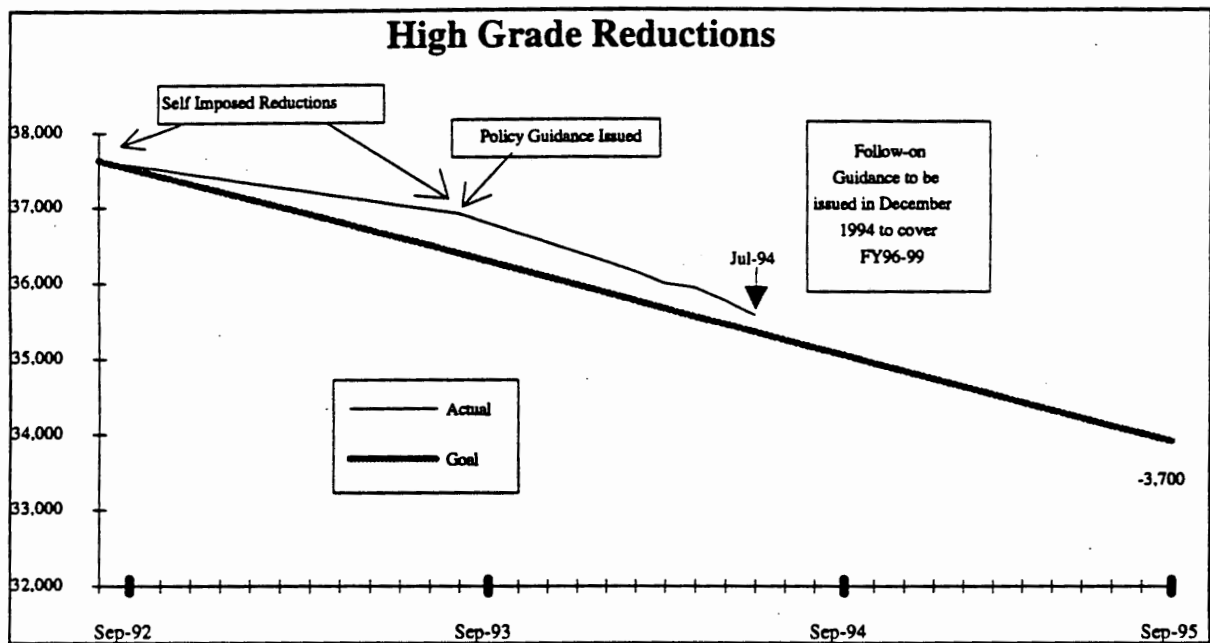
The Director for Administration and Management is responsible for identifying and accounting for designated DoD management headquarters and headquarters support elements. The Under Secretary of Defense for Personnel and Readiness is responsible for reviewing and issuing guidance pertaining to the size and composition of the DoD workforce allocated to management headquarters and headquarters support-type elements.

3. HIGH GRADES

On February 10, 1993, President Clinton released Executive Order 12839 calling for a federal-wide reduction of 100,000 civilians (measured in terms of full-time equivalents) to be accomplished by the end of FY 1995. At the time, the target was based on a four percent reduction across executive departments and agencies. At least ten percent of the reduction was directed to come from the high grade category, defined as GS-14 equivalent levels and above.

The Department of Defense is making a determined effort to reduce its high grade work force through FY 1995. In September 1993, a Departmental reduction goal, for the end of FY 1995, was established at 3,700. Each major operating component was issued a separate goal. As of June 1994, the Department has reduced high grades by 1,800.

DoD components are managing this task individually. The following graph shows the status of high grade reductions to date (July 1994), as well as the reduction goal by the end of FY 1995. (Note: actual values are for September 1992, September 1993 and March 1994 through July 1995. All other values are interpolated, or estimated.)



Reducing supervisory ratios, management headquarters elements, and overall FTEs are goals that extend through FY 2001. Accordingly, the Department is planning to establish Component specific high grade reduction goals since all four categories are interrelated. By December 1994, the Department expects to implement an overall plan for high grade reductions through the NPR period. However, certain impediments, structurally in place, may cause a lag in high grade reductions when compared to overall FTE reductions. Part of this lag is related to the steep level of overall FTE reductions the Department has undertaken. Also, only four percent of the Department's work force were high grades at the start of this process.

Promotion controls are in place in some Components and are being considered by the Office of the Secretary of Defense, as an overall policy, pending assessment of high grade reduction plans through FY 1999. The Office of the Secretary of Defense has embarked on a policy requiring DoD components to manage to the prescribed goals. This approach allows the maximum initiative, of those closest to the task, in completing the execution of reduction plans.

The Under Secretary of Defense for Personnel and Readiness is responsible for ensuring that the Department accomplishes its high grade reduction goals. Where goals are not being met, more stringent measures will be applied.

4. OCCUPATIONAL-SPECIFIC

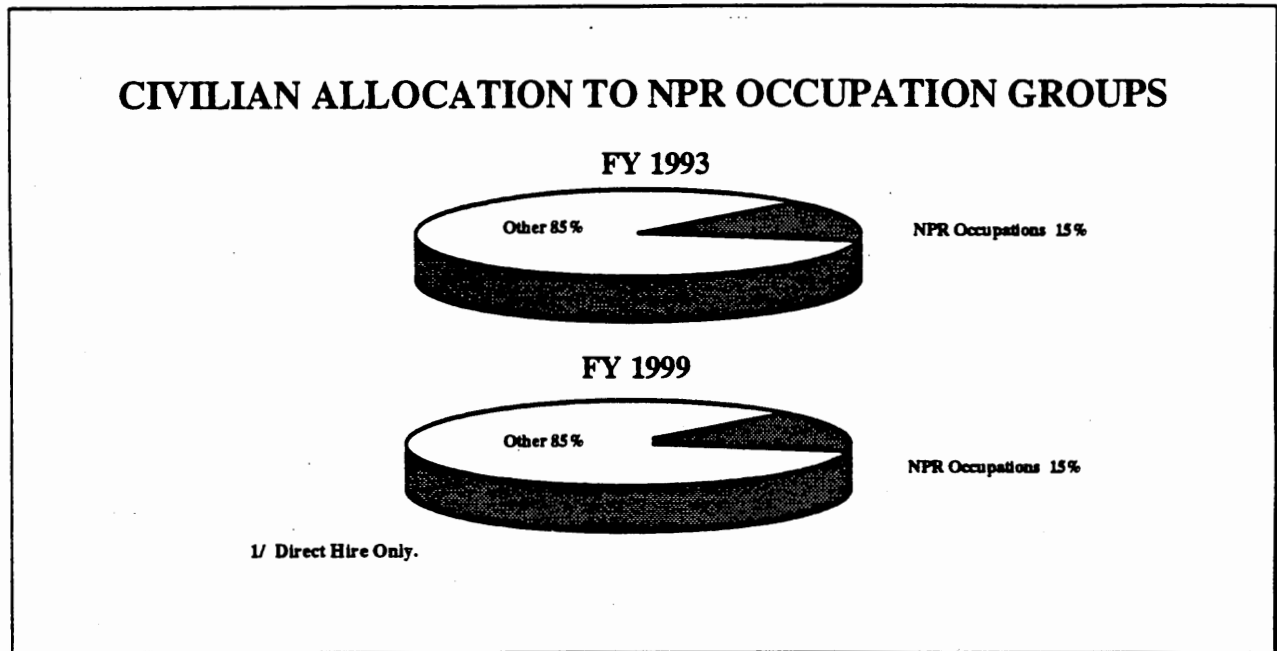
The NPR report targets particular positions for achieving federal-wide civilian reductions through FY 1999. Positions include personnel specialists, budget analysts, procurement analysts, accountants, and auditors.

On June 2, 1994, the Department issued guidance that accelerated and increased previously programmed civilian reductions through FY 1999. That guidance also provided for a 12 percent reduction, by FY 1997, in DoD civilians engaged in finance, personnel, and procurement-type work. DoD calculations in this regard included entire occupational disciplines vice the more selective NPR-recommendations that targeted particular sub-elements of these disciplines. DoD accountability in this regard is not limited to GS/GM employees, but includes all other commensurate pay plan employees as well. Together, these occupational groups comprised approximately 15 percent (or 144,000) of DoD's direct hire workforce in FY 1993.

More recently, DoD components were tasked to identify their plans for continued reduction in primary focus occupational groups beyond FY 1997. Those plans revealed a need for additional top down intervention pertaining to FY 1998-99 reductions. Accordingly, the Department plans to implement a strategy that provides for continued reduction in primary focus occupational groups that is equal to or greater than the overall DoD reduction between FY 1993-99. See table below.

