

United States General Accounting Office

GAO

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

September 1991

1992 ARMY BUDGET

Potential Reductions in Operation and Maintenance Programs in U.S. Army, Europe



National Security and
International Affairs Division

B-240675

September 27, 1991

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

Dear Mr. Chairman:

As you requested, we reviewed the Army's justification for its fiscal year 1992 operation and maintenance (O&M) budget request for the U.S. Army, Europe (USAREUR). Our objective was to identify potential reductions to this request. We focused on selected O&M accounts for the general purpose forces. Specifically, we reviewed the amounts requested for operating tempo (OPTEMPO), civilian personnel, operation of Prepositioned Materiel Configured to Unit Sets (POMCUS) storage facilities, and real property maintenance accounts.

Army Budget Office officials said the Army's fiscal year 1992 O&M budget request included \$2.387 billion for USAREUR general purpose forces. This represents about 28 percent of the Army's total O&M request for all Army general purpose forces.

As shown in table 1, we identified \$77.3 million in potential reductions to the fiscal year 1992 budget request.

Table 1: Potential Reductions in USAREUR's O&M Programs

Dollars in millions		
Account	Amount requested	Potential reduction
Ground OPTEMPO	\$337.628	\$21.428
Civilian personnel ^a	1,511.000	12.831
POMCUS operations	120.000	43.000
Real property	697.542	0
Total	\$2,666.170	\$77.259

^aCivilian personnel costs are included in all O&M accounts and are not shown as a separate line item in the budget request.

Our review identified potential reductions to all accounts except Real Properties. The reasons for these proposed reductions are as follows:

- The budget amount requested for OPTEMPO did not reflect the current status in USAREUR concerning (1) equipment transferred to the Persian

Gulf that may not be returned to Europe and (2) the force reductions planned for USAREUR in fiscal year 1992.

- The number of funded civilian work years included in the January 1991 budget request was greater than the civilian personnel levels provided to USAREUR in the Army's March 1991 program budget guidance and later revised downward by the Department of the Army.
- The amount included in the budget request for O&M of the POMCUS storage sites is greater than the amount to be provided to USAREUR, as shown in the Army's program budget guidance.

Additional information on the justification for these reductions is in appendix I.

On the basis of the funding levels proposed in the Army's March 1991 program budget guidance, USAREUR believes that its ability to effectively provide for an orderly drawdown of forces in Europe may be severely impaired. Furthermore, the March program budget guidance to USAREUR imposed a \$221 million burden-sharing offset to the USAREUR budget. The guidance allocated \$147 million of the \$221 million to local national pay and \$74 million to real property maintenance.

USAREUR officials, however, are not optimistic that the government of Germany will be willing to pay the burden-sharing amount. The officials said that if they cannot obtain the \$147 million in burden sharing for the pay of local national civilians, the Department of the Army will have to restore funding for these positions or USAREUR will have to reduce other essential programs and services.

With regard to the \$74 million allocated to real property maintenance, the officials said that in the absence of burden sharing by the government of Germany, USAREUR will not have the capability to perform any repairs not considered an emergency. Consequently, the maintenance backlog will continue to increase.

The amounts the Department of the Army plans to allocate to USAREUR, according to the March 1991 program budget guidance, do not include USAREUR's portion of the \$906 million, which the Army plans to hold at the department level to cover pay increases, inflation, and foreign currency fluctuation. Although the Department of the Army has not yet determined what portion of that amount relates to USAREUR, we estimate—on the basis of the percentage of USAREUR's general purpose forces' O&M to the Army's total general purpose forces' O&M—that it could be as much as \$254 million.

As requested by your office, we did not obtain written agency comments on a draft of this report. However, we discussed the matters in this report with responsible program officials during the course of our review and have included their comments where appropriate.

