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Briefing Report to Ranking Republican,
Committee on Armed Services, House of
Representatives

June 1994

DEFENSE CONVERSION

Status of DOD Funding and Spending



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

National Security and
International Affairs Division

B-257661

June 30, 1994

The Honorable Floyd D. Spence
Ranking Republican
Committee on Armed Services
House of Representatives

Dear Mr. Spence:

In response to your request, we are providing information on the fiscal years 1993 and 1994 funding and spending for Department of Defense (DOD) programs designed to address the economic challenges to communities as a result of reduced defense spending. The programs are generally referred to as defense conversion or defense reinvestment and conversion programs. On April 29, 1994, we briefed your staff on the early results of our work. This report updates the information presented in that briefing.

BACKGROUND

Defense conversion programs are intended to help individuals and communities cope with cutbacks in military spending in their areas and to support the defense technology and industrial base. These programs include separation incentives, extended health benefits, and training for displaced workers; assistance to communities in planning for economic development and diversification; and assistance to companies to develop dual-use technologies and promote the commercial use of defense-related technology.

RESULTS IN BRIEF

In fiscal year 1993 DOD committed or obligated about \$2.7 billion of the approximately \$3.2 billion authorized and

appropriated for 57 defense conversion programs.¹ For 54 defense conversion programs in fiscal year 1994, DOD committed or obligated about \$1.9 billion of the approximately \$2.9 billion authorized and appropriated.² Details on authorizations, appropriations, and spending are listed in appendix I.

Estimates of DOD's portion of the total federal funds to be spent on defense reinvestment and conversion initiatives for fiscal years 1993 through 1997 are increasing. The President's defense reinvestment and conversion initiative, announced on March 11, 1993, totaled \$19.6 billion over 5 years; DOD's portion was 42 percent. The Office of Management and Budget's February 1994 estimate of the cost of the President's initiative was \$21.6 billion; DOD's portion has increased to 59 percent.

SCOPE AND METHODOLOGY

To obtain information on the status of DOD's spending on defense conversion programs, we reviewed DOD appropriation and authorization acts for fiscal years 1993 and 1994 and related committee and conference reports. In addition, we reviewed studies conducted by the Logistic Management Institute, the Department of Energy, the Congressional Research Service, and the Congressional Budget Office. We obtained relevant budget data from DOD's Comptroller and the Comptroller of the Advanced Research Projects Agency (ARPA). We also obtained information from officials at the Departments of Defense, Commerce, Labor, and Veterans

¹A program is any separately identifiable line item included in one or more defense conversion initiatives. In some cases, the program is not separately identifiable for budget purposes.

²The Logistic Management Institute identified 116 other federal or state programs that could help ease the impact of defense downsizing. These programs cost about \$24 billion in fiscal year 1993 and are not counted as defense conversion programs. Other related programs include federal activities to develop advanced industrial technology with costs of about \$10 billion in fiscal year 1994 and the recently announced DOD initiative to develop flat-panel screens with estimated costs of \$0.6 billion over 5 years.

Affairs. This information related to spending plans and the funds committed or obligated using the latest quarterly data available (March 31, 1994, except in the case of ARPA, where data was available as of June 16, 1994). We did not attempt to verify the spending data.

We performed our work from March through June 1994 in accordance with generally accepted government audit standards. As agreed, we did not obtain written agency comments on this report. However, we discussed the information in the report with DOD officials and made changes where appropriate.

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Unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time, we will send copies to the Secretaries of Defense, Commerce, Labor, and Veterans Affairs; the Director, Advanced Research Projects Agency; the Director, Office of Management and Budget; and other interested congressional committees and individuals. Copies will also be available to others upon request.

If you or your staff have any questions concerning this report, please contact me on (202) 512-4587. The major contributors to this report were John K. Harper, Thomas W. Hopp, and Edward D. Cole.