	ACTUAL		PROGRAM					FY 93-99 CUM	
	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	Amt.	%
Total DoD	931,439	869,687	833,476	799,095	765,237	742,765	723,310	-208,129	-22%
Finance	58,792	57,616	56,464	54,205	52,037	48,915	45,980	-12,812	-22%
Personnel	27,348	26,801	26,265	25,214	24,206	22,753	21,388	-5,960	-22%
Procurement	57,473	56,324	55,197	52,989	50,870	47,817	44,948	-12,525	-22%
Subtotal	143,613	140,741	137,926	132,408	127,113	119,485	112,316	-31,297	-22%

This reduction strategy, as depicted below, will ensure that these workforce elements will not comprise increasing percentages of DoD's overall direct hire workforce.



Most of the reductions in DoD finance, personnel, and procurement activities are expected to be accomplished through better business practices and a number of reinvention initiatives. These are discussed, in detail, below.

a. **Finance.** Past audits of the DoD's financial statements and underlying financial systems and operations confirm that the Department's financial management systems were not designed to generate auditable financial statements. In addition, such statements diverged from generally accepted accounting principles. Some of the more significant deficiencies include:

- o the lack of integrated data bases;
- o inflexible systems not capable of responding to rapid or changing requirements;
and
- o the lack of automated indicators that measure, or are linked to, costs, performance measurement, or other output.

The continuing system problems in the Defense Business Operations Fund, and in other DoD accounts, remain a serious challenge to the Department and will require a number of years to correct. However, the DoD is pressing forward with aggressive financial management reform and progress has been made in resolving systematic and operational problems.

The correction of deficiencies in the DoD financial operations requires the continued involvement of the Department's senior leaders within and outside of the DoD financial community. It also requires the support of the Congress. The Department's plans for financial management reform include meeting the requirements of the Chief Financial Officers Act of 1990. However, the Department's goals reach beyond this Act. The Department has fourteen ongoing initiatives in this regard:

1. Establishment of a Senior Financial Management Oversight Council--designed to address financial management weaknesses and deficiencies, approve plans for solutions, assign responsibility for corrective action, and monitor reform progress.

2. Revitalization of Efforts to Address Anti-deficiency Act Violations--designed to renew emphasis on Anti-deficiency Act compliance.

3. Establishment of New Policies to Stop Expenditures for Accounts in a Deficit Position--designed to cease DoD disbursements in excess of available funding balances.

4. Implementation of Computer Security Initiatives--designed to deter vulnerability of financial management networks to intrusion.

5. Improvements to the Federal Managers' Financial Integrity Act Process--places greater emphasis on sound internal controls and the correction of control weaknesses from senior level staff.

6. Establishment of an Acquisition Financial Management Council--established to develop a course of action to address the systemic problem of unmatched disbursements and the lack of interconnectivity between finance and acquisition systems.

7. Reduction of Current Unmatched Disbursements--focused on clearing existing unmatched transactions and making improvements in existing procedures and systems.

8. Development of a Migratory System Strategy--reflects DoD's effort to evaluate, consolidate, and standardize over 260 existing financial management systems.

9. Establishment of a Payroll/Personnel Task Force--to determine the most effective alternative for providing pay and personnel services to DoD employees.

10. Revitalization of the Financial Management Steering Committee--to oversee the development of functional requirements, facilitate implementation of product and policy recommendations, and address other issues outside of the Defense Business Operations Fund.

11. Establishment of the Defense Business Operations Fund Corporate Board and an Improvement Plan--to correct identified deficiencies and improve current operations.

12. Improvement of Data Standardization--in order to facilitate implementation of migration systems and improved management of Defense resources.

13. Attack on Fraudulent Actions--designed to assess fraud prevention changes and aggressively pursue prosecution.

14. Reduction, Clarification and Re-issuance of Policies--designed to issue a single DoD financial management regulation that can be used on a DoD-wide basis.

The DoD Comptroller has primary responsibility for reinventing DoD financial operations and implementing reductions in DoD's civilian financial community. More recently, the Department announced its decision to consolidate operations under the Defense Finance and Accounting Service (DFAS) from nearly 300 sites to 26. Significant savings in financial type personnel are anticipated once this consolidation is completed. Streamlining financial operations into fewer sites is expected to help achieve the finance allocated portion of overall DoD personnel reductions, as identified below.

FY 1994-99 PRIMARY FOCUS NPR AREA							
(FINANCE)							
	ACTUAL	ESTIMATE					
	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
	[BASE] 1/						
ARMY	12,531	12,280	12,035	11,553	11,091	10,426	9,800
NAVY/MC	11,007	10,787	10,571	10,148	9,742	9,158	8,608
AF	6,752	6,617	6,485	6,225	5,976	5,618	5,281
AGENCIES	28,502	27,932	27,373	26,278	25,227	23,714	22,291
TOTAL DOD	58,792	57,616	56,464	54,205	52,037	48,915	45,980
REDUCTIONS							
Annual		-1,176	-1,152	-2,259	-2,168	-3,122	-2,935
%		-2%	-2%	-4%	-4%	-6%	-6%
Cumulative			-2,328	-4,587	-6,755	-9,877	-12,812
%			-4%	-8%	-11%	-17%	-22%
1/ Reflects direct hire GS/GM occupational group 500 and 1160 series plus other commensurate pay plan occupations.							

b. Personnel. The Department has made radical changes in civilian personnel administration and management that have resulted in a program that costs less, has better quality, is more efficient, and improves customer satisfaction. These changes involve restructuring the civilian personnel functional area to eliminate redundant policies and procedures, reduce regulations, eliminate and consolidate staff functions, standardize and modernize information systems, and provide more efficient and effective operational support on

a regional basis. The Department has delegated more authority to managers and employees and reduced the workforce with emphasis on voluntary separations. Details on progress to reengineer civilian personnel administration follow.

The Under Secretary of Defense for Personnel and Readiness, USD(P&R), has completed or made significant progress in the following initiatives to streamline and improve Human Resources Management (HRM) policy, practices, and service delivery.

1. Deregulating Civilian Personnel--DoD has significantly reduced the number of civilian personnel regulations and eliminated unnecessary rules. This resulted from a 100 percent review of all DoD-wide and component-specific regulations that identified almost 70 percent could be rescinded or consolidated. The decisions have been made and a twelve-month timetable is in place. The result will eliminate duplication and improve efficiency and customer service through minimum regulation and maximum delegation authority.

2. Streamlining Administrative Services--The Department has consolidated common administrative functions that each DoD component used to administer separately. This consolidation reduced staff requirements by 20 percent initially with an additional 15% reduction planned over the next five years. Administrative services include injury and unemployment compensation claims processing, special salary rate determinations, classification appeals and consistency reviews, discrimination complaint and grievance investigations, benefits administration, and technical field advisory services. All these functions are now consolidated under the Defense Civilian Personnel Management Service (DCPMS), a DoD Field Activity under the USD(P&R). Further long-term savings will accrue as the DCPMS consolidates office locations, reduces overhead, and gains efficiencies through process improvement and automation. Consolidated civilian Equal Employment Opportunity training is underway at the Defense Equal Opportunity Management Institute. The Department developed a DoD-wide orientation program for new Senior Executive Service (SES) members. SES members have completed two courses this year. The statement of work for a DoD-wide consolidated employee relocation services contract has also been completed. The Department will continue to implement and evaluate these changes and seek additional streamlining opportunities.

3. Streamlining Civilian Personnel Operations--The USD(P&R) initiated a restructuring plan for regionalization and systems modernization of civilian personnel services. The USD(P&R), working with the DoD components and the Department's Program Analysis & Evaluation Office (PA&E), conducted an extensive analysis of civilian personnel functions and developed a servicing model that identified those functions that could be most efficiently consolidated in regional service centers. The evaluation confirmed that, with the proper investment, regionalization and the necessary collateral automated systems modernization are both achievable and cost effective. DoD's regionalization and systems modernization efforts will result in reduced operations and maintenance costs, standardization of civilian personnel management applications throughout DoD, interoperability with other DoD functional areas, and easy access to real-time management information for managers. Regionalization and systems modernization will also improve DoD's personnel servicing ratio from 59 to 1 to 90 to 1.

This represents a 33 percent savings in the number of personnel specialists. This initiative takes maximum advantage of personnel business process improvements and systems modernization. The return on investment is dramatic as indicated in the functional economic analysis cited above. The Department will begin these consolidations with five new regionalized centers each year from FY 1995 through 1998.