The Department of the Army would not give us (1) documentation for the amounts included in the budget for USAREUR or (2) access to the program budget guidance showing the Army's funding level for the specific accounts. As a result, we could not validate either the budget amounts or the proposed funding levels. Therefore, we had to rely on testimonial evidence concerning the amounts as well as the Department of the Army's planned funding level for the accounts. Our objectives, scope, and methodology are described in appendix II.

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

This report was prepared under the direction of Richard Davis, Director, Army Issues, who may be reached at (202) 275-4141 if you or your staff have any questions concerning this report. Major contributors to this report are listed in appendix III.

Sincerely yours,



Frank C. Conahan
Assistant Comptroller General

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Abbreviations

O&M	operation and maintenance
OPTEMPO	operating tempo
POMCUS	Prepositioned Materiel Configured to Unit Sets
USAREUR	U.S. Army, Europe

Potential Reductions in Fiscal Year 1992 Operation and Maintenance Programs in U.S. Army, Europe

We identified potential budget reductions of \$77.259 million to the Army's fiscal year 1992 operation and maintenance (O&M) budget request for the U.S. Army, Europe (USAREUR). Table I.1 shows the proposed reductions by O&M account.

Table I.1: Potential Reductions in USAREUR's Fiscal Year 1992 O&M Programs

Dollars in millions	
Account	Potential reductions
Ground operating tempo (OPTEMPO)	\$21.428
Civilian personnel	12.831
Prepositioned Materiel Configured to Unit Sets (POMCUS)	43.000
Total	\$77.259

Ground OPTEMPO

Ground operating tempo represents the fuel and spare parts costs associated with operating tactical vehicles and other military equipment at a specified usage rate (miles or hours) to achieve a prescribed level of readiness. The costs for these vehicles and other military equipment are calculated by the Department of the Army's computerized Training Resource Model. The model multiplies the fuel and spare parts costs per unit of usage by the number of authorized pieces of equipment and the related number of miles or hours and then adds the products.

USAREUR officials said the Department of the Army and USAREUR use different assumptions to compute the OPTEMPO requirement. As a result, their OPTEMPO requirement computations often differ, and no attempt is made to reconcile the differences.

Results of Analysis

Army Budget Office officials told us that, using the Training Resource Model, they had included \$337.628 million for USAREUR in the President's January 1991 budget submission.

USAREUR officials told us that, on the basis of the following assumptions and using the Training Resource Model, they determined that USAREUR needed \$315.84 million in fiscal year 1992 to satisfy its ground OPTEMPO requirements rather than the \$337.628 million that the Army Budget Office had earlier computed.

USAREUR officials told us that its fiscal year 1992 OPTEMPO requirements were based on the following assumptions:

- The most current operating costs were developed by the Army's Cost and Economic Analysis Center.
- Some combat units will return to USAREUR from Southwest Asia without their equipment and, therefore, will not require any OPTEMPO training funds.
- After April 1992, units will be required to use O&M funds to pay for depot-level reparable items. For the first half of the fiscal year, these items will be issued to the units at no cost. Also, as part of the force reduction effort, units will not obtain any OPTEMPO training funds for 4 months before leaving Europe.

Army Budget Office officials said that the \$21.428 million difference between the amount included in the budget request and the amount computed by USAREUR could be attributed to changes that have occurred since the budget submission regarding (1) the planned force reductions in Europe and (2) the amount of equipment shipped to Southwest Asia that will not be returned to USAREUR.

Civilian Personnel

According to Army Budget Office officials, the fiscal year 1992 O&M budget request included \$1.511 billion to fund a fiscal year end strength of 42,940 USAREUR civilian employees (31,914 local nationals and 11,026 U.S. civilians). This personnel level equates to 47,221 work years, or \$31,998 per work year.

