MILITARY BASE CLOSURES

Detailed Budget Requests Could Improve Visibility
The Congress established two BRAC accounts to fund closure rounds. The first account funded BRAC activity for the 1988 round, and the second account funded BRAC activity in the 1991, 1993, and 1995 rounds. The Congress appropriates funds to these accounts by part, and parts I through IV correspond to the individual rounds. After September 30, 1995, funds needed for 1988 round closures are funded from the second BRAC account. Because DOD is committed to the environmental restoration of closing bases, additional funds may be needed for environmental restoration, along with continuing transition costs such as property management and disposal beyond the 6-year closure period.

DOD is requesting $2.1 billion for BRAC in fiscal year 1998. This request includes $40.7 million for the 1988 round, $215.1 million for the 1991 round, $629.7 million for the 1993 round, and $1,175.4 million for the 1995 round.
round. The request is about $400 million less than the fiscal year 1997 appropriation and about $1.8 billion less than the fiscal year 1996 appropriation.

Our past reviews of BRAC funding have disclosed high unobligated balances and inaccurate budget cost estimates. In July 1996, we reported that the fiscal year 1997 budget could be reduced by $148 million because prior year appropriations were available to fund 1997 requirements.1 We also reported that BRAC budget information was not as effective as it could be for monitoring BRAC expenditures because the budgets historically overstated operations and maintenance and military construction costs and understated environmental costs. In September 1995, we reported high unobligated balances of funds for the 1988 closure round in the months before the expiration of the round.2 (A list of our recent related reports on BRAC financing is provided at the end of this report.)

Results in Brief

Because the first BRAC account for 1988 base closures is no longer funded and part II (1991 closure round) of the second BRAC account will no longer be funded after September 30, 1997, DOD included continuous funding requirements for 1988 and 1991 base closure activities in part III of its fiscal year 1998 appropriation request. Our review of the supporting documentation in DOD’s fiscal year 1998 budget justification books showed that data required to support continued funding for the 1988 and 1991 closure rounds was identified in the aggregate without detailed information by individual bases; however, the information provided for the 1993 and 1995 closure rounds contains these details. The lack of detailed information for the 1988 and 1991 closure rounds limits visibility of planned expenditures and adjustments to estimated savings for these bases. Further, if the current trend of prolonged environmental restoration costs continues and detailed justification data continues to decrease for older BRAC rounds, less visibility of planned expenditures and changes to estimated savings will result.

The high unobligated balances in the BRAC account that we reported last year are being reduced. If DOD continues to obligate BRAC funds at the current rate, unobligated balances will decline from $986.5 million at the beginning of fiscal year 1997 to $200 million at the end of the fiscal year. In


addition, DOD and the Air Force reduced their 1998 BRAC appropriation requests by a total of $124 million to control future unobligated balances.

DOD's current approach for providing support in the budget justification books reduces visibility over planned expenditures for individual bases. Funds for BRAC closure rounds have generally been requested by part under BRAC accounts except where the 6-year closure period for individual rounds has lapsed. After September 30, 1995, the Congress provided continued funding needed for environmental restoration and transition for bases closed in the 1988 closure round—but included it in the second BRAC account established to fund the 1991, 1993, and 1995 closure rounds.

For fiscal year 1998, DOD has continued its practice of not requesting funds by specific BRAC rounds once the 6-year closure period has passed. Thus, with the impending closure of the 1991 closure round (part II) on September 30, 1997, DOD included funding requests for both the 1988 and 1991 closure rounds as part of its funding requirements for part III (1993 round). The 1998 part III request includes $40.7 million for the 1988 round and $98.3 million for the 1991 round.\(^3\) The supporting documentation for these requests is limited to aggregate amounts for environmental restoration, property management, and disposal. Unlike the submissions for the 1993 and 1995 rounds, the requests did not detail the funds required at the base level. Therefore, the Congress has less visibility over how the funds are to be expended.

DOD officials believe the information provided to the Congress in the budget request is adequate. Further, they believe that the level of information provided reduces DOD’s budget justification paperwork and review processes.\(^4\) In the future, DOD plans to continue grouping funds needed for closed bases still in transition with funds being requested for bases of subsequent rounds not yet closed.

In addition to reducing congressional visibility, requesting funding for closed bases still in transition as part of bases not yet officially closed can cause savings estimates to be misstated for each category of bases. To support its budget request, DOD provides the Congress each year with

\(^3\) The DOD fiscal year 1998 request for the 1991 round is $215.1 million. Of this amount, the Navy requested $116.8 million in a separate 1991 round budget justification book. The remaining $98.3 million is in part III (1993 round).

\(^4\) DOD normally submits a justification book for each closure round by service. By requesting post-closure funding as part of active round requests, DOD can avoid preparing separate justification books for closure costs that exist beyond the initial 6-year period.
savings estimates by round. These estimates are affected if costs from completed rounds are included in the appropriation parts that fund active rounds. For example, by requesting $139 million for 1988 and 1991 round environmental restoration, property management, and property disposal costs in part III (1993 round) of the appropriation, the 1993 net savings estimate is understated by 12.3 percent for fiscal year 1998 and 3.6 percent for the 6-year closure period.