4. Integrating Common Information Systems--The Department is using the power of modern information technology to radically redesign personnel processes to achieve major improvements in performance. The Defense Civilian Personnel Data System (DCPDS) provides an integrated software suite of applications. When channeled into workstations, it will reduce the cost of doing personnel business and significantly improve response to customers. Functional economic analyses indicate DoD savings for system modernization and regionalization are around \$156 million annually. Through data standardization, DCPDS now supports 85 percent of all DoD civilians. More are scheduled for coverage during the next year.

DCPDS applications resulted from extensive reengineering of personnel processes. Some of those computer applications give current and projected civilian personnel costs; maintain, rank, and report job applicants for DoD jobs, significantly reducing response to inquiries; integrate automated job classification, staffing, performance management and training requirements in a single document; enable users to electronically request training, evaluate results, produce reports and track requirements and expenditures; and provide personnel staff immediate access to information on employee compensation claims.

The Department also joined the Office of Personnel Management to establish the Federal Human Resources Management Automation Consortium to develop and market software application to other agencies. These applications are showcased at the Human Resources Reinvention Laboratory. Visitors from other government agencies and private industry from all over the world have visited the reinvention laboratory this year. The Department will continue to develop and implement the Strategic Information Systems Plan for DCPDS and for automated systems to support regionalized off-site HRM service delivery.

5. HRM Redesign Team--During FY 1994, the HRM Design Team, formed by the USD (P&R) in September 1993, provided staff support to the National Partnership Council to revamp Title 5 and lead the Department's deregulation review. The team briefed its recommendations to Department-wide labor-management focus groups and issued its final report this past July. Team recommendations will serve as a foundation for further efforts toward HRM reform legislation. In the meantime, the Department is developing processes to facilitate and integrate HRM innovations through reinvention laboratories and other pilots, is formalizing processes for HRM benchmarking, and is pursuing alternative legal and regulatory flexibility.

6. Expanding DoD Civilian Assistance--The DoD has highly effective programs to help civilians find new jobs. In recognition that the Department still needs to do more to place employees, DoD asked Congress to approve a Non-Federal Hiring Initiative. The provision was included in the National Defense Authorization for Fiscal Year 1995, and will

allow the Department to set up a pilot program at closing bases to encourage private-sector employers to hire our surplus DoD employees. The Department will reimburse the employers for retraining costs and pay relocation expenses for surplus employees who move to take a job with a non-Federal employer. These incentives, limited to \$10,000 per employee, will make Defense employees more valuable to other employers.

The Under Secretary of Defense for Personnel and Readiness has primary responsibility for implementing reductions in DoD's civilian personnel community. Streamlining personnel administration functions is expected to help the Department achieve the personnel allocated portion of DoD civilian reductions, as identified below.

FY 1994-99 PRIMARY FOCUS NPR AREA (PERSONNEL)							
	ACTUAL	ESTIMATE					
	FY 93 [BASE] 1/	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
ARMY	12,500	12,250	12,005	11,525	11,064	10,400	9,776
NAVY/MC	6,507	6,377	6,249	5,999	5,759	5,414	5,089
AF	5,947	5,828	5,711	5,483	5,264	4,948	4,651
AGENCIES	2,394	2,346	2,299	2,207	2,119	1,992	1,872
TOTAL DOD	27,348	26,801	26,265	25,214	24,206	22,753	21,388
REDUCTIONS							
Annual		-547	-536	-1,051	-1,009	-1,452	-1,365
%		-2%	-2%	-4%	-4%	-6%	-6%
Cumulative			-1,083	-2,134	-3,142	-4,595	-5,960
%			-4%	-8%	-11%	-17%	-22%
1/ Reflects direct hire GS/GM occupational group 200 and 360/361 series plus other commensurate pay plan occupations.							

c. **Procurement.** The DoD acquisition system is a web of laws and regulations adopted for laudable reasons. These laws and regulations are intended to accomplish several objectives: (1) ensure the acquisition process is fair; (2) prevent fraud, waste, and abuse; (3) standardize treatment of contractors; (4) ensure the government receives fair and reasonable prices; (5) check the government's demands upon suppliers; and (6) further socioeconomic objectives. While these objectives continue to be valid, the combined effect of the organizations, legislation, policies, regulations, and oversight has been to create a system that is overloaded. The present system is too cumbersome and too time-consuming to satisfy its customers' needs. The present system adds costs to the product or service procured, because of the application of government unique laws and regulations to both prime and subcontractors, and the risk of criminal and civil penalties for failure to comply with a government rule. Compounding this problem is the Department's historical reliance on an industrial base principally dedicated to supporting DoD

requirements. In these times of reduced spending and new security challenges, DoD cannot afford to rely on an industrial base which is under-resourced and dependent on DoD for its existence.

In order to maintain a well equipped, well trained, ready to fight military force, that if required to fight, can prevail with limited loss of human life, we must assure U.S. military technological superiority and foster a strong globally competitive national industrial base that can meet DoD's needs. DoD can do that only if it is able to develop an acquisition system which: (1) is flexible and agile enough to support ever changing needs in a more timely fashion; (2) allows the purchase of commercial and other state-of-the-art products and technology from reliable suppliers who use the latest manufacturing techniques; (3) fosters the integration, broadening, and maintenance of a national industrial base by removing unique government terms and conditions that are disincentives for commercial and small business vendors to sell the government, assisting in the conversion of defense unique facilities to dual-use production, aiding in the transfer of military technology to the commercial sector, and preserving defense-unique core capabilities; and (4) will result in reduced acquisition costs through adoption of business processes characteristic of world class customers and supplier, and allowing its suppliers to do the same.

DoD will totally reengineer the acquisition process, not all at once, but process by process. DoD has established eight major reengineering goals.

1. Enhance the Needs (Requirements) Determination Process. In 1994 DoD established the Military Specifications and Standards Process Action Team. The Team's report was accepted by the Secretary of Defense and its recommendations are being implemented. The result of implementing the Team's recommendations is to strengthen the preference for performance specifications and nongovernmental standards, thus eliminating, to the maximum extent practicable, government-unique specifications and standards that inhibit the sale of commercial products to the government or dictate to a contractor "how to" perform as opposed to describing "what" the government needs.

2. Improve the Systems Acquisition Process. In 1994 DoD established five pilot programs: Fire Support Combined Armed Tactical Trainer (FSCATT); Joint Direct Attack Munition (JDAM) I; Joint Primary Aircraft Training System (JPATS); Commercial Derivative Aircraft (CDA); and Commercial Derivative Engine (CDE). Each of these programs was given Federal Acquisition Regulation (FAR), Defense FAR Supplement (DFARS), and DoD policy regulatory relief to streamline procedures for review of these programs, to allow more commercial practices, and to eliminate non-value added standard contract clauses. Regulatory relief was also provided to three Army Lead Programs (Advanced Field Artillery System (AFAS); Joint Surveillance Target Attack Radar (JSTARS) Ground Station Modules (GSM); and Patriot Advanced Capability (PAC)3) and three commodity lines (medical, food, and clothing) procured by the Defense Personnel Support Center (DPSC). Authority for the Secretary of Defense to apply the provisions of the Federal Acquisition Streamlining Act of 1984 immediately to the pilot programs and to treat noncommercial pilot programs as if they were commercial items was provided by Congress.

3. Improve the Procurement Process. In 1994 DoD worked with OMB and Congress to ensure passage of the Federal Acquisition Streamlining Act of 1994 that provides the Department an increased simplified acquisition threshold to \$100,000, expansion of the definition of commercial items, and removal of impediments to acquisition of commercial items. DoD is now working with OMB to implement regulatory changes necessitated by the Act. DoD established an Electronic Commerce/Electronic Data Interchange Process Action Team. The Team's recommendations were accepted by the Secretary of Defense and are being implemented. The result of the Team's recommendations is that DoD is in the lead in creating a standardized EC/EDI system that provides one face to industry; utilizes commercially available software for obtaining solicitations, submitting offers, and receiving awards; and provides standardization and access necessary to alleviate concerns of small businesses with increasing the small purchase threshold. Finally, DoD has established a Procurement Process Action Team that is charged with streamlining the procurement process.

4. Improve Contract Administration. In 1994 DoD established a policy that allows any acceptable quality system, including International Organization of Standards (ISO) 9000 quality standards, to be used by DoD contractors. The result of this policy is that contractors doing business with DoD may utilize one quality process throughout their facilities. DoD also established a Contract Administration Process Action Team that is charged with reengineering the way DoD administers contracts.

