

DOCUMENT RESUME

03734 - [B2733976]

Appropriated Fund Support for Nonappropriated Fund and Related Activities of the Department of Defense. September 27, 1977. 24 pp.

Testimony before the House Committee on Armed Services: Investigations Subcommittee; by Clifford I. Gould, Deputy Director, Federal Personnel and Compensation Div.

Issue Area: Accounting and Financial Reporting (2800).

Contact: Federal Personnel and Compensation Div.

Budget Function: National Defense: Department of Defense - Military (except procurement & contracts) (051).

Organization Concerned: Department of Defense.

Congressional Relevance: House Committee on Armed Services: Investigations Subcommittee.

Authority: Army Appropriation Act of 1893. DOD Instruction 7000.12. DOD Directive 1315.10. DOD Directive 1330.2.

Military departmental regulations on providing appropriated fund support for morale, welfare, and recreation activities (MWR) are not consistent among the services or with the DOD guidelines. Historically MWR operations such as exchanges have been considered not to be funded activities, legally, but have been funded anyway. Military personnel have been used too much, even though regulations generally limit the number allowed and specify the use of civilian personnel. Congress itself has been inconsistent in its attitude towards funding these activities. The major justification for MWR activities is the monetary savings that they offer their patrons. The true costs of the operations should be identified, giving Congress the opportunity to decide how much money will be appropriated for this function. Two alternative funding guidelines are: (1) appropriated funds should be provided at all locations, but only for the operation of community-type activities on the same basis as they are provided in the nearest urbanized area; and (2) appropriated fund support of MWR should be eliminated at installations in or adjacent to urban areas in the United States when adequate community facilities exist. Congress should continue appropriated fund support for common base services whose MWR costs are not feasible to identify, and prohibit the use of funds for military staffing of MWR programs unless civilian employees are not available. (Author/SS)

3976
03734

FOR RELEASE ON DELIVERY
EXPECTED AT 10:00 A.M.
TUESDAY, SEPTEMBER 27, 1977

STATEMENT OF
CLIFFORD I. GOULD, DEPUTY DIRECTOR
FEDERAL PERSONNEL AND COMPENSATION DIVISION
U.S. GENERAL ACCOUNTING OFFICE

BEFORE THE

NONAPPROPRIATED FUND PANEL OF THE
SUBCOMMITTEE ON INVESTIGATIONS OF THE
COMMITTEE ON ARMED SERVICES
U.S. HOUSE OF REPRESENTATIVES

ON

APPROPRIATED FUND SUPPORT FOR
NONAPPROPRIATED FUND AND RELATED
ACTIVITIES OF THE DEPARTMENT OF DEFENSE

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

I APPRECIATE THE OPPORTUNITY TO DISCUSS OUR REPORT
"APPROPRIATED FUND SUPPORT FOR NONAPPROPRIATED FUND AND
RELATED ACTIVITIES IN THE DEPARTMENT OF DEFENSE" WHICH WAS
ISSUED AUGUST 31, 1977.

FOR SOME TIME OUR OFFICE HAS BEEN CONCERNED WITH THREE
IMPORTANT ASPECTS OF THIS SUPPORT.

- THE USE OF MILITARY PERSONNEL TO PERFORM NONMILITARY
DUTIES IN THESE ACTIVITIES,
- THE LACK OF A SYSTEM FOR ACCURATELY REPORTING
APPROPRIATED FUND SUPPORT, AND
- THE LACK OF SPECIFIC GUIDELINES FOR PROVIDING SUCH
SUPPORT.

AS EARLY AS 1967 WE RECOGNIZED THAT MILITARY DEPARTMENTAL REGULATIONS ON PROVIDING APPROPRIATED FUND SUPPORT WERE NOT CONSISTENT AMONG THE SERVICES OR WITH THE DOD GUIDELINES EXPRESSED IN DIRECTIVE 1330.2. NOR WERE THEY BEING CONSISTENTLY APPLIED AT THE INSTALLATIONS. DOD TOLD US AT THAT TIME THAT DIRECTIVE 1330.2 WAS TOO BROAD AND WOULD BE REEVALUATED. WE UNDERSTAND THE MILITARY DEPARTMENTS AND THE OFFICE OF THE SECRETARY OF DEFENSE (OSD) HAVE BEEN UNABLE TO AGREE ON HOW IT SHOULD BE REVISED AND TO DATE IT HAS NOT BEEN, ALTHOUGH DOD HAS MADE CONSIDERABLE EFFORTS TO DO SO.

