GAO
Accountability * Integrity * Reliability

United States General Accounting Office
Washington, DC 20548

National Security and
International Affairs Division

B-284701

February 28, 2000

The Honorable Ted Stevens
Chairman
The Honorable Daniel K. Inouye
Ranking Member
Subcommittee on Defense
Committee on Appropriations
United States Senate

Subject: Defense Budget: Fiscal Years 1999 and 2000 Contingency Operations Costs and Funding

In response to your request, we are providing you information on the costs and funding of contingency operations, most notably in the Balkans and Southwest Asia during fiscal years 1999 and 2000. On February 15, 2000, we briefed subcommittee staff on (1) the use of funds appropriated for contingency operations in fiscal years 1999 and 2000; (2) the assumptions the Department of Defense (DOD) used to develop budget estimates for contingency operations; (3) the planning and budgeting for the mission rehearsal exercises that military units conduct before deploying to the Balkans; and (4) the funding for the Southeastern Europe Defense Ministerial initiative, a nine-nation effort to build cooperation in the region and resolve disputes peacefully. This report transmits the briefing slides we provided subcommittee staff at our briefing (see enclosure).

SUMMARY

DOD reported $5.9 billion in incremental costs for contingency operations in fiscal year 1999. Army costs accounted for about half of reported costs; Air Force costs accounted for about one-third; and the Navy, Marine Corps, and other parts of DOD, such as the Special Operations Command, accounted for the remainder. Most of the funds used, 91 percent, were from the Operation and Maintenance appropriations account, and the bulk of these costs were for what is termed operating support, which includes flying aircraft, steaming ships, operating ground vehicles, and building and operating facilities for deployed forces. From the inception of both the Balkans

and Southwest Asia operations in 1992 and 1991, respectively, through September 1999, DOD has reported about $19 billion in incremental costs.[1]

To develop budget estimates, DOD had to make assumptions about the number of personnel that would be involved in contingency operations, the level of activity of these operations, and their duration. In a number of instances, fiscal year 1999 estimates exceeded reported costs because of changes in the size and duration of operations, particularly the Kosovo bombing campaign.

To prepare for deployment to the Balkans, Army units conduct mission rehearsal exercises. When a unit is notified that it will deploy, it revises its annual training plan. For example, to prepare for its August 1999 deployment to Bosnia, the Army's 10th Mountain Division cancelled some of its planned training, such as training in a jungle environment, and substituted specific training geared to the type of tasks it would perform in Bosnia. This training included an exercise designed to practice the tasks the division will perform in Bosnia, which involved 6,405 people from the division and associated units at a cost of $9.9 million.

DOD spent $239,000 between fiscal year 1999 and fiscal year 2000 to date in support of the Southeastern Europe Defense Ministerial initiative. These funds were drawn from funds used to facilitate DOD's participation in the Partnership for Peace program.

SCOPE AND METHODOLOGY

To obtain the information contained in this report we conducted work at the Office of the Secretary of Defense, the Joint Staff, the Departments of the Army and Air Force, the Army's Forces Command, and the headquarters of the 10th Mountain Division in Fort Drum, New York. We also reviewed contingency operations cost reports, DOD budget documents for fiscal years 1999, 2000, and 2001, Forces Command and 10th Mountain Division cost data and training plans, Joint Staff training policy guidance, and the formal agreement generated by the Southeastern Europe Defense Ministerial initiative.

We reviewed this information with DOD officials and made changes where appropriate. As requested, we will continue to review the cost and funding of ongoing contingency operations. As work progresses, we will keep you apprised of our results. We performed our work in January and February 2000 in accordance with generally accepted government auditing standards.

- - - - -

[1] As used in this report, "incremental costs" are those costs that would not have been incurred if it were not for the operation. It should be recognized that DOD's financial systems cannot reliably determine costs and only the total obligations are captured by DOD's accounting systems. The services use various management information systems to identify incremental obligations and to estimate costs. Although we use the term costs throughout this report as a convenience, we are actually referring to DOD's obligation of funds.

We are sending copies of this report to the Honorable Jerry Lewis, Chairman, and the Honorable John P. Murtha, Ranking Minority Member, Subcommittee on Defense, House Committee on Appropriations; the Honorable William Cohen, Secretary of Defense; the Honorable William J. Lynn, Under Secretary of Defense (Comptroller); and the Honorable Jacob Lew, Director, Office of Management and Budget. Copies of this report will also be made available to others upon request.

