



# PRESS RELEASE

## House National Security Committee

### Floyd D. Spence, Chairman

**FOR IMMEDIATE RELEASE**  
June 11, 1997

CONTACT: Maureen Cragin  
Ryan Vaart  
(202) 225-2539

#### **NATIONAL SECURITY COMMITTEE APPROVES PENTAGON REFORM LEGISLATION**

*Today, the House National Security committee reported H.R. 1778, the Defense Reform Act of 1997, out of committee on a voice vote. Upon final passage, committee Chairman Floyd Spence (R-SC) issued the following statement:*

“I am pleased that this Pentagon reform package has passed the committee with strong support. This bill builds more aggressively on past committee initiatives to reform the Department of Defense and undertakes a number of organizational, structural, business practice, acquisition and policy reforms intended to make the Department of Defense operate more efficiently.

“As I have said numerous times, the imperative to reform how the Department of Defense conducts its business has never been greater. It is more than just making the Department more efficient. Against a backdrop of 13 straight years of real decline in defense spending, and confronted with billions of dollars in shortfalls in readiness, quality of life and modernization, reforming the Department of Defense may be a matter of survival for U.S. combat forces.

“I want to commend Secretary Cohen’s commitment to taking on defense reform in a comprehensive manner through the establishment of the Task Force on Defense Reform. Unfortunately, the results of Secretary Cohen’s review will not be known until late in the year – and I do not believe that Congress can or should wait. Nothing in this bill should hamper Secretary Cohen’s efforts. In fact, this bill ought to be complimentary to any reforms under consideration by the Secretary.”

###

*A summary of major provisions contained in H.R. 1778, The Defense Reform Act of 1997, is attached.*

# THE DEFENSE REFORM ACT OF 1997

## SUMMARY OF MAJOR PROVISIONS

### *Workforce, Staff, and Organizational Reforms*

*The Department of Defense (DOD) is one of the world's largest bureaucracies – one that costs American taxpayers billions of dollars every year to perform administrative and support functions. The fact is that DOD has lots of room for aggressive downsizing of its support structures. H.R. 1778 recommends a range of legislative proposals that will accelerate this reform process.*

- **DOD Headquarters Staff Reductions.** According to DOD figures, management headquarters and accompanying support staffs comprise 53,000 personnel spread throughout 160 organizations. Although the National Defense Authorization Act for Fiscal Year 1997 (Public Law 104-201) directed the Secretary of Defense to review each military department's military headquarters size, mission, organization, and functions (both uniformed and civilian staff) and to report to Congress on consolidation, streamlining, and downsizing options, the committee has not yet received the report. The committee is no longer willing to wait to downsize the overstaffed military headquarters, so it recommends a reduction of 12,500 personnel (25 percent) in management headquarters and headquarters support personnel by October 1, 2001. This will be a phased drawdown, beginning with a 10 percent reduction in fiscal year 1998 and five additional percent in each subsequent fiscal year.
- **Acquisition Workforce Reductions.** Today's acquisition workforce is the size of almost two U.S. Marine Corps. The committee regards the disproportionate size of the acquisition workforce, particularly in light of dramatically reduced procurement accounts, as a drain on current and future defense resources. Therefore, the committee directs DOD to increase the rate of reduction in the acquisition workforce to achieve a reduction of 42 percent by October 1, 2001, a reduction of 124,000 acquisition positions over five years. As a significant down-payment on this planned downsizing, the provision would require a reduction of at least 40,000 acquisition personnel in fiscal year 1998. In order to provide the Secretary of Defense with the management tools necessary to facilitate the reductions and to shape the acquisition workforce as it is reduced, the committee recommends the following personnel incentives:
  - **Early Out Penalty Waiver.** Waives 50 percent of the early retirement ("early out") penalty in fiscal year 1998 for certain defense acquisition personnel separated DOD as a result of the mandated reductions.
  - **Buy-Out Authority Extension.** Establishes an additional, tailored one-year buyout authority, separate and apart from existing DOD buyout authority, to provide separation pay incentives to acquisition workforce employees impacted by the mandated reductions.