USAREUR officials, on the other hand, believe that the 1992 end strength should be 50,500 civilian personnel (53,700 work years). At this level, USAREUR would require O&M civilian personnel funding of \$1.71 billion, based on USAREUR's estimated cost of \$31,940 per work year.¹

One of the major reasons for the difference between the Department of the Army's planned funding level for civilian personnel and the requirement determined by USAREUR has to do with the burden-sharing issue. The Department of the Army's program budget guidance directed USAREUR to obtain \$221 million in burden sharing from the government of Germany. Of the total burden-sharing amount, the guidance allocated \$147 million to local national pay.²

¹The cost per work year includes the fiscal year 1991 cost (\$30,860) adjusted to reflect a 3.5-percent salary increase.

²If USAREUR obtains the \$147 million in burden sharing, it can fund an additional 4,594 work years.

USAREUR officials, however, are not optimistic that the government of Germany will be willing to pay this amount of burden sharing. The officials said that if they could not obtain this amount from the government of Germany, the only alternatives were for the Department of the Army to restore the funding or for USAREUR to reduce other essential programs and services.

Results of Analysis

USAREUR officials do not believe that they can achieve the personnel levels projected in the Army's program budget guidance of 47,221 work years by the end of fiscal year 1992. USAREUR's position is that the Army assumed that civilian personnel reductions would occur at the same time as, rather than after, military reductions. USAREUR officials believe that as USAREUR reduces its troop levels, civilian personnel could be required for as long as 2 years to perform essential services until the last military unit departs and the installation is finally closed.

After the Department of the Army submitted the January 1991 budget request, it issued program budget guidance to USAREUR in March 1991. The guidance reflected a civilian personnel funding level of 46,820 work years, or 401 work years fewer than what was included in the budget request. If USAREUR is required to achieve the civilian personnel level outlined in the program budget guidance, the Army budget request includes \$12.831 million (401 work years times \$31,998) more than what it plans to allocate to USAREUR based on the program budget guidance.

Operation of POMCUS Storage Facilities

USAREUR is responsible for operating and maintaining the 240 Prepositioned Materiel Configured to Unit Sets storage facilities as part of the U.S. commitment to the North Atlantic Treaty Organization. Briefing charts provided to us by Army Budget Office officials showed that the Army had included \$120 million in its O&M budget request to the Congress for the operation and maintenance of POMCUS storage sites.

Results of Analysis

On the basis of our review of the documents provided by the Department of the Army Budget Office and our discussion with USAREUR officials, we determined that the Army's program budget guidance included \$77 million to operate and maintain the POMCUS storage facilities. Therefore, the O&M budget request for USAREUR is overstated by \$43 million (\$120 million request minus the \$77 million proposed funding level).

**Appendix I
 Potential Reductions in Fiscal Year 1992
 Operation and Maintenance Programs in U.S.
 Army, Europe**

Army Budget Office officials disagreed with our conclusion that the budget request included \$43 million more than the level at which the Army planned to fund USAREUR. The officials said that the briefing chart was in error in that the \$120 million represented USAREUR's requirement, not what was included in the budget request for USAREUR. In support of their position, they revised the amounts on the chart to show that the budget request included \$77 million for POMCUS O&M, as shown in table I.2.

Table I.2: Initial and Revised Amounts for USAREUR General Purpose and Base Operations

Dollars in millions		
Function	Initial amount	Revised amount
General purpose mission		
POMCUS	\$120	\$77
Theater reserve	280	170
Other	784	937
Subtotal	1,184	1,184
Base operations	1,203	1,203
Total^a	\$2,387	\$2,387

^aThe total amount agrees with what we were told was included in the budget request for USAREUR as well as in the program budget guidance.

As shown in table I.2, the difference between the initial and revised amounts for POMCUS and theater reserve were shifted to the "Other" category. Army Budget Office officials did not provide a breakdown of what was included in the "Other" category. One of the officials told us that the "Other" category was an arbitrary figure.

Because Army officials could not provide specific reasons for the adjustments or information on what had been included in the "Other" category and because the total amount (\$2.387 billion) was the amount we were told was included in the budget request, we believe that our initial position concerning the amount included for operation of the POMCUS facilities remains valid. Furthermore, a similar position could be taken on the amount included for theater reserves.