WHEN WE ISSUED TWO REPORTS LAST YEAR--ONE ON THE EXTENSIVE SUPPORT FOR THE RELATIVELY FEW MILITARY PERSONNEL AT THE NAVY'S CRANE AMMUNITION DEPOT AND THE OTHER ON MANAGEMENT OF THE ARMED FORCES RECREATION CENTER AT GARMISCH, GERMANY--WE NOTED THE DELAY IN REVISING 1330.2 AND SUGGESTED CONGRESS SET SPECIFIC GUIDELINES ON WHAT APPROPRIATED FUND SUPPORT SHOULD BE PROVIDED TO MORALE, WELFARE, AND RECREATION ACTIVITIES.

THE SENATE APPROPRIATIONS COMMITTEE TOOK NOTE OF THOSE TWO REPORTS AND IN JUNE OF LAST YEAR ASKED THE GENERAL ACCOUNTING OFFICE TO EVALUATE THE DEPARTMENT'S EFFORTS TO IDENTIFY APPROPRIATED FUND SUPPORT AND TO REVISE ITS GUIDELINES ON PROVIDING THE SUPPORT AND TO PROVIDE ALTERNATIVE GUIDELINES. WE ALSO WERE ASKED TO DETERMINE THE FEASIBILITY OF SELF-SUPPORT AND TO DETERMINE THE HISTORY OF MWR ACTIVITIES AND THEIR SUPPORT.

AS YOU REQUESTED, I WOULD LIKE TO HIGHLIGHT OUR REPORT.

HISTORY AND JUSTIFICATION
FOR MWR ACTIVITIES AND THEIR
APPROPRIATED FUND SUPPORT

AT THE SAME TIME THE SENATE APPROPRIATIONS COMMITTEE REQUESTED US TO DO THIS WORK, THE CONGRESSIONAL RESEARCH SERVICE (CRS) WAS ASKED TO RESEARCH SPECIFICALLY THE LEGISLATIVE HISTORY OF THE ACTIVITIES. WE COLLABORATED WITH CRS IN DEVELOPING THE HISTORY AND WE HAVE DRAWN HEAVILY UPON THE CRS REPORT IN DEVELOPING OUR REPORT.

DURING THE LATE 1800s CONGRESS BOTH PROVIDED FUNDS FOR EXCHANGES AND DENIED THEM. THE ARMY APPROPRIATION ACT OF 1893 REMAINS CODIFIED IN LAW AND PROHIBITS THE USE OF APPROPRIATED FUNDS FOR EXCHANGES EXCEPT FOR PUBLIC BUILDINGS AND TRANSPORTATION NOT NEEDED FOR OTHER PURPOSES. DESPITE THIS LAW APPROPRIATED FUNDS HAVE SINCE BEEN PROVIDED FOR THE CONSTRUCTION, OPERATION, AND MAINTENANCE OF EXCHANGES.

THROUGHOUT THE 1900s, VARIOUS SUBCOMMITTEES HAVE INQUIRED INTO MWR OPERATIONS. THE INQUIRIES HAVE CENTERED AROUND COMPETITION OF EXCHANGES WITH THE PRIVATE SECTOR AND WHETHER EXCHANGE PROFITS OR APPROPRIATED FUNDS SHOULD SUPPORT MWR PROGRAMS. ALTHOUGH DURING THIS PERIOD THERE WAS SENTIMENT IN THE CONGRESS FOR FUNDING MWR WITH APPROPRIATIONS, AT THE SAME TIME THERE WAS A REALIZATION THAT THE CONGRESS WOULD NOT PROVIDE SUCH FUNDS. IN 1953 DOD ISSUED DIRECTIVE 1330.2 WHICH

STATED FACILITIES FOR MWR PROGRAMS WOULD BE PROVIDED FROM APPROPRIATED FUNDS SUPPLEMENTED WITH NONAPPROPRIATED FUNDS. THIS POLICY AGREED WITH EXPRESSIONS OF A 1949 HOUSE ARMED SERVICES SUBCOMMITTEE BUT BECAUSE THE CONGRESS AS A WHOLE DID NOT ADOPT IT, MWR PROGRAMS CONTINUED TO RELY PRIMARILY ON NONAPPROPRIATED FUNDS.