## ***Defense Business Practices Reforms***

*According to the General Accounting Office (GAO), over 45 percent of all active duty military personnel are assigned to infrastructure functions. The recently released Defense Science Board study states that only 20 percent of active duty military personnel are in combat assignments. Such statistics confirm that the warfighting “tooth” of the military services is being sacrificed to protect the infrastructure “tail.” This cannot be tolerated at a time when combat forces continue to be reduced to address budgetary shortfalls.*

*Over the years, Congress has mandated numerous studies and pilot programs in an effort to determine the benefits of shifting responsibility for providing certain support services from the public sector to the private. Given DOD’s critical national security mission, there will always be important support functions that must remain, in part or in whole, within the public sector. However, that reality should not stand in the way of moving aggressively to achieve greater efficiencies in non-critical support functions such as printing, payroll, and travel, just to cite a few. In approving H.R. 1778, the committee recommended several provisions that would initiate a sweeping reform of the Pentagon’s business practices.*

- **Competition for Finance And Accounting Services.** Requires the Secretary of Defense to compete finance and accounting services currently provided by the Defense Finance and Accounting Service in anticipation that the private sector can more cost effectively carry out some of these functions.
- **Competition for Defense Information System Agency’s (DISA).** Requires the Secretary of Defense to compete DISA’s unclassified, non-inherently governmental commercial activities. Many of the commercial services provided by DISA are widely available in the private sector, often at significantly lower costs.
- **Competition for Defense Automation and Printing Service (DAPS).** Directs DAPS to outsource at least 70 percent of its printing and duplication work. It would also eliminate the current surcharges levied by DAPS for handling printing orders that are sent to the Government Printing Office or to private contractors.
- **Commercial Services Outsourcing.** Requires the Secretary of Defense to outsource a minimum of 33 percent of the defense agencies commercial services by fiscal year 2000. According to DOD, defense agencies are estimated to have outsourced only 14 percent of their commercial and industrial activities during fiscal year 1997. In comparison, the military departments are estimated to outsource between 33 and 61 percent of their commercial activities.
- **Government Purchase Cards.** Requires that all DOD purchases for items costing less than \$2,500 be implemented through the use of government purchase cards instead of formal contracts. The provision would allow the use of contracts under certain circumstances with the specific approval of a senior official.
- **Expansion of Simplified Acquisition Procedures.** Expands the range of commercial items that could be procured using simplified acquisition procedures. Currently, those items are limited to \$100,000. This provision would allow the use of simplified procedures for procurements of commercial items up to \$5 million.

- **Data on Outsourced Activities.** Requires the Secretary of Defense to collect cost information on all outsourced activities for five years after a contract is awarded and creates a permanent repository for the data. DOD rarely collects or keeps data on outsourced activities even though it is crucial to identifying and developing accurate savings estimates of such activities over time.
- **DOD Inventory Control Points (ICPs).** Requires the DOD ICPs to reduce their overhead costs to not more than eight percent of net sales by the end of fiscal year 2000. The current costs of overhead within the DOD ICPs is significantly greater than in the private sector, even after taking into account DOD-unique requirements.
- **Procurement and Electronic Commerce Technical Assistance Program.** Creates the Procurement and Electronic Commerce Technical Assistance Program by directing the merger of Electronic Commerce Resource Centers and Procurement Technical Assistance Centers. Both centers are intended to assist small businesses in improving their access to defense acquisition opportunities. Consolidation of the two programs would improve the delivery of services while lowering costs and, at the same time, ensure that the program reflects the sweeping changes taking place within the federal acquisition system.
- **Utility Conveyance.** Authorizes the secretary of a military department to convey a base utility system, or part of a utility system, to a municipal, private, regional, district, or cooperative utility company or other entity, to operate and maintain on behalf of the Department if it is in the economic interest of the Department to do so.
- **Ophthalmic Services Contract.** Requires the Secretary of Defense to compete for ophthalmic services that provide military members with single vision and multi-vision eyewear, excepting those services needed to meet readiness requirements. This provision is based on a recommendation made jointly by the U.S. Army Audit Agency and Naval Audit Service.

### ***Environmental Reforms***

*Environmental clean-up costs account for approximately \$12 billion per year in defense spending, yet cleanups are not occurring in a timely fashion or on a cost-effective basis, due in large part to redundant federal and state regulations and laws. Current law encourages high-cost cleanup efforts that exhaust Superfund resources on cleaning small numbers of sites to perfection rather than many sites to an environmentally acceptable level. This bill would amend Superfund and other environmental laws to achieve a more common-sense approach to the cleanup of defense sites that would allow America's defense resources to cleanup more of the areas that really need cleaning.*

- **Consideration of Future Land Use.** Under current law, the selection of a cleanup remedy for a given Superfund site does not take into account the site's future use. For example, under current law, a site that will be used as a landfill after cleanup must receive the same level of treatment as a site that will be used for a child-care center. Such "blanket" treatments are often not required nor do they necessarily provide tangible environmental benefit. Accordingly, this provision requires EPA to at least consider as one variable the likely future use of a contaminated site in choosing a cleanup remedy.