Sincerely yours,


David E. Cooper
Director, Acquisition Policy, Technology,
and Competitiveness Issues

STATUS OF DOD'S FUNDING AND SPENDING FOR DEFENSE CONVERSION PROGRAMS
 Dollars in millions (figures are rounded)

Agency and programs	Fiscal year 1993			Fiscal year 1994		
	Authorized	Appropriated	Committed/ obligated	Authorized	Appropriated	Committed/ obligated
All programs 57 programs, FY 1993 54 programs, FY 1994	\$3,323	\$3,222	\$2,725	\$2,891	\$2,925	\$1,926 ^a
Department of Defense 52 programs, FY 1993 50 programs, FY 1994	3,084	2,983	2,695	2,866	2,919	1,855
Defense reinvestment programs^b 11 programs, FY 1993 8 programs, FY 1994	699	600	598	624	474	186
Dual-use technology partnerships - TRP	100	100	95	250	150	79
Commercial-military integration partnerships - TRP	50	50	46	75	100	25
Regional technology alliances - TRP	100	100	95	75	100	27
Advanced manufacturing technology partnerships - TRP	25	25	24	50	30	1
Manufacturing engineering education program - TRP	30	30	29	24	24	12
Manufacturing extension service - TRP	100	100	95	30	Not included in fiscal year 1994	
Dual-use extension assistance program - TRP	200	100	95	30	Not included in fiscal year 1994	
Agile manufacturing and enterprise integration	30	30	28	50	35	34
Advanced materials partnerships	30	30	29	30	30	3

Agency and programs	Fiscal year 1993			Fiscal year 1994		
	Authorized	Appropriated	Committed/ obligated	Authorized	Appropriated	Committed/ obligated
Miscellaneous manufacturing technology	24	25	23	Not included in fiscal year 1994		
U.S.-Japan management training	10	10	9	10	5	5
Less directed programs (not included in program total count)	Programs directed by Congress and funded by reductions in TRP		30	Not included in fiscal year 1994		
Related science and technology programs ^c 19 programs, FY 1993 25 programs, FY 1994	1,125	1,135	1,053	1,302	1,252	1,142
Basic research	116	118	109	80	85	76
Computing systems and communication technology	295	295	276	326	304	290
High definition systems	100	100	92	100	85	63
Materials and electronic technology	269	265	254	260	259	239
Electronics manufacturing technology	202	214	184	342	325	311
SEMATECH	100	100	95	90	90	89
Experimental evaluation of major innovative technology	43	43	43	54	74	44
MARITECH initiative	New program for fiscal year 1994			50	30	30
Other DOD programs 22 programs, FY 1993 17 programs, FY 1994	1,260	1,248	1,044	940	1,193	527
Temporary early retirement	254	254	23	319 ^d	319	0

Agency and programs	Fiscal year 1993			Fiscal year 1994		
	Authorized	Appropriated	Committed/ obligated	Authorized	Appropriated	Committed/ obligated
Temporary health transition assistance	76	76	10	12	12	0
Civilian separation incentives and health benefits	72	72	465*	100	100	316 ^f
Guard and reserve transition benefits	40	40	17	Not Authorized	54	0
Public service job training (troops to teachers)	65	65	2	0	0	63 ^a
Civilian Community Corps	30	20	20	1	1	0
Other programs of the Commission on National Community Service	30	20	20	Not included in fiscal year 1994		
Transition/relocation assistance	60	60	58	67	67 ^h	30
Junior Reserve Officer Training Corps (JROTC)	50	50	35	73	73	43
JROTC career academies ⁱ	7	7	7	Fiscal year 1993 funding is two year funds		
National Guard Civilian Youth Opportunities Pilot Program ^j	50	30	30	56	56	56
Small business innovative research (SBIR)	385 ^t	385	325	364	364	0
DOD environmental programs	10	10	3	2-year funds	2- year funds	
Scholarships and training	10	10	0	0	5	0
Grants Earmarked				0	3	0
Philadelphia Naval Shipyard	50	50	0	50 ^l	50	0
Office of Economic Adjustment Program	52	29	29	70	39	19