If you have any questions on this report, please call me on (202) 512-3504. Principal contributors to this report were Steve Sternlieb, Assistant Director, AnnBorseth, Evaluator–in–Charge, Alan Byroade, Senior Evaluator, and Herb Dunn, attorney-advisor.

Carol R Schuster

Carol R. Schuster
Associate Director
National Security Preparedness Issues

Enclosure

GAO Briefing for the Defense Subcommittee, Senate Committee on Appropriations

Observations on Fiscal Years 1999 and 2000 Contingency Operations Cost and Funding

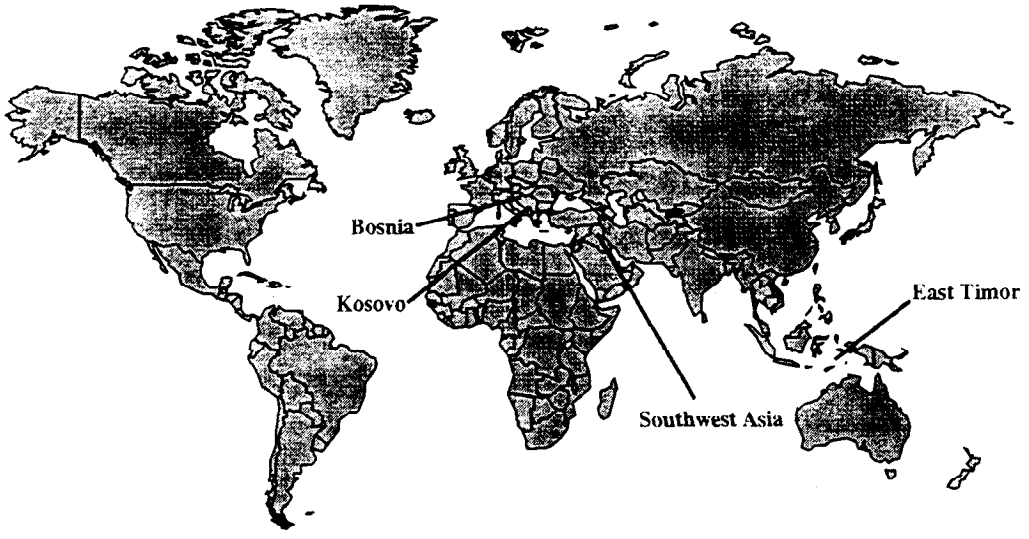
February 15, 2000

GAO

Key Questions

- Review execution of funds provided through Overseas Contingency Operations Transfer Fund
- Analyze the assumptions used to build the Overseas Contingency Operations Transfer Fund and supplemental requests
- Review planning and budgeting for mission rehearsal exercises and determine how DOD distinguishes between exercises and contingency operations
- Determine the funding for the Southeastern Europe Defense Ministerial Initiative