Real Property Maintenance Activities

Real Property Maintenance Activities funding is used to pay the day-to-day costs of operating, maintaining, and repairing military facilities. According to USAREUR officials, the planned troop reductions in fiscal year 1992 will not result in significant reductions in facilities' operating costs. The officials said that, because of the lag time³ between removing forces and closing installations, any savings will be delayed until fiscal year 1993 and beyond.

Results of Analysis

USAREUR estimates that its fiscal year 1992 annual recurring costs for operating and maintaining its facilities will be about \$823 million, as shown in table I.3.

Table I.3: Estimated Annual Recurring Operating and Maintenance Costs for USAREUR Real Property Facilities in Fiscal Year 1992

Dollars in millions	
Types of costs	Estimated cost
Utilities	\$295
Trash removal, fire protection	253
Recurring maintenance	275
Total	\$823

USAREUR estimates that an additional \$404 million will be needed in fiscal year 1992 to meet one-time repair and refurbishing requirements for facilities that are (1) being retained, (2) designated to be closed during the next 5 years, and (3) subject to be closed in more than 5 years. However, at the time of our review, USAREUR had not identified the specific projects that accounted for the \$404 million.

According to Department of the Army officials, the March 1991 program budget guidance included \$697.542 million to fund USAREUR's Real Property Maintenance. This is \$125.458 million less than USAREUR's estimate of its annual recurring requirements. However, the Department of the Army allocated \$74 million of burden sharing to the Real Property account. Therefore, to the extent that USAREUR is successful in obtaining the \$74 million in burden sharing, this difference will be reduced.

USAREUR officials said that without burden sharing, they will not be able to do any repairs not considered an emergency and the repair backlog will continue to increase.

³The lag time is expected to vary from 6 months to 2 years, depending on the number of units at the installation. USAREUR officials said that an installation can be closed within 4 months after the last unit leaves.

**Amount to Be
Withheld by the
Department of the
Army**

The Department of the Army plans to withhold from distribution to its major commands a total of \$906 million of fiscal year 1992 O&M funds. The purpose of retaining these funds at the Army level is to pay for salary increases, inflation, and fluctuation in foreign currency.

Department of the Army Budget Office officials told us that they had not determined what portion of the \$906 million related to USAREUR. However, if USAREUR gets a proportional share based on the percentage of its O&M for general purpose forces to the Army total, it will receive about \$254 million, or 28 percent of the total. Therefore, if USAREUR gets the \$254 million and is successful in obtaining burden sharing from the host government, the budget situation in USAREUR may not be as bleak as portrayed by USAREUR officials.

Objectives, Scope, and Methodology

This review is one of a series that examines defense budget issues. Our objective was to assess the adequacy of the justifications for the Army's fiscal year 1992 O&M budget request to determine whether the programs should be funded in the amounts requested.

Our review was performed at USAREUR and focused primarily on the general purpose forces O&M accounts: general purpose forces mission, real property maintenance activities, and base operations. Our review also included subaccounts, such as civilian personnel and ground OPTEMPO, within the major accounts. The amounts supposedly included in the January 1991 O&M budget request for these accounts comprised 28 percent of the Army's total O&M request for general purpose forces.

We interviewed budget and program officials and reviewed pertinent program documents and selected budget data obtained from the Department of the Army, Washington, D.C., and USAREUR.

The Department of the Army, however, would not give us the program budget guidance or other supporting documents that show the amounts included in the budget request to the Congress for each major command. Furthermore, the Army would not give us data showing how the amounts, supposedly included in the budget request, had been developed. Their rationale was that the information was considered to be internal working documents and, therefore, not releasable outside the Army. As a result, we had to rely on testimonial evidence for this information and could not validate the amounts that had been included in the budget request for the O&M accounts we reviewed.

We performed our review from January to August 1991 in accordance with generally accepted government auditing standards.