Agency and programs	Fiscal year 1993			Fiscal year 1994		
	Authorized	Appropriated	Committed/ obligated	Authorized	Appropriated	Committed/ obligated
Office of Economic Adjustment Program	52	29	29	70	39	19
National Center for Advanced Gear Manufacturing Technology		5	Merged into the Manufacturing and Science Technology (MANTECH) Program and no longer tracked as an independent defense conversion program			
National Center for Manufacturing Sciences		45	Merged into the MANTECH Program and no longer tracked as an independent defense conversion program			
Superconducting magnetic energy storage		20	Merged into the MANTECH Program and no longer tracked as an independent defense conversion program			
Analysis of technology and industrial base	5	0	Program deleted			
Center for the Study of Defense Economic Adjustment	2	0	Program deleted			
Defense Procurement Technical Assistance Program	12	0	Program deleted			
Shipbuilding initiative ^m	New program for fiscal year 1994			147	50	0
Other agencies using DOD funds						
Department of Commerce 1 program, FY 1993 1 program, FY 1994	80	80	23	2-year funds		30
Defense economic adjustment assistance ⁿ	80	80	23	2-year funds		30
Department of Labor 3 programs, FY 1993 2 programs, FY 1994	84	84	4	See individual programs below		23
Defense diversification program ^o	75	75	0	Funds available through Sept. 1994		23
Job bank program	4	4	4	Funds available until Dec. 1995		
GI upward bound	5	5	0	DOD did not implement program		

Agency and programs	Fiscal year 1993			Fiscal year 1994		
	Authorized	Appropriated	Committed/ obligated	Authorized	Appropriated	Committed/ obligated
Department of Veterans Affairs 1 program, FY 1993 1 program, FY 1994	75	75	3	25	6	18
Service members occupational conversion and training	75	75	3 ^a	25	6	18 ^a

^aIncludes funds committed/obligated from prior year appropriations and reprogramming actions.

^bIncludes programs competed in the Technology Reinvestment Project (TRP).

^cAmounts reflect total defense conversion programs listed under the major program elements.

^dThis figure does not need to be separately authorized/appropriated for defense conversion, since it can be funded through the individual service personnel accounts. As shown in the Conference Report on the National Defense Authorization Act for Fiscal Year 1994, the \$319 million was not included in the total authorization for defense conversion, and we therefore did not include it in our total authorization amount.

^eThis amount was obligated as follows: of the \$72 million appropriated, \$63 million has been obligated; in addition, \$402 million was funded and obligated by reprogramming or internal realignment. The previously reported obligation of \$529 million was an estimated amount furnished by the program manager.

^fFunded by reprogramming or internal realignment and subsequently committed/obligated.

^gAccording to the program manager these fiscal year 1993 funds were committed but not yet obligated in fiscal year 1994.

^hSubsequent DOD reallocation of funds reduced this amount to \$57.5 million available, with \$60.2 million programmed.

ⁱThis program combines two former programs: high school academies and high school academies expanded. The \$7 million committed in fiscal year 1993 will sustain the program in fiscal year 1994.

^jIn fiscal year 1993, the total appropriation was \$44 million, of which \$30 million was considered defense conversion funds. In fiscal year 1994, the total appropriation was \$70 million, of which \$56 million was considered defense conversion funds.

^kAmount is based on a percent of the service components extramural budget and not authorized/appropriated separately by Congress. According to the program manager, the entire SBIR budget should be included as defense conversion. The SBIR budget for fiscal year 1993 was \$385 million, and for fiscal year 1994 it was \$364 million. Obligations for fiscal year 1994 are unknown at this time, as they are reported annually.

^lFunds were originally authorized/appropriated in fiscal year 1993. Congress reauthorized/reappropriated funding in fiscal year 1994, since none of the fiscal year 1993 funds had been obligated.

^mReflects the national shipbuilding initiative, which Congress funded in the fiscal year 1994 Department of Defense Appropriations Act. Congress authorized \$147 million for loan guarantees to be available until the end of fiscal year 1997.