IN 1972 A RENEWED HOUSE ARMED SERVICES SUBCOMMITTEE EXAMINED MWR ACTIVITIES. IT BECAME APPARENT THAT THE SCOPE OF MWR PROGRAMS WAS BEYOND EASY COMPREHENSION. THE SUBCOMMITTEE BELIEVED THE MILITARY COMMUNITY NEEDED BOTH RESALE ACTIVITIES AND OTHER MWR PROGRAMS. IT SEEMED MORE RECONCILED TO THE OFTEN-CRITICIZED PRACTICE OF FUNDING MWR PROGRAMS WITH RESALE PROFITS, NOTING THAT IT WAS HIGHLY UNLIKELY THE APPROPRIATIONS SUBCOMMITTEE WOULD APPROVE FUNDS TO THE EXTENT THEY WERE BEING USED.

THE SUBCOMMITTEE NOTED IT WAS DIFFICULT TO MAKE RATIONAL DECISIONS ABOUT THE ACTIVITIES BECAUSE APPROPRIATED FUND SUPPORT WAS NOT DISCLOSED. IT RECOMMENDED THAT THE MILITARY DEPARTMENT ESTABLISH SYSTEMS TO IDENTIFY APPROPRIATED FUND COSTS AND USING THIS INFORMATION EVALUATE MANAGEMENT EFFECTIVENESS, USAGE, BENEFITS PROVIDED, AND THE NECESSITY OF PROVIDING MANY OF THE RECREATIONAL ACTIVITIES WITH SUBSTANTIAL APPROPRIATED FUND SUPPORT.

IN 1973 THE HOUSE APPROPRIATIONS COMMITTEE DENIED APPROPRIATED FUNDS FOR A NEW ARMY CLUB AGENCY, STATING THAT THE COST OF SUCH NONAPPROPRIATED FUND ACTIVITIES SHOULD BE BORNE BY THE ACTIVITIES. THE COMMITTEE DID NOT SEE WHY THE AMERICAN TAXPAYER SHOULD BE REQUIRED TO PAY FOR THE MANAGEMENT OF AN OPERATION WHICH WAS STRICTLY FOR THE PLEASURE AND BENEFIT OF MILITARY PERSONNEL AND THEIR DEPENDENTS. ONE YEAR LATER FUNDS ALSO WERE DENIED FOR CONSTRUCTION OF COMMISSARY STORES AND STORE CUSTOMERS WERE REQUIRED TO PAY FOR THEM.

CONCLUSION

MWR PROGRAMS HAVE AN UNUSUAL HISTORY IN THE SENSE THAT THEY CAME INTO BEING IN REVERSE ORDER OF THE NORMAL PROCEDURES FOR ESTABLISHING GOVERNMENT PROGRAMS. ALTHOUGH THEY HAVE BEEN ACKNOWLEDGED DIRECTLY AND INDIRECTLY IN LEGISLATION THEY BECAME VERY LARGE GOVERNMENT OPERATIONS WITHOUT SPECIFIC STATUTORY AUTHORITY FOR THEIR OPERATION OR APPROPRIATED FUND SUPPORT.

MORE THAN ANYTHING ELSE THE IMMENSE SUCCESS OF THE PROGRAMS SEEMED TO ATTRACT CRITICAL ATTENTION. HAD THE RESALE ACTIVITIES REMAINED A MODEST SOURCE FOR THE NECESSITIES AND CONVENIENCES OF LIFE NOT AVAILABLE ELSEWHERE, GOVERNMENT SUBSIDIZATION OF MWR AND COMPETITION WITH PRIVATE BUSINESS PROBABLY WOULD NOT HAVE BEEN SERIOUSLY QUESTIONED. NOW, HOWEVER, THESE ARE ENTERPRISES OF SUBSTANTIAL ECONOMIC

CONSEQUENCE WHICH OFFER A FULL RANGE OF GOODS AND SERVICES REGARDLESS OF AVAILABILITY IN THE PRIVATE SECTOR. ACCORDINGLY THE MAJOR JUSTIFICATION NOW FOR MWR ACTIVITIES IS THE MONETARY SAVINGS THAT THEY OFFER THEIR PATRONS.

APART FROM THE PROS AND CONS OF GOVERNMENT SUBSIDIZATION OF THESE ORGANIZATIONS, WE BELIEVE IT IS APPROPRIATE THAT THEIR TRUE COSTS BE IDENTIFIED AND THAT THEREBY THE CONGRESS HAVE THE OPPORTUNITY TO DECIDE HOW MUCH MONEY WILL BE APPROPRIATED FOR THIS FUNCTION.