Unobligated Balances Have Declined

The Senate Committee on Appropriations has expressed concern regarding the slow pace of BRAC obligations and the resulting high unobligated balances. Congressional rescissions and DOD actions reduced unobligated balances by the end of fiscal year 1995, but these balances increased in fiscal year 1996.

In July 1996, we reported that unobligated balances in the BRAC account could be much higher at the end of fiscal year 1996 if obligation rates were not increased. DOD’s data indicated that unobligated balances increased from $374.8 million at the end of fiscal year 1995 to $986.5 million at the end of fiscal year 1996. As shown in table 1, this increase was relative to both the prior year appropriation and the overall amount appropriated for BRAC since it began.

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Unobligated balance</th>
<th>Percent of all BRAC appropriations</th>
<th>Percent of prior fiscal year BRAC appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>$374.8</td>
<td>3.9</td>
<td>13.5</td>
</tr>
<tr>
<td>1996</td>
<td>$986.5</td>
<td>7.4</td>
<td>25.3</td>
</tr>
</tbody>
</table>

DOD originally estimated that unobligated balances would remain high through fiscal year 1997 and the start of fiscal year 1998. According to DOD’s fiscal year 1998 BRAC budget request, unobligated balances would be about $1.1 billion at the beginning of that fiscal year. DOD now indicates that these balances are going to be much lower. Service officials cited two examples of reasons for the decrease: the Army’s plans to obligate $176 million for construction at Fort Leonard Wood and the Navy’s increased priority on obligating and liquidating BRAC funds.

Our analysis of DOD’s fiscal year 1997 BRAC obligation data indicates that unobligated balances could be much lower at the start of fiscal year 1998.
than the $1.1 billion estimated in DOD's budget. As of March 31, 1997, unobligated balances in the BRAC accounts totaled $1.8 billion. During the first half of fiscal year 1997, DOD obligated $1.6 billion. If DOD continues to obligate BRAC funds at this rate, unobligated balances would decline to $200 million at the start of fiscal year 1998. DOD has also taken actions to control future unobligated balances. For example, the Air Force reduced its 1998 BRAC budget request by $54 million. In addition, DOD reduced the overall fiscal year 1998 BRAC appropriation request by another $70 million. Both DOD and the Air Force cited the need to reduce unobligated balances as the reason for decreasing the amount of their requests.

Matter for Congressional Consideration

Some funding will continue to be needed for closure costs beyond the 6-year period allowed for bases to officially close, and the number of closed bases will continue to increase. Consequently, the Congress may wish to consider requiring DOD to provide more complete information in its budget requests for closed rounds that is comparable to the information supplied for active ones. Although this requirement would result in some additional justification paperwork for DOD, it would afford the Congress better visibility over the use of funds for all affected bases.

Agency Comments and Our Evaluation

DOD provided oral comments on a draft of this report. DOD officials agreed with our assessment that high unobligated balances in the BRAC account are being reduced significantly. However, they did not concur with our concern that DOD's current practice of providing limited data for the earlier rounds under part III reduces congressional visibility over BRAC spending and savings. The officials stated that the data submitted in the budget justification books, along with other financial data, provide the Congress with sufficient visibility and that any additional data needed can be easily obtained from the military services. Further, the officials said that this approach reduces paperwork and any associated review processes.

After considering DOD's comments, we revised the focus of our Matter for Congressional Consideration in our draft report. Instead of focusing on possible changes in the current approach to appropriating BRAC funds, we refocused that section on the adequacy of supporting information provided in DOD's BRAC budget requests. We believe that 1988 and 1991 round data provided in part III (1993 round) is not in sufficient detail to provide the Congress with adequate visibility for budget deliberations. Although 1988 and 1991 round planned expenditures and estimated savings are presented in the budget submission within the subaccounts
(e.g., environmental and operations and maintenance), they are not presented at the base level. Because DOD currently excludes base-level information in its budget submissions, the Congress does not have a complete picture of planned expenditures and changes to estimated savings by base. We believe that this data will become more important to the Congress as the amount of funding for closed rounds is likely to increase and detailed information over a larger share of the budget request is reduced. Although DOD may have to do some additional paperwork, we believe that submitting fully detailed justifications for each round will provide the Congress with more complete information to exercise its oversight role.

DOD officials also provided technical clarifications to the report. We considered these comments and made changes where appropriate.

Scope and Methodology

Our review of the fiscal year 1998 BRAC budget focused on current budget execution. We reviewed DOD reports to identify the overall availability of prior year funds. To determine if the prior year funds were being used in a timely manner, we reviewed (1) budget execution data for BRAC environmental and operations and maintenance funds and (2) Inspector General audits of construction projects. We also compared DOD backup budget material with the budget request submitted to the Congress to validate the amount of the appropriations request.

In performing this review, we used the same accounting systems, reports, and statistics the services use to monitor their programs. We did not independently determine the reliability of this information.

We conducted our work from October 1996 to May 1997 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Chairmen and Ranking Minority Members of relevant congressional committees and subcommittees; the Secretaries of Defense, the Army, the Navy, and the Air Force; the Director of the Office of Management and Budget; and other interested parties. We will also make copies available to others on request.
Please contact me at (202) 512-8412 if you or your staff have any questions about this report. Major contributors to this report were John Klotz, Tom Monahan, Robert Poetta, and Randy Jones.

David R. Warren, Director
Defense Management Issues
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