- **EPA’s Role in Environmental Cleanup.** Current law has allowed states to enter into interagency agreements that have afforded states total control of the cleanup of contaminated federal facilities and of federal funds used for the cleanup activities. This provision would reassert the role of EPA in the approval and delegation of federal cleanup authority to states.
- **Cleanup Methods.** Current environmental law encourages the permanent treatment of a contaminated site, regardless of the different levels or types of contamination located at the site. While many such sites contain “hot spots” that merit immediate and comprehensive cleanup, they may also contain many areas that have little or no contamination. Therefore, the provision would allow smarter and more effective cleanup solutions at contaminated sites while continuing to ensure protection on both human health and the environment.
- **DOD Cleanup Standards.** Unlike either the private sector or any other federal agency, current law requires a higher standard of cleanup for DOD contaminated sites not on the National Priorities List (NPL). This provision would apply the same standard to the cleanup of DOD’s non-NPL sites as is currently applied to the private sector and to other federal agencies.
- **Clean Air Act Standards.** In recognition of DOD’s unique mission, current law permits DOD with exemptions from the Clean Air Act in consideration of military requirements such as live fire exercises or off-road training. Based on the Administration’s proposal to implement more stringent Clean Air Act standards, this provision would ensure the preservation of these existing exemptions in the future.

### *Miscellaneous Reforms*

**DOD Auxiliary Fleet Requirements.** Allows the Secretary of Defense’s ability to enter into contracts for the long-term charter of ships built in the United States to meet DOD auxiliary fleet requirements. It will permit the opportunity to replace the aging fleet of Military Sealift Command (MSC) auxiliary ships and to replace the prepositioned ammunition container ships for the Army and Air Force in a timely manner.

**Fiber-Optics-Based Network Telecommunication Service.** Requires the Secretary of Defense to competitively procure and install, on a test basis, a dedicated fiber-optics based telecommunication network at a minimum of one high military density locale. The communications market has significantly changed over the last decade, driven by proven technologies such as fiber-optics and semiconductors. These changes have also significantly reduced the cost of telecommunication services while providing greater flexibility and security. There is concern that DOD is not looking aggressively enough at new telecommunications methods to take advantage of cost-effective technologies and a deregulated market.

**Contractor Guarantees.** Repeals the requirement that the DOD obtain contractor guarantees as part of all major weapons systems contracts. This requirement has been identified by GAO as costing the DOD \$271 million annually without having provided significant benefit in return.

**Termination of the Armed Services Patent Advisory Board.** Terminates the Armed Services Patent Advisory Board and transfer its functions to the Defense Technology Security Administration (DTSA). The Armed Services Patent Advisory Board is currently responsible for coordinating security reviews of patent applications to determine if they contain sensitive technical information, the public release of which

would be detrimental to national security. DTSA carries out nearly the same technology security review function when reviewing export license applications. All security reviews will be performed by DTSA, thereby eliminating a redundant functions and resulting in more expeditious and thorough reviews.

**DOD Criminal Investigative Service's Board on Investigations.** Authorizes the establishment of the DOD Criminal Investigative Service's Board on Investigations and creates a similar board for the audit agencies. DOD criminal investigative services have increased coordination, reduced duplication, and improved the overall management of resources through the Board on Investigations and the Regional Fraud Working Groups. The creation of a Board on Audit would generate the same benefits, allowing DOD to more effectively handle the increasing workload from the Chief Financial Officers Act and the changing accounting systems.

**Sunset of All DOD Advisory Committees.** Sunsets all DOD advisory committees other than those established by law after January 1, 1995, by December 31, 1998. At present, 56 such committees exist and will spend over \$16 million in fiscal year 1997. This provision would also require DOD to submit to Congress a report and a legislative proposal, due March 1, 1998, identifying advisory committees that warrant continuation beyond the specified sunset date.

### *Commission on Defense Organization and Streamlining*

**Commission on Defense Organization and Streamlining.** Establishes a nine-member bipartisan commission to be appointed by the Chairmen and Ranking Members of the House National Security and Senate Armed Services Committees. The commission would examine the missions, functions, responsibilities, and relationships therein, of the DOD, to include the Office of the Secretary of Defense, the management headquarters and headquarters support activities of the military departments and the Defense Agencies, and the Department's various acquisition organizations and propose alternative organizational structures and alternative allocation of authorities where appropriate. In carrying out its duties, the commission shall identify areas of duplication and recommend options to streamline, reduce, and eliminate redundancies. The commission would submit an interim report to the Congress by March 15, 1998, and a final report by July 15, 1998, on its findings and conclusions.