5. Improve Contract Terms and Conditions (Legal, Pricing, and Financial Issues). In 1994 DoD worked with OMB and the Congress to pass the Federal Acquisition Streamlining Act of 1994.

6. Culture Change. In 1994 DoD created new courses and revised the acquisition curriculum to bring Defense Acquisition University faculty and students up to date on the latest acquisition reform initiatives and new ways of doing business. DoD also increased the acquisition workforce qualification standards using a competency based approach. DoD also empowered the acquisition workforce by establishing policies that provide for more flexibility in decision-making and by moving decisions to the lowest level possible.

7. Metrics. In 1994 DoD chartered the Defense Acquisition Pilot Program Consulting Group to establish clear measures of system responsiveness and to determine the success of change efforts, beginning with the pilot program.

8. Enabling Goals. In 1994 DoD established a vision for reengineering the acquisition system and created a step-by-step plan of action.

The Under Secretary of Defense for Acquisition and Technology has primary responsibility for acquisition reform and for the acquisition workforce. The Department's ongoing reengineering is expected to reduce the infrastructure needs of the Department and, thereby, help DoD achieve the procurement allocated portion of DoD civilian reductions, as identified on the next page.

**FY 1994-99 PRIMARY FOCUS NPR AREA
(PROCUREMENT)**

	ACTUAL FY 93 (BASE) 1/	ESTIMATE					
		FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
ARMY	12,551	12,300	12,054	11,572	11,109	10,442	9,816
NAVY/MC	14,605	14,313	14,027	13,466	12,927	12,151	11,422
AF	13,011	12,751	12,496	11,996	11,516	10,825	10,176
AGENCIES	17,306	16,960	16,621	15,956	15,318	14,399	13,535
TOTAL DOD	57,473	56,324	55,197	52,989	50,870	47,817	44,948
REDUCTIONS							
Annual		-1,149	-1,126	-2,208	-2,120	-3,052	-2,869
%		-2%	-2%	-4%	-4%	-6%	-6%
Cumulative			-2,276	-4,484	-6,603	-9,656	-12,525
%			-4%	-8%	-11%	-17%	-22%

1/ Reflects direct hire GS/GM occupational group 1100 and 1900 (excluding series 1103-04, 1107, 1130, 1140, 1144, 1160, 1170-1, 1173, and 1176) plus commensurate pay plan occupations.

V - PERSONNEL SEPARATION STRATEGY

The Defense Department maintains its strategy of accomplishing personnel reductions with a minimum number of involuntary separations. In FY 1993, the DoD accounted for the majority of federal-wide downsizing. In FY 1993, the DoD reduced its personnel rolls by approximately 69,000 people and only 2,000 of those were involuntarily separated. To accomplish these reductions, the Department used all the tools available, including hiring restrictions, voluntary early retirement authority, separation incentives (buyouts), along with a limited number of involuntary separations. A discussion of each of these is provided below:

A. PERSONNEL SEPARATION TOOLS:

1. **TURNOVER (with limited re-hire)**. During downsizing, agencies and departments may choose to limit the number of employees that can be re-hired or limit movement within the agency. Limitations may include a total freeze or allow limited replacements (i.e., two employees hired for every five who leave). Limitations may cover the entire agency, a component, or selected workforce elements.

On January 11, 1990 a hiring freeze was implemented across the DoD. Hiring restrictions identified in this freeze were modified over time to accommodate limited re-hiring based on mission essential needs. This hiring restriction is the main reason for large DoD reductions over the FY 1990 to FY 1992 time period. Over that time, the DoD civilian workforce declined by 111,000 with fewer than 9,000 involuntary separations of direct hire employees. In FY 1993, a combination of turnover with selected re-hire (35,000 reductions), voluntary buyout separations (32,000 reductions) and involuntary separations (2,000) resulted in a personnel strength reduction of 69,000. FY 1993 was the largest single year reduction of DoD's current drawdown, and turnover was, still, the primary tool for reducing. Some have argued (Congress) that hiring restrictions have produced major skill imbalances, but no major imbalances have been formally identified by any DoD component when they were asked to identify them.

DoD's limited re-hire policy (except for temporaries) was extended through FY 1994 and is being re-evaluated for FY 1995. FY 1994 experience should mirror FY 1993, although the number of voluntary buyout separations and overall size of reduction will not be as great. The Department will make full use of incentives through FY 1999 in order to minimize involuntary reductions-in-force.

2. **VOLUNTARY EARLY RETIREMENT AUTHORITY (VERA)**. This authority is delegated by the Office of Personnel Management to help agencies and departments reduce staff by allowing employees to retire under reduced age and service requirements (age 50 with 20 years of service, any age with 25 years of service, etc.). The retirement annuity of VERA electees is reduced by two percent per year for each year the employee is under age 55.

3. VOLUNTARY SEPARATION INCENTIVE PAY (BUYOUTS). Buyouts are lump sum payments of up to \$25,000 paid by the DoD to encourage employees to resign or retire. Buyouts are targeted at employees in specific grades, occupational specialties, or locations to help avoid involuntary separations. Generally, activities must offer buyouts to their employees at least 30 days before they issue reduction-in-force (RIF) notices (phase I). If notices have already been issued, the Department looks for employees at other installations who are the same grade and occupation as the employee with the RIF notice and are willing to take an incentive. This creates a vacancy into which DoD can then place the employee with the RIF notice. Current DoD buyout authority runs through September 30, 1997. The Department expects to extend this authority until September 30, 1999, making full use of this provision.

Since September 1989, the Department has reduced the number of civilian personnel by about 220,000 or almost 20 percent. To minimize involuntary layoffs, the DoD aggressively implemented its "separation-pay" or "buyout" program. To date, DoD has paid close to 50,000 incentives and has avoided significant reductions-in-force. The DoD buyout program is the model for the Federal Workforce Restructuring Act which allowed non-Defense agencies to offer buyouts to facilitate reductions without involuntary separations.

4. INVOLUNTARY REDUCTION-IN-FORCE (RIF). RIF is a structured, orderly process through which employees are separated or changed to lower grades. RIF actions are based on length of service and performance; veterans generally have preference over non-veterans. Those last hired are usually the first to go. Most employees separated by RIF are entitled to payment for unused annual leave, severance pay (based on salary, years of service and age), and unemployment compensation. If the employees elect to continue their health insurance for up to 18 months, the DoD will pay the employer portion of the premium and any administrative fees. In addition, employees separated by RIF remain in DoD's priority placement system for up to one year after separation.

RIF separations have usually been a tool of last resort. Why? They tend to be disruptive and tend to eliminate younger and lower graded personnel. Reductions-in-force disrupt operations through the "bumping and retreating" process, whereby a higher graded, more senior person can bump a more junior person, and that person may be able to bump an even more junior person. This process of bumping and retreating often results in the remaining workforce being more highly graded, and thus more expensive. Limited use of RIF is likely to occur throughout the Department's downsizing period. At this time RIFs are difficult to predict, but preliminary estimates expect annual RIF separations for direct hire employees to be in the 2,000 to 4,000 range.

B. DoD CIVILIAN ASSISTANCE AND RE-EMPLOYMENT (CARE) PROGRAM

The DoD also has highly effective programs to help displaced civilians find new jobs. The most notable is the Priority Placement Program (PPP), an automated system that matches employees who are scheduled to be separated with vacant DoD positions for which they are qualified. Program registrants have risen to just over 19,000. Placements have risen to the recent average of 1,000 per month. Since its inception in 1965, PPP has placed well over

100,000 employees. Almost 99 percent of the supervisors surveyed report that they are satisfied with PPP placements. Almost 89 percent report that the employees placed from the program were better qualified than employees referred from other sources. This program coupled with the Defense Outplacement and Referral System (DORS), another automated system which refers applicants to Federal and non-Federal employers, and aggressive outplacement efforts give employees viable alternatives to separation.

The DoD agrees that Federal agencies have the responsibility to do everything possible to take care of their employees, particularly during times of transition. Consequently, the Department recently asked the Congress to approve a Non-Federal Hiring Initiative. An implementing provision was included in the National Defense Authorization for Fiscal Year 1995 that will allow DoD to set up a pilot program at closing bases to encourage private-sector employers to hire surplus DoD employees. The DoD will reimburse prospective employers for retraining costs and pay relocation expenses for surplus employees who move to take a job with a non-Federal employer. Such incentives, limited to \$10,000 per employee, will make Defense employees more valuable to other employers.