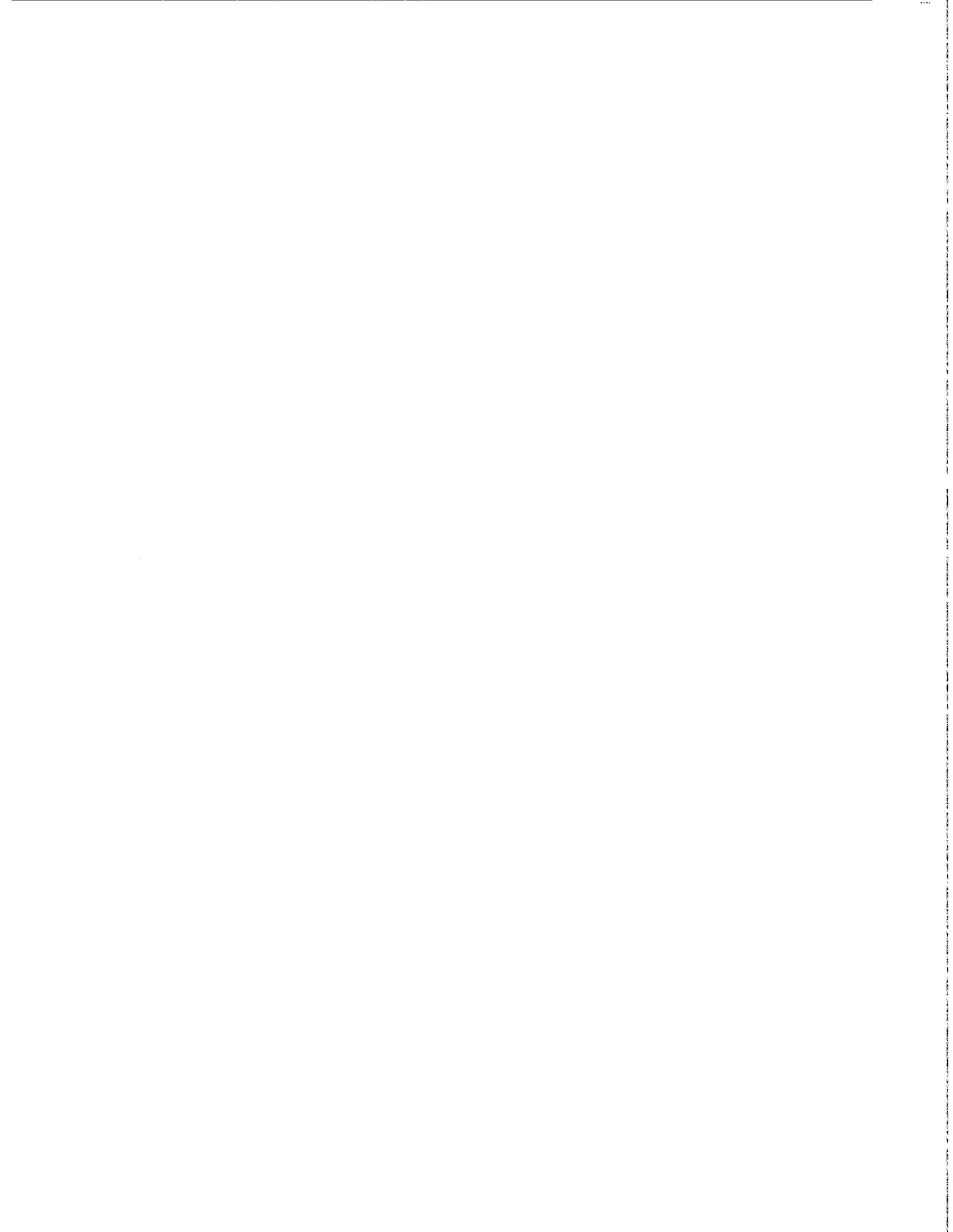
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