VALIDITY OF DEMOGRAPHIC SURVEY
AND INSTRUCTION 7000.12 DATA

THIS BRINGS US TO OUR EVALUATION OF THE FINANCIAL MANAGEMENT INFORMATION SYSTEM AND DATA DOD HAS DEVELOPED FOR MANAGEMENT AND ANALYSIS OF MWR PROGRAMS AND POLICIES.

IN RESPONSE TO THE HOUSE ARMED SERVICES SUBCOMMITTEE RECOMMENDATION IN 1972 THAT MWR APPROPRIATED FUNDS BE IDENTIFIED, DOD ISSUED DOD INSTRUCTION 7000.12 IN JULY 1974 SPELLING OUT DOD'S FINANCIAL MANAGEMENT POLICIES FOR NONAPPROPRIATED FUNDS AND RELATED APPROPRIATED FUND RESOURCES.

IN SEPTEMBER 1975 DOD DIRECTED A ONE-TIME WORLD-WIDE SURVEY TO GATHER DEMOGRAPHIC DATA ON MWR ACTIVITIES TO BE USED FOR

- UPDATING PERSONNEL AND FINANCIAL DATA,
- EVALUATING AND REVISING THE MANAGEMENT POLICIES EXPRESSED IN DIRECTIVE 1330.2, AND

--IMPROVED RESPONSIVENESS TO CONGRESSIONAL INQUIRIES.

BEFORE THE SURVEY GOT UNDERWAY THE PRESIDENT DIRECTED A STUDY TO IDENTIFY APPROPRIATED FUND SUPPORT, TO EVALUATE SUPPORT POLICIES AND TO DEVELOP ANY NEEDED ALTERNATIVE POLICIES. A JOINT OMB/DOD STUDY GROUP WAS FORMED AND THE SURVEY CONDUCTED.

WE TESTED THE DATA DEVELOPED BY THESE TWO EFFORTS AND FOUND THAT APPROPRIATED FUND DATA WAS NOT RELIABLE. APPROPRIATED FUND SUPPORT FOR MWR ACTIVITIES IN FISCAL YEAR 1976 WAS \$527 MILLION ACCORDING TO INSTRUCTION 7000.12 REPORTS AND \$532 MILLION ACCORDING TO THE DEMOGRAPHIC SURVEY. THE AMOUNTS DIFFER IN PART BECAUSE SEPARATE GUIDELINES AND ASSUMPTIONS WERE USED UNDER EACH SYSTEM, AND THE RESULTING DATA IS NOT NECESSARILY COMPATIBLE. ALSO, OUR REVIEW DISCLOSED DISCREPANCIES RANGING FROM ROUNDING ERRORS AND MISCALCULATIONS TO TOTAL OMISSION OF MAJOR COSTS AND LED US TO CONCLUDE THAT THE AMOUNTS OF APPROPRIATED FUND SUPPORT CONTAINED IN REPORTS DEVELOPED FROM THE SURVEY AND THE 7000.12 REPORTING SYSTEM WERE UNDERSTATED BY AT LEAST \$94 MILLION, RESPECTIVELY.

THE ERRORS AND REASONS FOR THEM ARE DETAILED IN OUR REPORT BUT I WILL HIGHLIGHT THEM HERE.

APPROPRIATED FUND COSTS WERE CONSIDERABLY UNDERSTATED BECAUSE OF FAILURE TO CONSIDER CERTAIN COSTS, PARTICULARLY THOSE ASSOCIATED WITH PERSONNEL.

ARMY AND AIR FORCE HEADQUARTERS COSTS DIRECTLY ASSOCIATED WITH MWR MANAGEMENT WERE NOT REPORTED UNDER INSTRUCTION 7000.12, ALTHOUGH THE ARMY REPORTED SUCH COSTS UNDER THE DEMOGRAPHIC SURVEY. NEITHER THE ARMY NOR AIR FORCE REPORTED IN EITHER CASE, COSTS TO MAINTAIN MWR MANAGEMENT SCHOOLS AND INDIRECT COSTS TO SUPPORT RECREATION AREAS.

BILLETING AND CHAPEL PRIMARY SERVICES WERE VIEWED AS TROOP SUPPORT FUNCTIONS AND ONLY THE COSTS OF SECONDARY NONAPPROPRIATED FUNCTIONS WERE TO BE REPORTED. BECAUSE OF VAGUE WORDING OF INSTRUCTIONS MANY ARMY AND NAVY INSTALLATIONS INCLUDED ENTIRE COSTS.