Over the next few years, the Department will continue to work with the Office of Personnel Management, other Federal agencies, and the Congress to provide for the best federal-wide placement opportunity.

VI - STREAMLINING CHALLENGES AND CONSIDERATIONS

Chapters III through V of the DoD Streamlining Plan reflect how the Department of Defense intends to contribute toward the federal-wide reinventing government effort while maintaining productivity. This chapter identifies challenges related to that objective. Some challenges are common to most public sector downsizing; other challenges are government unique, and/or DoD-specific.

A. COMMON PUBLIC SECTOR CHALLENGES

1. PERSONNEL SEPARATION/SEVERANCE COSTS. Normal attrition rarely achieves the personnel loss rates required by public sector staff reduction plans. Artificial attrition rates must therefore be stimulated through buyout programs. It can take up to twelve months for reduced overall salary payments to negate the cost of each buyout, plus any additional payoff relative to unused leave, etc. Given declining budgets, continuing fiscal provision must be made to fund DoD personnel separation costs.

2. SYSTEMS MODERNIZATION/CAPITAL INVESTMENT. The effects of workforce reductions often have to be negated by process improvements through systems modernization and automation. This requires relatively high initial capital investment which leads, eventually, to savings. Given the magnitude of DoD reductions, these types of initial investments must be clearly identified and supported if the DoD expects to maintain productivity and reap the long term benefits of reinvention.

B. GOVERNMENT UNIQUE CHALLENGES

1. LEGISLATIVE REFORM. The Department is concerned about the time it may take to effect federal-wide legislative reform--particularly that pertaining to government acquisition and personnel management initiatives. The DoD needs to be able to reap the benefits associated with simplified procurement and personnel management processes as soon as possible in order to achieve targeted workforce reductions. These reforms are essential to the Department's ability to maintain productivity in the face of declining staff. DoD, like other federal agencies, is accomplishing internal deregulation. However, internal deregulation has little value unless correspondingly relief is effected at the same time in current federal statutes (such as Title 5, U.S. Code) that still govern how these processes and functions should be performed across the federal sector.

2. CONGRESSIONALLY-MANDATED WORKFORCE RESTRICTIONS. Over the years, a number of Congressional provisions have evolved mandating what levels and kinds of DoD labor should be used to accomplish assigned workload. In FY 1994, the Department's civilian component was impacted by approximately 20 different provisions contained in FY 1994 DoD authorization and appropriations acts. (See Appendix D.) Some of these same restrictions have been codified into Title 10, U.S. Code. Most of the

provisions establish ceilings pertaining to the amount of staff that can be allocated to particular activities or locations. Other provisions limit the amount of DoD work that can be competitively bid or more economically outsourced. Additional provisions prohibit selected workforce elements from falling below specified levels unless certain conditions are met. Under these restrictions, DoD reinvention efforts are clearly stifled. Two particular provisions associated with DoD's medical and civilian (military) technician workforce could potentially fence up to 112,000 DoD civilians from streamlining initiatives.. Section 8118 of the Conference Report on DoD Appropriations Act for 1995 prohibits the Department from recognizing reductions in DoD civilian (military) technicians unless reductions can be linked to force structure changes. DoD civilian (military) technicians perform such functions as tactical vehicle an aircraft maintenance and military unit administrative tasks associated with personnel, training, and supply support. Under this provision, DoD personnel savings that may have been achievable through improved organizational structure and better work methods and processes cannot be realized. Continued Congressional fencing of selected DoD workforce elements will impact the Department's ability to fully satisfy current civilian reduction goals. Mandated restorations relative to DoD civilian technicians could increase the FY 1999 civilian workforce target, identified in this plan, by approximately 12,000 FTEs.

3. COMMERCIAL ACTIVITIES REVIEWS. The current federal-wide process aimed at fostering public versus private competition in the performance of commercial/ industrial-type activities needs to be streamlined. This process is governed by Executive Order 12615 and implementing OMB Circular A-76. DoD competitions under this circular have become so cumbersome that the Congress legislated termination of all single and multi-function DoD reviews that were not completed within 24 and 48 months, respectively. It should not take two years to make this type of procurement decision. The Department is in the process of completing a proposal that would modify the current executive order governing A-76 competitions. The proposed revision will be transmitted to the OMB over the next fiscal year.

4. HIGH GRADE REDUCTIONS. Impediments affecting accomplishment of high grade reductions include the following:

a. Buyout Effectiveness. Recent analysis of DoD FY 1993 buyouts show that high graded employees have a lower propensity to accept a buyout compared to mid level employees. This reduced propensity makes the use of buyouts proportionally less effective for high grades. The overall magnitude of DoD reductions makes it difficult for the Department to reserve buyout authority for senior grades only. (Other agencies have concentrated buyouts at the GS-13 level and above. Given the magnitude of overall DoD reductions, the Department has offered buyouts to all grade levels.)

b. Low Attrition. Attrition traditionally runs high in lower graded employees, and conversely, lower in high graded employees. This behavior is not surprising since higher graded employees tend to have more years of service, and a greater investment, in public service and federal employment. Buyout authority cannot be used to offset this phenomenon, since buyouts need to be offered to lower graded employees who face involuntary separation.

c. **Difficulty Reclassifying/Downgrading Positions.** Reclassification aimed at down-grading positions is time consuming, potentially litigious, and demoralizing to the work force. This is especially true considering that the DoD work force has been through five years of downsizing already. However, careful planning associated with new positions and existing positions as they are vacated, will be necessary to accomplish high grade reductions.

d. **Difficulty Using Involuntary Separations.** Finally, involuntary separations, through reductions-in-force (RIF) tend to protect workers with higher tenure and grade since the two are correlated. RIF, even as a last resort, is not an effective tool for reducing high grades.

5. SUPERVISOR REDUCTIONS. The element of supervision (irrespective of the number of employees supervised) is used throughout the Federal government to determine position pay grade. Reducing supervisory positions through organizational restructuring and position reclassification poses particular managerial challenges since such actions can adversely impact both first and second level supervisors in terms of their grade, pay, and status. The Defense Department is evaluating current criteria governing supervisory positions and exploring alternatives (outside of grade) to satisfying such requirements within DoD.

C. DOD-SPECIFIC CHALLENGES

CIVILIAN-SPECIFIC WORKFORCE MANAGEMENT. Federal-wide streamlining requirements focus on specific civilian staff reductions. The specific targets were conceived as part of a public sector overview where, in most cases, staffing is predominantly civilian. However, in the Defense establishment, civil servants are a minority. When DoD civilian staff levels are viewed in isolation, the scope and complexity of functions undertaken is not readily apparent. As a result, analytical judgments and conclusions can be misleading. DoD civilians contribute substantially to the acquisition and maintenance of the full military inventory including land, air and sea borne weapons systems. One predominantly civilian Defense agency, for example, manages contracts valued at approximately \$840 billion. These requirements generate a need for highly skilled and higher grade staff than might be justified in some civil function agencies.

Part II of this plan articulates the complexities associated with the Defense Department having an integrated workforce comprised of several different workforce components--i.e., active duty and reserve military, as well as civilian in-house and contractor staff. Such integration requires trade-off decisions, from time to time, pertaining to achieving optimum operating efficiency. For example, when functions supported by an integrated workforce are exposed to private sector competition, the military component is civilianized for purposes of calculating the government's personnel bid. This may cause a temporary, or permanent increase to DoD civilian FTE levels if the function remains in-house. In addition, the House Conference Report on the National Defense Authorization Act for FY 1995 directs that the DoD review the essentiality of more costly military personnel performing infrastructure-oriented work. This review may generate more lucrative military personnel reductions for the Department but cause simultaneous adjustments to DoD civilian workforce levels.

Based on the above specific issues, some of which are outside the scope of internal DoD management control, the Department wishes to retain some degree of management flexibility with regard to currently established civilian drawdown goals.

VII - CONCLUSION

The Defense Department supports the intent and the thrust of the federal-wide streamlining effort. Implementation objectives were described in the preceding chapters of this Plan. Every effort will be made to reach these objectives, using all currently endorsed management tools.