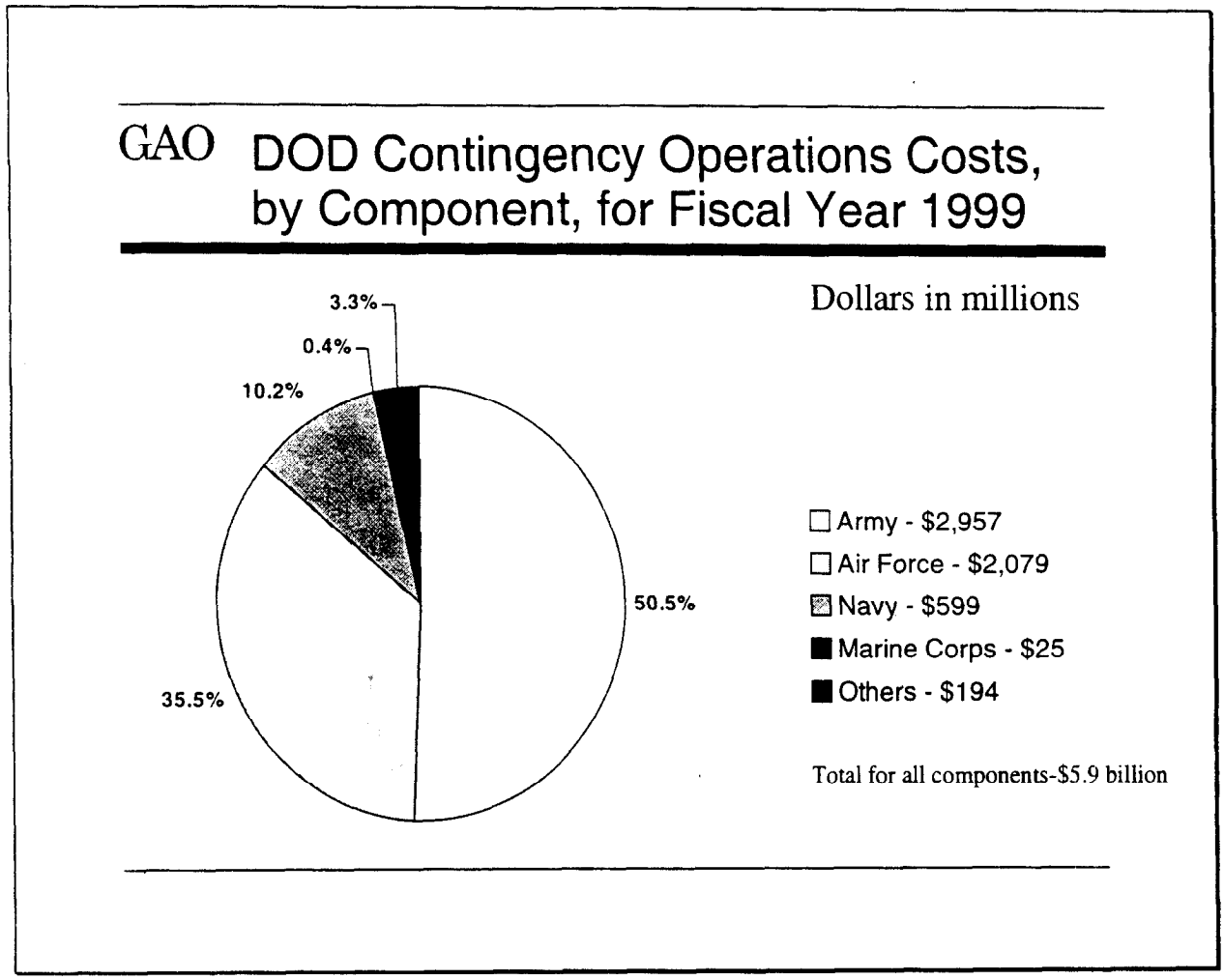
GAO DOD's Fiscal Year 2000 Major Contingency Operations