OTHER UNRECOGNIZED COSTS WERE THE VALUE OF GOVERNMENT-OWNED REAL ESTATE, POSSIBLY DEPRECIATION AND USE OF APPROPRIATED FUND BUILDINGS, AND THE LOSS OF TAX REVENUE, ESPECIALLY LOST FEDERAL INCOME TAXES.

WE VISITED SEVERAL INSTALLATIONS TO SEE WHETHER ALL COSTS WERE IDENTIFIED AND REPORTED. OUR EFFORTS WERE HAMPERED BY TIME CONSTRAINTS AND BY INADEQUATE SUPPORTING DOCUMENTS, COMPLEXITY OF ACCOUNTING SYSTEMS, AND TRANSFER OF COGNIZANT PERSONNEL. THE DEGREE OF INACCURACY VARIED GREATLY FROM INSTALLATION TO INSTALLATION AND THERE WERE ALMOST AS MANY REASONS FOR VARIANCES AS THERE WERE VARIANCES.

PROBABLY THE SINGLE MOST FREQUENT REASON FOR INACCURACIES AND CERTAINLY THE MOST SERIOUS WEAKNESS IN THE REPORTING

SYSTEMS WAS THE LACK OF ADEQUATE GUIDANCE. REPORT PREPARERS WERE NOT ONLY CONFUSED AS TO WHAT EXPENSES TO REPORT, BUT ALSO AS TO WHAT CONSTITUTED MWR ACTIVITIES. ONCE ACTIVITIES AND EXPENSES WERE IDENTIFIED, EITHER CORRECTLY OR INCORRECTLY, PREPARERS LACKED ADEQUATE GUIDANCE TO DETERMINE HOW COSTS WERE TO BE ACCUMULATED. THERE WAS LITTLE, IF ANY, COORDINATION BETWEEN PREPARERS OF THE TWO REPORTS; AND OFTEN THE PERSONS PREPARING THE REPORTS HAD NO IDEA OF THEIR INTENDED USES.

INTERNAL AUDITORS ALSO FOUND NUMEROUS OTHER ERRORS IN NONAPPROPRIATED FUND FINANCIAL STATEMENTS AND USAGE FIGURES WERE UNDERSTATED AND OVERSTATED. PROBLEMS WERE CREATED BY TIME CONSTRAINTS AT THE INSTALLATION LEVEL, THE DETAIL REQUIRED, THE MECHANICS OF REPORTING, AND COMPUTER PROGRAMMING.

THE SERVICES, IN SUBMITTING THEIR DEMOGRAPHIC SURVEY DATA, CAUTIONED THE OMB/DOD STUDY GROUP ABOUT USING THE DATA FOR POLICY FORMULATION AND MANAGEMENT DECISIONS BECAUSE THEY CONSIDERED THE VALIDITY OF THE DATA TO BE HIGHLY SUSPECT. DURING THE VARIOUS STAGES OF DATA PROCESSING, THE STUDY GROUP TOOK NUMEROUS ACTIONS TO CORRECT THE DATA AS PROBLEMS SURFACED. IT RECOGNIZED THAT THE CORRECTED DATA BASE WAS "LESS THAN ONE HUNDRED PERCENT ACCURATE," BUT FELT THAT THE DATA WAS THE BEST AVAILABLE FOR REVIEWING AND ANALYZING POLICIES RELATING TO MWR.

THE STUDY GROUP'S REPORT ADDRESSED THE NEED FOR BETTER GUIDANCE IN THE REPORTING OF COSTS. IT CONCLUDED THAT

INSTRUCTION 7000.12 WAS DEFICIENT IN PROVIDING GUIDANCE AND DID NOT RESULT IN UNIFORM AND SUFFICIENTLY DETAILED REPORTING FOR MANAGEMENT OF CERTAIN MWR ACTIVITIES. THE STUDY GROUP PROPOSED CORRECTIVE CHANGES TO 7000.12.

THE REPORT RECOGNIZED THE NEED FOR A REDEFINITION OF MWR CATEGORIES FOR CLARITY AND CONSISTENCY, AND MORE DETAILED INSTRUCTIONS FOR REPORTING APPROPRIATED FUND PERSONNEL EXPENSES. THE STUDY GROUP RECOMMENDED THE DOJ COMPTROLLER PUBLISH STANDARD PROCEDURES FOR BUDGETING AND ACCOUNTING FOR SUPPORT INCLUDING FLOORS FOR ESTIMATES. THE MILITARY SERVICES ALSO RECOGNIZED MANY SHORTCOMINGS IN THEIR 7000.12 SYSTEMS AND PLAN TO ISSUE NEW GUIDANCE.