Preeminent in Defense planning is the requirement to ensure national security. This includes maintaining the capability to project an effective U.S. military presence to meet any foreseeable situation anywhere in the world. Defense staff, both military and civilian, are a major component of the structure designed to meet this requirement. While the requirement is immutable, the Defense resources needed to achieve it vary significantly over time in response to changing global situations. Evolving events in the former Soviet Union, the Middle-East, Eastern Europe, Africa and now in the Caribbean area have each changed operational demands and related priorities. These unpredictable Defense commitments seem likely to continue in the foreseeable future. If DoD streamlining efforts begin to adversely affect military readiness or other aspects of operational capability, alternative strategies will be considered and recommended. These might include:

- o extensions of final implementation dates;
- o recommendations for offsetting targets so that under-achievement in one area may be offset by over-achievement in another; and
- o as a last resort, requests for amended targets, given that Defense will have taken a large proportion of the total public sector's reductions.

Given present planning, the Defense Department expects to meet a substantial proportion of currently identified streamlining goals through FY 1999.

DEPARTMENT OF DEFENSE COMPONENTS

MILITARY SERVICES: 1/

1. Army 1/
2. Navy 1/
3. Marine Corps 1/
4. Air Force 1/

DEFENSE AGENCY ACCOUNTS: 2/

Defense Agencies:

1. Advanced Research Projects Agency (ARPA)
2. Ballistic Missile Defense Organization (BMDO)
3. Central Imagery Office (CIO)
4. Defense Intelligence Agency (DIA)
5. Defense Contract Audit Agency (DCAA)
6. Defense Commissary Agency (DECA)
7. Defense Finance and Accounting Service (DFAS)
8. Defense Investigative Service (DIS)
9. Defense Information Systems Agency (DISA)
10. Defense Logistics Agency (DLA)
11. Defense Legal Services Agency (DLSA)
12. Defense Mapping Agency (DMA)
13. Defense Nuclear Agency (DNA)
14. Defense Security Assistance Agency (DSAA)
15. National Security Agency (NSA)
16. On-Site Inspection Agency (OSIA)

DoD Field Activities:

1. American Forces Information Service (AFIS)
2. Defense Medical Programs Activity (DMPA)
3. Defense Prisoner of War Missing in Action Office (DPMO)
4. Defense Technology Security Administration (DTSA)
5. Department of Defense Civilian Personnel Management Service (DCPMS)
6. Department of Defense Education Activity (DODEA)
7. Office of Civilian Health and Medical Program of the Uniformed Services (OCHAMPUS)
8. Office of Economic Adjustment (OEA)
9. Washington Headquarters Service (WHS)

Defense Support Activities:

1. Defense Manpower Data Center (DMDC)
2. Intelligence Program Support Group (IPSG)
3. Management Systems Support Office (MSSO)

DEPARTMENT OF DEFENSE COMPONENTS

4. Plans and Program Analysis Support Center (PPASC)
5. Under Secretary of Defense Acquisition and Technology DSA (USDA&T DSA)

Other Organizations:

1. Inspector General (IG)
2. Joint Staff (JS)
3. Office of Secretary of Defense (OSD)
4. Uniformed Services University of the Health Sciences (USUHS)
5. U. S. Court of Military Appeals (CMA)

1/ Major Operating Components

2/ Includes all organizations outside of the Military Departments.

DEFENSE MISSION CATEGORY (DMC)

DEFINITIONS

1 MAJOR FORCE MISSIONS:

ENCOMPASSES ALL PRIMARY COMBATANT FORCE-RELATED ACTIVITIES AND THE PROGRAMS THAT DIRECTLY SUPPORT THEM.

11 STRATEGIC FORCES

Consists of all strategic offensive; defensive; and command, control, and communications forces and the programs that directly support them.

111 STRATEGIC OFFENSE: Consists of all strategic bomber forces (and tanker assets), land and sea based missile forces and the programs that directly support them. Program support includes directly-related research and development; operational headquarters, training, and mission evaluation activities; and base operations support and real property maintenance.

112 STRATEGIC DEFENSE: Consists of space and missile defense systems, interceptor forces, and the programs that directly support them. Program support includes directly-related research and development, base operations, management headquarters, training, and real property maintenance.

113 STRATEGIC COMMAND, CONTROL AND COMMUNICATIONS (C3): Consists of all surveillance and warning systems, command centers and communications in support of strategic forces, and the programs that directly support them.

114 INDUSTRIAL AND STOCK FUND SUPPORT: Consists of all industrial and stock fund support to strategic forces.

12 GENERAL PURPOSE FORCES:

Consists of all general purpose land forces, tactical air forces, naval forces, mobility forces, and special operations forces and the programs that directly support them.

121 LAND FORCES: Consists of all Army and Marine Corps ground forces, Army special mission forces, nuclear capable non-strategic land force missile systems and the programs that directly support them. Program support includes combat units not part of divisions; tactical support for communications, intelligence, medical, and field logistics; supply, transportation, maintenance, and engineering; and real property maintenance, base operations and management headquarters at fixed installations; and force related research and development, training, and administrative support.

122 TACTICAL AIR FORCES: Consists of air-to-air/air-to-ground combat aircraft squadrons, defense suppression, tactical reconnaissance, C3, tanker/cargo and other tactical air warfare forces and the programs that support them. Program support includes direct research and development; tactical unit detachments; non-strategic nuclear air forces; command headquarters and training; base real property maintenance, communications, and operations.

123 NAVAL FORCES: Consists of all Naval tactical air forces, sea based Anti-Submarine Warfare forces, surface combat ships and submarines, maritime patrol and undersea surveillance forces, non-strategic nuclear forces, amphibious, and mine warfare forces and the programs that directly support them. Program support includes directly related research and development; fleet telecommunications; ordnance disposal forces; and base real property maintenance, operations, and management headquarters support.

124 MOBILITY FORCES: Consists of all multimode and intermodal lift forces, airlift forces, sealift forces, land mobility forces, and the programs that directly support them. Program support includes C3, base operations and management headquarters, transportation and traffic management, and real property maintenance.

125 SPECIAL OPERATIONS: Consists of special operations forces and the programs that directly support them. Program support includes training, medical, logistics, advanced research development and acquisition, and management headquarters.

126 GENERAL PURPOSE SUPPORT: Consists of general support applicable to all tactical forces.

127 THEATER MISSILE DEFENSE: Consists of anti-tactical ballistic missile programs.

128 COUNTERDRUG SUPPORT: Consists of all Service and Defense Agency support the DoD Counterdrug program.

2 DEFENSE-WIDE MISSIONS:

ENCOMPASSES INTELLIGENCE AND COMMUNICATIONS, GENERAL RESEARCH AND DEVELOPMENT, OTHER DEFENSE-WIDE MISSION ACTIVITIES AND THE PROGRAMS THAT DIRECTLY SUPPORT THEM.

21 INTELLIGENCE AND COMMUNICATIONS

Consists of intelligence and communications mission activities and the programs that directly support them.

211 INTELLIGENCE: Consists of national foreign intelligence program, other intelligence activities, counter-intelligence, industrial security, investigative activities and the programs that directly support them. Program support includes real property maintenance, base operations, and management headquarters.

212 COMMUNICATIONS: Consists of centrally managed communications and command and control activities and the programs that directly support them. Program support includes real property maintenance and base communications, operations, and management headquarters.

22 GENERAL RESEARCH AND DEVELOPMENT

Consists of all science and technology and undistributed development programs.

221 SCIENCE AND TECHNOLOGY: Consists of all technology base, exploratory development, and advanced engineering and technology development programs.

223 RDT&E MANAGEMENT AND SUPPORT: Consists of all R&D support and R&D base operations and management headquarters programs. Supporting activities include test centers and ranges, technical information activities, base operations, real property maintenance, and management headquarters.

23 OTHER DEFENSE-WIDE MISSIONS

Consists of the geophysical sciences, space launch support, nuclear weapons support and international support.

231 GEOPHYSICAL SCIENCES: Consists of the all geophysical activities and the programs that directly support them. Program support includes real property maintenance, base communications, base operations, and management headquarters.

232 SPACE LAUNCH SUPPORT: Includes DoD applications for the space shuttle, consolidated space operations center, space test program and other support.

233 NUCLEAR WEAPONS SUPPORT: Includes the Defense Nuclear Agency (DNA), Joint Atomic Information Exchange Group Support, DNA management headquarters, and Defense communications systems support to DNA.

234 INTERNATIONAL SUPPORT: Includes NATO infrastructure, technology transfer functions, NATO research and development, military assistance groups, and other international activities.