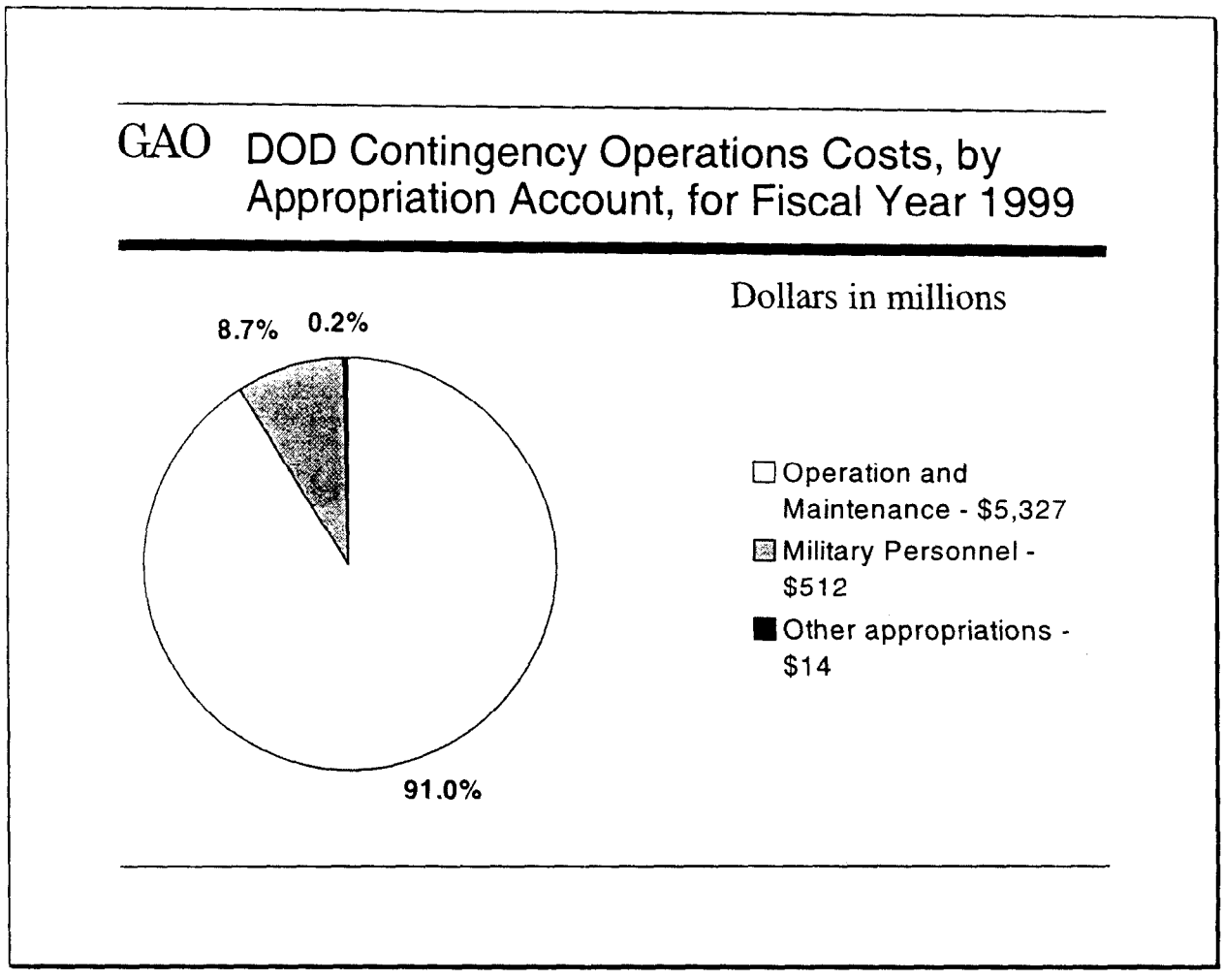


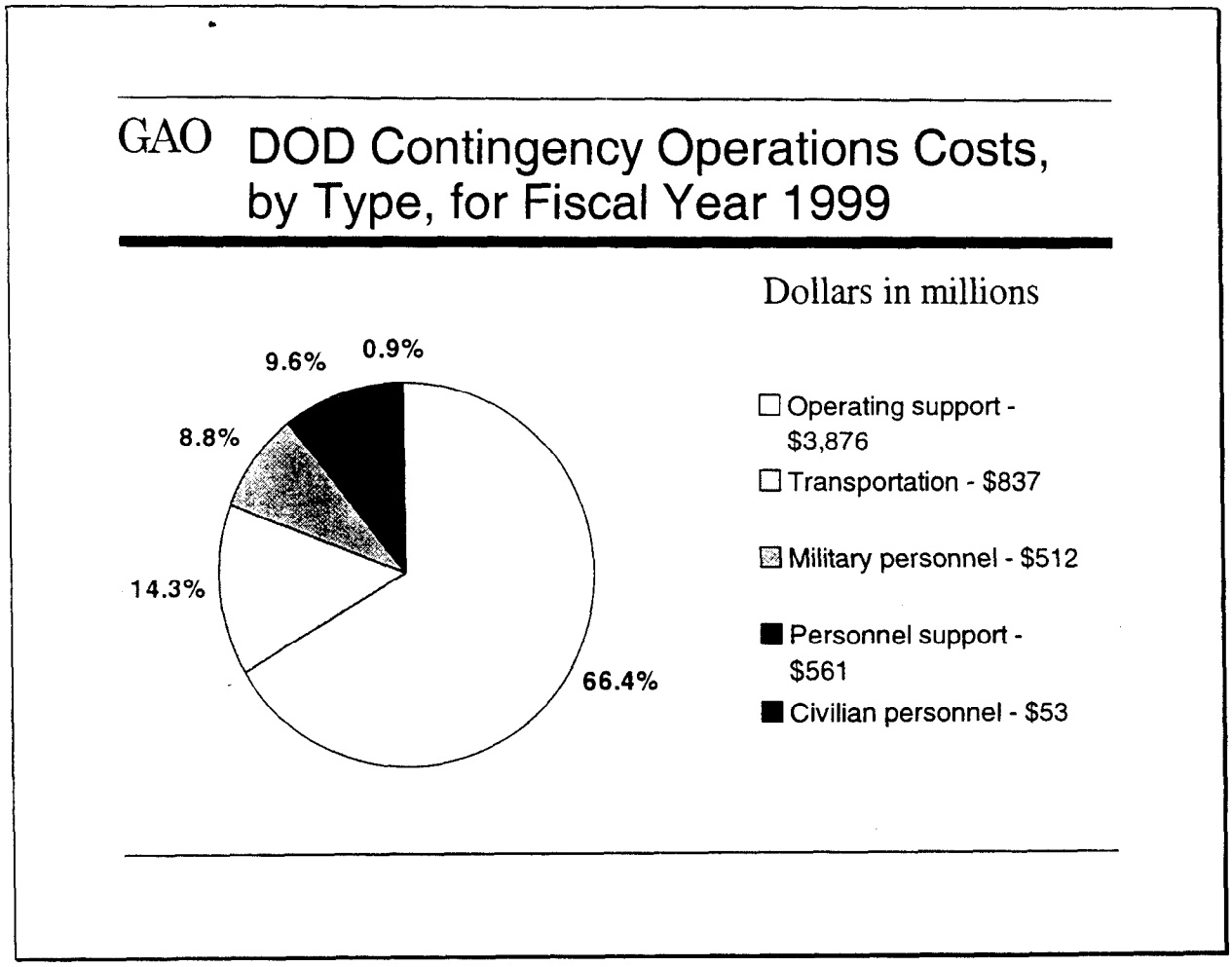
GAO

Balkans and Southwest Asia Largest and Most Expensive Contingency Operations

- Balkans involve about 13,900 U.S. military personnel; by April 2000 will reduce to 12,400
  - In Bosnia 4,600 plus 600 support troops in nearby countries; in Kosovo 6,200 plus 1,000 troops across the border in Macedonia
  - Costs total $12.1 billion from 1992 through September 1999
- Southwest Asia averages 15,000-20,000 personnel depending on level of tension with Iraq
  - Costs total $6.9 billion from 1991 through September 1999


GAO
DOD Contingency Operations Costs, by Component, for Fiscal Year 1999
Dollars in millions
3.3%
0.4%
10.2%
50.5%
35.5%
Army - $2,957
Air Force - $2,079
Navy - $599
Marine Corps - $25
Others - $194
Total for all components-$5.9 billion


GAO DOD Contingency Operations Costs, by Appropriation Account, for Fiscal Year 1999
Dollars in millions
8.7%
0.2%
91.0%
Operation and Maintenance - $5,327
Military Personnel - $512
Other appropriations - $14


GAO
DOD Contingency Operations Costs, by Type, for Fiscal Year 1999
Dollars in millions
9.6%
0.9%
8.8%
14.3%
66.4%
Operating support - $3,876
Transportation - $837
Military personnel - $512
Personnel support - $561