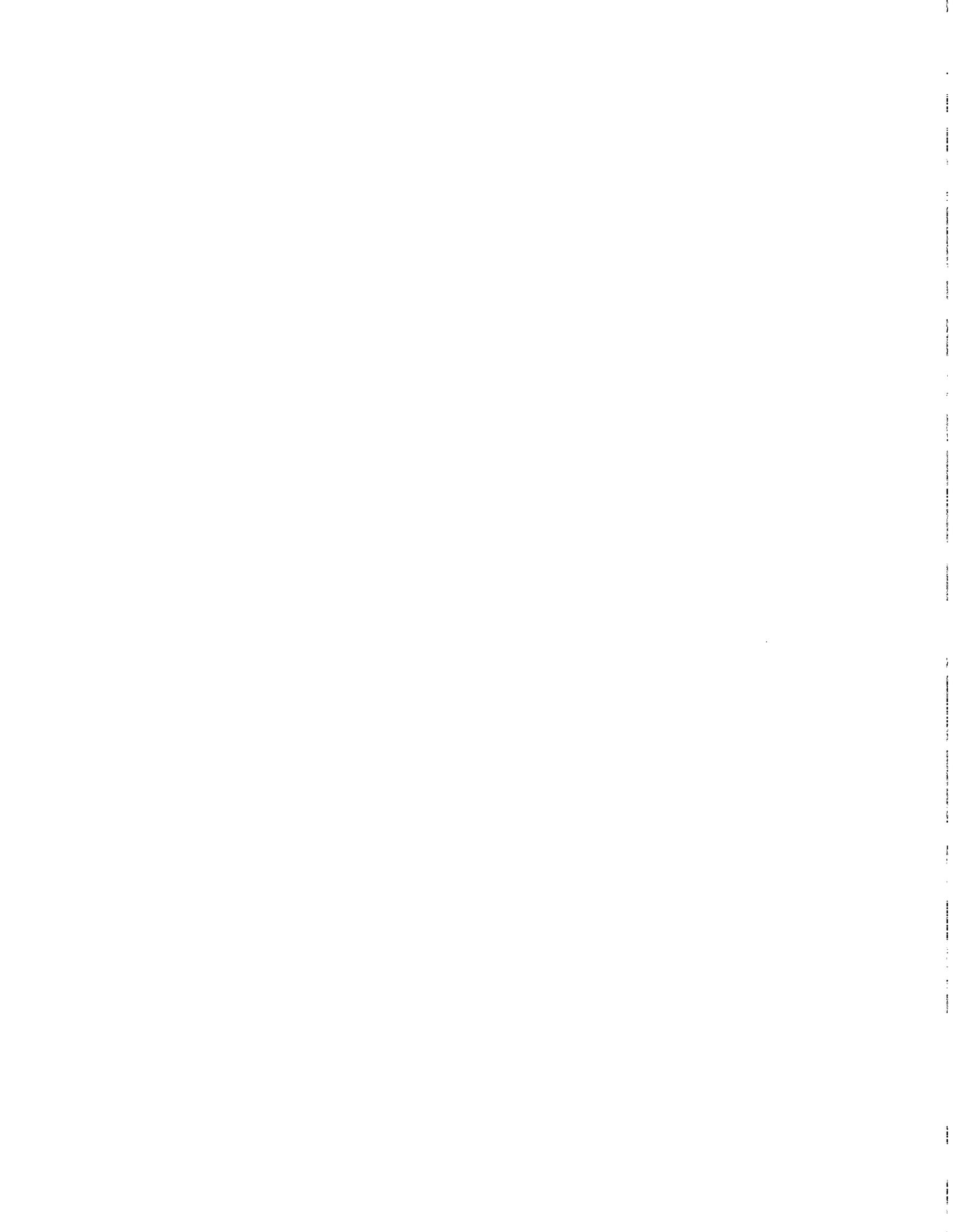
ⁿIn addition to fiscal year 1993 funding, the Economic Development Administration has obligated \$45 million of the \$50 million no-year funding transferred from DOD's fiscal year 1991 appropriations. Also, the Department of Commerce has obtained \$80 million directly (not DOD funding) in 1-year appropriations for fiscal year 1994, of which \$12 million has been committed/obligated.

^oIn addition to fiscal year 1993 funding, the Department of Labor has obligated \$128 million of the \$150 million transferred from DOD's fiscal year 1991 appropriations for Labor's defense conversion adjustment program. This \$150 million is 6-year funding.

^pIncludes \$1.5 million given to Labor for administrative costs in fiscal year 1993 and to the Veterans Administration for administrative costs.

^qFiscal year 1993 funds committed/obligated in fiscal year 1994.

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