3 DEFENSE-WIDE SUPPORT MISSIONS:

ENCOMPASSES ALL DEFENSE-WIDE SUPPORT MISSIONS, INCLUDING THE FOLLOWING: PERSONNEL PROGRAMS FOR RECRUITMENT, RETENTION, TRAINING, MEDICAL CARE, ETC.; LOGISTICS SUPPORT PROGRAMS SUCH AS CENTRAL SUPPLY AND MAINTENANCE; AND OTHER CENTRALIZED SUPPORT SUCH AS DEPARTMENTAL HEADQUARTERS.

31 LOGISTICS SUPPORT

Consists of all central supply and maintenance operations and other logistics support activities.

311 SUPPLY OPERATIONS: Includes supply depot operations, inventory control points and supply management functions, procurement operations, operation and management of commissary retail sales stores, and other activities in support of the supply system.

312 MAINTENANCE OPERATIONS: Includes depot level maintenance of equipment at depots, missile facilities, munitions facilities, avionics facilities and for ship and ordnance maintenance activities.

313 OTHER LOGISTICS SUPPORT: Consists of logistics support to R&D, procurement and military construction activities, logistics base operations and

management headquarters and other logistics support. Includes test ranges, delivery of production items from manufacturer's plant, real property maintenance, base communications, base operations, and management headquarters. Other logistics support such as industrial preparedness, printing plants and laundries is also included.

32 PERSONNEL SUPPORT

Consists of personnel acquisition, training, medical, individual and federal agency support, and other personnel support.

321 PERSONNEL ACQUISITION: Consists of all personnel acquisition activities and the programs that directly support them. Includes recruiting, examining, in processing, and associated management headquarters.

322 TRAINING: Consists of all military and civilian personnel training, flight, intelligence skill, and health personnel training programs and the programs that directly support them. Program support includes real property maintenance, base communications, and management headquarters.

323 MEDICAL: Consists of all hospitals and other medical activities and the programs that directly support them. Program support includes real property maintenance, base communications, base operations, and management headquarters.

324 INDIVIDUALS: Includes military personnel, only, placed in a holding status because they are not available for assignment to a unit for medical or disciplinary reasons, or are about to be discharged. Also included are military personnel not assigned to a unit because they are in transit to their next duty station or to training or other schooling.

325 FEDERAL AGENCY SUPPORT: Includes personnel assigned on a nonreimbursable basis to activities or functions not part of Defense military functions such as Executive Offices of the President, Commerce Department, Transportation Department, etc.

326 OTHER PERSONNEL SUPPORT: Consists of all family housing, dependent education, and other personnel support activities and the programs that directly support them. Other personnel support activities include the American Forces Information Service, morale and recreation activities, public relations, and correctional facilities. Program support includes real property maintenance, base communications and operations and management headquarters.

33 OTHER CENTRALIZED SUPPORT

Consists of departmental headquarters and undistributed adjustments.

331 DEPARTMENTAL HEADQUARTERS: Consists of departmental headquarters activities and their direct support. Departmental headquarters includes a wide range of department-wide service support activities such as publications centers, finance and accounting centers, public affairs, personnel administration, Washington Headquarters Services, Office of Economic Adjustment, etc. Direct support includes real property maintenance, base communications, and base operations.

332 RETIRED PAY: Includes pay of retired military personnel.

333 UNDISTRIBUTED ADJUSTMENTS: Includes personnel inventories in excess or short of the force structure requirement.

MAJOR BASE CLOSURE SUMMARY

Baseline: FY 1991 Base Structure Report (495-U.S. includes 10 territories and possessions)

1988 Commission

16 Closures

- *Chanute AFB, IL
- *Mather AFB, CA
- *Pease AFB, NH
- *George AFB, CA
- *Norton AFB, CA
- *Naval Station Brooklyn, NY

- *Phila Naval Hosp, PA
- *Naval Station Galveston, TX
- *Naval Station Lake Charles, LA
- Presidio of San Francisco, CA
- *Fort Sheridan, IL

- Jefferson Proving Ground, IN
- Lexington Army Depot, KY
- Army Material Tech Lab, MA
- *Fort Douglas, UT
- Cameron Station, VA

1991 Commission

26 Closures

- Fort Ben Harrison, IN
- Fort Devens, MA
- Fort Ord, CA
- Sacramento Army Depot, CA
- *Hunters Point Annex, CA
- Tustin MCAS, CA
- *Chase Field NAS, TX
- Moffett NAS, CA
- Naval Station Long Beach, CA

- Naval Station Philadelphia, PA
- Philadelphia Naval Shipyard, PA
- Naval Station Puget Sound, WA
- NAV ELEC SYS ENGR CTR,
San Diego, CA
- *Bergstrom AFB, TX
- *Carswell AFB, TX
- *Eaker AFB, AR
- *England AFB, LA

- Grissom AFB, IN
- Loring AFB, ME
- Lowry AFB, CO
- *Myrtle Beach AFB, SC
- Richards-Gebaur ARS, MO
- Rickenbacker AGB, OH
- *Williams AFB, AZ
- *Wurtsmith AFB, MI
- Castle AFB, CA

1993 Commission

28 Closures

- Vint Hill Farms, VA
- MCAS El Toro, CA
- Naval Hospital Oakland, CA
- Naval Air Station Cecil Field, FL
- Naval Air Station Agana, Guam
- NESEC, St. Inigoes, MD
- Naval Station Charleston, SC
- *Homestead Air Force Base, FL
- Plattsburgh Air Force Base, NY
- Defense Personnel Support
Center, Philadelphia, PA

- *Naval Station Mobile, AL
- Naval Air Station Alameda, CA
- Naval Station Treasure Island, CA
- Naval Aviation Depot Pensacola, FL
- Naval Air Station Barbers Point, HI
- Naval Station Staten Island, NY
- Naval Air Station Dallas, TX
- O'Hare IAP ARS, IL
- Gentile Air Force Station, OH (DESC)

- Mare Island Naval Shipyard, Vallejo, CA
- Naval Aviation Depot Alameda, CA
- Naval Training Center San Diego, CA
- Naval Training Center Orlando, FL
- Naval Air Station Glenview, IL
- Charleston Naval Shipyard, SC
- Naval Aviation Depot Norfolk, VA
- K.I. Sawyer Air Force Base, MI
- Newark Air Force Base, OH

	Major Domestic Closures				Bases	
	U.S. Bases	BRAC 88	BRAC 91	BRAC 93	Remaining	Reduction
Army	109	-7	-4	-1	97	11%
Navy/USMC	168	-4	-9	-20	135	20%
Air Force	206	-5	-13	-5	183	11%
Defense Agencies	12	0	0	-2	10	17%
Totals	495	-16	-26	-28	425	15%

* Installations Closed (as of July 1994)

DEPARTMENT OF DEFENSE

FY 1994 LEGISLATIVE CONSTRAINTS

CIVILIAN-SPECIFIC:

A. CEILINGS:

1. Contract Services at the Ballistic Missile Defense Organization (BMDO).

Section 236 of the National Defense Authorization Act for FY 1993 (Public Law 102-484) limits BMDO support services funding to \$135,000,000. Support services include professional, administrative, and management support; special studies and analyses; and services contracted for under Section 3109 of Title 5, United States Code (U.S.C.).

2. Depot-Level Maintenance Performed by Contract. Sections 343 and 345 of the National Defense Authorization Act for Fiscal Year 1994 (Public Law 103-160) and Section 2466 of Title 10, U.S.C. limit, to 40 percent, the amount of depot-level maintenance work load performed by contract. Section 2466 excludes DoD's Sacramento Army Depot and also limits the amount of Army aviation depot-level maintenance work load that can be contracted out to 45 percent in FY 1994 and 40 percent in FY 1995. Limitations may be waived, for reasons of national security, provided Service Secretaries or the Secretary of Defense, on behalf of Defense Agencies, notifies Congress. Section 2466 also prescribes that civilian personnel, in depot-level maintenance activities, must be managed solely on the basis of work load and available funding.

3. Federally-Funded Research and Development Centers (FFRDCs)

Funding. Section 215 of the National Defense Authorization Act for FY 1994 (Public Law 103-160) limits funding for FFRDC services to \$1,352,650,000. Section 215 also requires that the Secretary of Defense submit, within 30 days after enactment of the Act, a report to congressional defense committees, that allocates funding limitations and identifies personnel estimates by FFRDC. The Secretary of Defense may waive the limitation 60 days after he notifies congressional defense committees of the reasons behind the proposed waiver. The Secretary may waive the 60-day period in the interests of national security provided he notifies congressional defense committees of the reasons for this determination.