Civilian personnel - $53

GAO Reported Costs for Contingency Operations In FY 1999 Were Less Than Estimates

Dollars in millions

Operation	Cost estimate	Reported cost	Difference
Kosovo Air Campaign[a]	$3,300.0	$1,830.6	$(1,469.4)
Sustain Hope	335.0	124.6	(210.4)
Bosnia - initial	1,758.0	1,537.9	(220.1)
Bosnia – revised 7/99	1,593.0	1,537.9	(55.1)
Southwest Asia	1,287.0	1,239.8	(47.2)

[a]Includes Operations Noble Anvil, Balkan Calm, and Eagle Eye

GAO Accuracy of Reported Costs for Kosovo Force in FY 1999 Varied

Dollars in millions

Kosovo Force, by Component	Cost estimate	Reported cost	Difference
Army	$924.0	$926.1	$2.1
Navy/Marines	88.0	56.1	(31.9)
Air Force	86.0	7.8	(78.2)
Other DOD	99.0	60.2	(38.8)
Total	**$1,197.0**	**$1,050.2**	**$(146.8)**

GAO Overseas Contingency Operations Transfer Fund Had Larger Carryover Than DOD Estimated

Dollars in millions	Initial 9/99	Revised 12/99
Estimated carryover	$138.0	$138.0
FY2000 Air Force reconstitution[a]	175.0	97.2
Total Carryover	**$313.0**	**$235.2**
Actual carryover	$544.3	$544.3
Difference	$231.3	$309.1

[a]Reconstitution costs include the cost to clean, inspect, maintain, replace, and restore equipment to the required condition at the conclusion of the contingency operation.