4. Overseas Workyears. Section 8014A of the Department of Defense Appropriations Act for FY 1994 (Public Law 103-139) limits overseas civilian workyears to 131,250. Section 8014A applies to workyears expended outside the 50 United States, its territories, and the District of Columbia. Workyears expended for dependent student hiring, disadvantaged youth, child care increases (pursuant to Section 1503 of the National Defense Authorization Act for FY 1990 and FY 1991), and funded from non-appropriated sources (such as host nation reimbursements) are excluded from the workyear limitation.

B. FLOORS:

1. **Child Care Positions.** Section 1503 of the National Defense Authorization Act for FY 1990 and FY 1991 (Public Law 101-189) requires that the Secretary of Defense provide for an increase, above the September 30, 1989 level of 1,231, of at least 3,700 competitive service child care positions by September 30, 1991. The Secretary may waive the increase provided he submits, to the Committees on Armed Services of the Senate and the House, a report on the number of positions waived and the reasons for the waiver. Child care increases, relative to Section 1503, are exempt from any fiscal year computations involving position, workyear, or funding limitations.

2. **Full-Time Personnel and Auditors at the Defense Contract Audit Agency (DCAA).** Section 335 of the National Defense Authorization Act for FY 1990 and 1991 (Public Law 101-189) directs that the Secretary of Defense increase, not later than September 30, 1990, the number of full-time personnel employed by the DCAA to 7,457, of which not less than 6,488 must be auditors.

3. **Senior-Level Positions Assigned to the Assistant Secretary of Defense for Special Operations and Low Intensity Conflict, ASD (SOLIC).** Section 355 of the National Defense Authorization Act for FY 1991 (Public Law 101-510) designates that, on and after May 1, 1991, the OASD (SOLIC) must be comprised of at least 9 senior level positions recognized by rank for their managerial and supervisory duties. The DoD General Counsel has interpreted "senior level" to mean a Senior Executive Service (SES) position.

C. OTHER RESTRICTIONS:

1. **B-2 Bomber Maintenance.** Section 8090A of the Department of Defense Appropriations Act for FY 1994 (Public Law 103-139) prohibits the Air Force from establishing any organic maintenance support for the B-2 bomber until the Under Secretary of Defense for Acquisition reports to congressional committees, by May 15, 1994, on the most efficient and cost-effective utilization of both public and private sector support facilities.

2. **Commercial Activities Contracts.** Section 313 of the National Defense Authorization Act for FY 1994 (Public Law 103-160) prohibits, until April 1, 1994, the Secretary of Defense from executing commercial activities contracts, using cost comparison studies conducted under OMB Circular A-76 or any successor administrative regulation. Section 313 does not apply to contracts executed outside of the United States where members of the Armed Forces would have to be used at the expense of unit readiness or to contracts and contract renewals of activities already under contract on September 30, 1992.

3. **Commercial Activities on Military Installations.** Section 370 of the National Defense Authorization Act for Fiscal Years 1994 (Public Law 103-160) assigns DoD authority and responsibility for performance of commercial activities on military installations to relevant installation commanders. Section 370 provides for commanders 1) to prepare fiscal year inventories of commercial activities carried out by government personnel; 2) to decide

which commercial activities should be reviewed under OMB Circular A-76 procedures and requirements; and (3) to conduct solicitations for the performance of commercial activities selected for contract conversion under A-76 processes.

4. Conversions to Contractor Performance. Section 8022 of the Department of Defense Appropriations Act for FY 1994 (Public Law 103-139) prohibits the conversion to contractor performance any activity or function that, after November 11, 1993, is performed by more than 10 civilian employees until a most efficient organization (MEO) analysis is completed and certification of the analysis is made to the Senate and House Committees on Appropriations. However, this section does not apply to commercial or industrial type functions that: (1) are included on the procurement list established in Section 2 of the Javits-Wagner-O'Day Act (41 USC 47); (2) are planned to be converted to performance by a qualified nonprofit agency for the blind or other severely handicapped individuals in accordance with the Act; or (3) are planned to be converted to performance by a qualified firm under 51 percent Native American ownership.

5. Depot-Level Work Load. Section 353 of the National Defense Authorization Act for FY 1993 (Public Law 102-484) requires that the Department use competitive procedures to change to contractor performance depot-level work load that has a threshold value of more than \$3,000,000 and is being performed by a depot-level activity of the Department. However, Section 346 of the Act prohibits DoD from implementing changes in performance of depot level maintenance work load based upon cost comparison studies conducted under OMB Circular A-76.

6. Fire fighting and Security-Guard Functions. Subsection 2464, Chapter 146 of Title 10, U.S.C. prohibits DoD from contracting for the performance of fire fighting or security-guard functions at any military installation or facility. The prohibition does not apply to locations outside of the United States wherein members of the Armed Forces would have to be used at the expense of readiness; to contracts carried out on Government-owned but privately operated installations; or to contract renewals of functions under contract on September 24, 1983.

However, Section 2907 of the National Defense Authorization Act for FY 1994 (Public Law 103-160) provides authority for the Secretary of Defense to contract with local governments for the provision of police, fire, airfield operation, or other community services at military installations to be closed under Defense Base Closure and Realignment Acts of 1988 (Public Law 100-526) and 1990 (Public Law 101-510). This authority cannot be exercised earlier than 180 days before the installation is due to be closed.

7. General Counsel Positions in Military Departments. Section 903, Title IX of the National Defense Authorization Act for Fiscal Years 1992 and 1993 (Public Law 102-190) establishes a statutory pay grade at Level IV of the Executive Schedule for General Counsel positions of the Military Departments.

8. Modification, Depot Maintenance and Repair of Aircraft, Vehicles, and Vessels, as well as the Production of Components and other Defense-Related Articles. Section 8068 of the Department of Defense Appropriations Act for FY 1994 (Public Law 103-

139) prohibits competitions involving the modification, depot maintenance and repair of aircraft, vehicles, and vessels, as well as the production of components and other Defense-related articles from cost comparison studies conducted under Office of Management and Budget (OMB) Circular A-76. Alternatively, Section 8068 provides that DoD Acquisition Executives, with power of delegation, certify that all applicable bids include comparable estimates of all direct and indirect costs.

9. Naval Shipyards and Aviation Depots. Section 370 of the National Defense Authorization Act for FY 1994 (Public Law 103-160) prohibits utilization of cost comparison studies conducted under OMB Circular A-76 involving naval shipyard and DoD aviation depot competitions for the production of Defense-related articles and services. Alternatively, Section 370 provides that Service Secretaries ensure that all applicable bids include estimates for all direct and indirect costs. Defense-related articles does not include 1) ship construction, overhaul, repair, and maintenance; 2) ship refueling; 3) aircraft maintenance and repair; and 4) aircraft engine manufacture, overhaul, and repair.

10. Small Business Competition. Section 848, Title VIII of the National Defense Authorization Act for FY 1994 (Public Law 103-160) amends Section 2304 of Title 10, U.S.C. to prohibit competition between DoD activities and private sector small business concerns in furtherance of section 9 or 15 of the Small Business Act (15 U.S.C. 637 or 644) and entities described in Section 2323.

TOTAL FORCE CONTROLS:

A. FLOORS:

1. Assistant Secretary of Defense for Special Operations and Low Intensity Conflict (ASD/SOLIC). Section 8156 of the Department of Defense Appropriations Act for FY 1992 (Public Law 102-172) establishes, on and after May 1, 1991, a minimum full-time equivalent (FTE) level of 77 to assist the ASD(SOLIC).

2. Medical Personnel. Section 718 of the National Defense Authorization Act for Fiscal Years 1992 and 1993 (Public Law 102-190) prohibits the Department from reducing the number of medical personnel below a baseline number equal to the sum of 12,150 and the number of medical personnel serving in DoD on September 30, 1989. Section 718 excludes commissioned officers of the Navy. Medical personnel are defined in Section 115a(g)(2) of Title 10, U.S.C. (as added by Section 1483) to include civilian personnel assigned to military medical facilities.

B. OTHER RESTRICTIONS:

Naval Computer and Telecommunications Stations, the Enlisted Personnel Management Center, the Naval Reserve Personnel Center, and Related Missions, Functions, and Commands. Section 8035 of the Department of Defense Appropriations Act for FY 1994 (Public Law 103-139) prohibits DoD from making personnel reductions or transfers that affect the Naval Computer and Telecommunications Station, the Enlisted Personnel

Management Center, and the Naval Reserve Personnel Center until 60 legislative days after the Secretary of Defense submits a report (including review comments by the DoD Comptroller) to the Committees on Appropriations of the House and Senate.