GAO Some Components Were Overfunded, Some Underfunded in Fiscal Year 1999

Dollars in millions
Shortfalls in parentheses

	Operation & Maintenance	Military Personnel
Army	$ (2.1)	$117.2
Navy	(48.9)	(12.5)
Marines	(0.9)	(1.4)
Air Force	126.7	(34.5)
Other DOD	76.0	0

GAO

Air Force Fiscal Year 1999 Contingency Funding Situation Unclear

- Air Force received $126.7 million more in Overseas Contingency Operations Transfer Fund Operation & Maintenance funds than it reported in fiscal year 1999 costs
  - Spent extra funds on other O&M needs
- Air Force claims difference due to
  - leadership decisions to surge depots
  - differing views with Office of Management and Budget (OMB) re: allowable contingency costs
  - timing of OMB discussion and cost reporting
- Consequent loss in working capital account; to be offset by absorbing some contingency costs in fiscal year 2000 base program budget
- Complete reconciliation may not be possible until end of fiscal year 2000, if at all

GAO

Army Military Personnel Funding

- Army received $117.2 million more in Military Personnel (MilPers) funding than it reported in costs
- Money directly appropriated into MilPers account
  - Any unused excess would have expired at end of fiscal year
- Army reprogrammed excess in MilPers into Operation & Maintenance (O&M) account

GAO

Other DOD Components' O&M Funding

- DOD components, exclusive of the services, received $76 million more in funding than reported costs
- $25.8 million returned to Overseas Contingency Operations Transfer Fund in late September 1999
- Disposition of remainder unknown

GAO

Fiscal Year 2000 Budget for DOD Contingency Operations

Dollars in millions	Military Personnel	Operation & Maintainence	Total
Bosnia	$214.3	$1,388.7	$1,603.0
Kosovo	191.8	1,833.6	2,025.4
Total Balkans	**$406.1**	**$3,222.3**	**$3,628.4**
Southwest Asia	138.0	913.3	1,051.3
E. Timor	0	25.0	25.0
Total	**$544.1**	**$4,160.6**	**$4,704.7**

GAO

Kosovo Fiscal Year 2000 Contingency Operations Budget Request

Dollars in millions

Service	Military Personnel	Operation & Maintenance
Army	$157.4	$1,332.1
Navy	25.6	50.0
Marine Corps	6.4	0
Air Force	2.4	114.8
Other DOD	0.0	336.7
Total	**$191.8**	**$1,833.6**

GAO Key Assumptions Behind Supplemental Request

- Snapshot in time
- Number of military personnel
  - reflects smaller number of troops in the Balkans
  - Active/Reserve mix
    - use of Reserve Components increases Military Personnel costs
- Operating tempo
  - twice peacetime operating tempo levels
- Based on operations continuing through the end of fiscal year

GAO

Air Force Decision to Use Base Flying Hour Program for All Operations

- In past years, Air Force has asked for hours above the base flying hour program for contingency operations
  - Has underflown base program hours since fiscal year 1995 (averaged 91.65% of total)
- Senior Air Force leadership decided to fly active duty operations within base flying hour program, including contingency operations beginning in fiscal year 2000
  - Purpose to protect base program at 100% of requirement for the future
- Recognizes previous flying hour experience while raising question about whether too much money was provided in previous years

GAO

DOD Training Policies for Contingency Operations

- Training to prepare to fight and win major theater wars remains highest training priority
  - Also prepare for other missions; mission focus is the rule
- Small-scale contingency operations require unique skills different from those required for war
- Commanders differ about when to provide additional training for contingency operations
- Mission rehearsal exercises are scheduled after specific units are identified to deploy for a contingency operation

GAO

Impact of Army Bosnia Deployment on Training at 10th Mountain Division

- Brigade Task Force from 10th Mountain Division deployed to Bosnia in August 1999
- Bosnia deployment had a major impact on Brigade Task Force training plan
  - Some planned training events were modified or cancelled
  - Executed training events included several additions
- Mission rehearsal exercise in May 1999 was tailored to Bosnia scenario and held at Joint Readiness Training Center, Fort Polk

GAO

Costs of Mission Rehearsal Exercise for Army Bosnia Deployment

- Cost of Bosnia mission rehearsal exercise ranges from $9-$11 million; Kosovo, $14-$15 million due to larger force
- 10th Mountain mission rehearsal exercise cost $9.9 million; involved 6,405 people (included task force from Fort Riley)
  - Travel and transportation of personnel and equipment to and from mission rehearsal exercise--$5.2 million
  - Operating tempo costs for air and ground (including air self-deployment) estimated at $1.9 million
  - Other costs included role players/linguists, construction, installation support, contractor support, observers/controller support, and miscellaneous items--$2.8 million

GAO Enhanced New Horizons

- New Horizons ongoing exercise program
  - Guard and Reserve medical and engineers units do 2-week annual training in Central America
- Enhanced New Horizons added 5 exercises due to Hurricane Mitch
- Fiscal year 2000 New Horizons
  - Back to pre-Mitch program
  - SOUTHCOM wants to expand but not funded through joint exercise program

GAO

Haiti

- Transitioned from contingency operation--Uphold Democracy--to joint exercise in March 1995
- Funding switched from contingency dollars to joint exercise dollars

GAO

Southeastern Europe Defense Ministerial

- Defense Ministers from 9 countries: Italy, Turkey, Greece, United States, Slovenia, Albania, Romania, Bulgaria, Macedonia
- Goals: build pattern of cooperation; resolve disputes peacefully; identify and meet needs for specialized training
- No treaty involved; no long term U.S. commitment in initiatives

GAO

Multinational Peace Force Southeastern Europe

- Two initiatives created by Southeastern Europe Defense Ministerial
  - Southeastern Europe Brigade: on-call brigade-size formation available for conflict prevention and other peace support operations
    - Consensus needed to employ
    - Headquarters in Bulgaria; troops called as needed
    - U.S. and Slovenia are observers only
  - Engineer Task Force
    - 1 company on call from each country except for the United States. Slovenia providing demining training
    - Provide humanitarian assistance in disasters
    - EUCOM to integrate task force into exercises

GAO

U.S. Funding for Southeastern Europe Defense Ministerial Initiatives

- $174,355 spent in support of Southeastern Europe Defense Ministerial in fiscal year 1999; $65,000 in fiscal year 2000 to date
- Funding came from DOD portion of Warsaw Initiative fund
  - Warsaw Initiative established to facilitate participation in Partnership for Peace program

GAO Observations

- Disparity between budget estimates and reported costs suggests three things
  - Difficulty of estimating costs
    - Effect of operational changes
  - Some budget estimates are less than actual costs; others are over
  - Overseas Contingency Operations Transfer Fund is a good, but not perfect, mechanism to match costs and funding
    - Much improved funding mechanism, but not perfect
    - Not sure it can more closely match costs and funding

GAO Observations (continued)

- Training issues
  - Mission rehearsal exercises specific to deployment situation; conflicting views about when is good time to train for contingencies
  - Joint exercises not funded with contingency operations funds
- Southeastern Europe Defense Ministerial is a European initiative; United States supporting through Partnership for Peace
  - Receives little U.S. funding

(702036)

Ordering Information

The first copy of each GAO report is free. Additional copies of reports are $2 each. A check or money order should be made out to the Superintendent of Documents. VISA and MasterCard credit cards are accepted, also.

Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:
U.S. General Accounting Office
P.O. Box 37050
Washington, DC 20013

Orders by visiting:
Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders by phone:
(202) 512-6000
fax: (202) 512-6061
TDD (202) 512-2537

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

Orders by Internet:
For information on how to access GAO reports on the Internet, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web home page at:

http://www.gao.gov

To Report Fraud, Waste, or Abuse in Federal Programs

Contact one:

- Web site: http://www.gao.gov/fraudnet/fraudnet.htm
- e-mail: fraudnet@gao.gov
- 1-800-424-5454 (automated answering system)

United States
General Accounting Office
Washington, D.C. 20548-0001

Official Business
Penalty for Private Use $300

Address Correction Requested

Bulk Rate
Postage & Fees Paid
GAO
Permit No. GI00