IT IS ENCOURAGING THAT DOD RECOGNIZES MANY OF THE SHORTCOMINGS AND PLANS TO CORRECT THEM. IMPLEMENTING THE STUDY GROUP'S PROPOSED INSTRUCTION 7000.12 AND ITS RECOMMENDATION THAT STANDARD METHODS TO IDENTIFY COSTS BE ESTABLISHED SHOULD ALLEVIATE THE SITUATION SOMEWHAT. INSTRUCTIONS SHOULD BE EXPLICIT ENOUGH TO ELIMINATE ANY CONFUSION OR MISINTERPRETATION AS TO WHAT COSTS ARE TO BE INCLUDED AT THE VARIOUS LEVELS OF MANAGEMENT.

HOWEVER, EVEN THE MOST EXPLICIT INSTRUCTIONS MAY NOT CORRECT SOME OF THE UNDERLYING CAUSES OF ERRORS--WEAKNESSES IN ACCOUNTING SYSTEMS, ERRORS IN AVAILABLE RECORDS, AND LACK OF INTEREST AND/OR UNDERSTANDING AT THE INSTALLATION LEVEL.

INADEQUATE OR ERRONEOUS ACCOUNTING PROBLEMS WE NOTED IN 1968 IN ACCUMULATING UTILITIES AND REPAIR AND MAINTENANCE COSTS ARE STILL EVIDENT 9 YEARS LATER.

IN VIEW OF THESE PROBLEMS WE HAVE ENDORSED A NUMBER OF THE OMB/DOD STUDY GROUP RECOMMENDATIONS CONCERNING

--MINIMUM STANDARD FINANCIAL ELEMENTS,

--REDEFINING MWR CATEGORIES,

--STANDARD PROCEDURES FOR BUDGETING AND ACCOUNTING FOR APPROPRIATED FUND SUPPORT,

--STANDARD METHODS AND FLOORS FOR ESTIMATING APPROPRIATED FUND SUPPORT,

--EXPLICITNESS OF INSTRUCTIONS TO INSURE THE ACCUMULATION OF ALL COSTS ABOVE THE "FLOORS."

IN ADDITION, WE RECOMMENDED ATTENTION BE DIRECTED TO ACCOUNTING SYSTEM PROBLEMS, UPDATING FACILITY LISTINGS OF ACTIVITIES, AND EMPHASIZING THE IMPORTANCE OF THE REPORTS TO ENCOURAGE CONSCIENTIOUS REPORTING AND USE.

DOD PROPOSED GUIDELINES ON PROVIDING APPROPRIATED SUPPORT

WE NOW COME TO THE POINT OF HOW DOD PROPOSES TO CHANGE ITS GUIDELINES ON PROVIDING APPROPRIATED FUND SUPPORT.

ATTEMPTS HAVE BEEN MADE WITHIN DOD TO REVISE DIRECTIVE 1330.2, BUT THOSE EFFORTS HAVE BEEN VERY TIME-CONSUMING AND AS YET UNSUCCESSFUL. IN 1968, IN RESPONSE TO OUR CRITICISM

OF DIRECTIVE 1330.2, THE DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR MILITARY PERSONNEL POLICY ESTABLISHED AN INTERSERVICE STUDY GROUP TO REEVALUATE THE DIRECTIVE. BUT THE SERVICES WERE UNABLE TO AGREE UPON CHANGES AND NONE WERE MADE.

IN 1971, A NONAPPROPRIATED FUND MANAGEMENT STUDY GROUP WAS SET UP BY DOD, AND ONE OF ITS RESPONSIBILITIES WAS TO DEVELOP CRITERIA FOR USING APPROPRIATED FUNDS FOR MWR ACTIVITIES. THE GROUP PROPOSED REVISIONS TO DIRECTIVE 1330.2, BUT THESE WERE NOT APPROVED BECAUSE OF A DIFFERENCE OF OPINION WITHIN DOD. THE DOD COMPTROLLER BELIEVED THAT FUNDING GUIDELINES SHOULD NOT BE APPROVED UNTIL THE EXISTING LEVEL OF APPROPRIATED FUND SUPPORT WAS IDENTIFIED AND THE EFFECT OF THE NEW DIRECTIVE COULD BE MEASURED. THIS LED TO THE DEMOGRAPHIC SURVEY AND THE OMB/DOD STUDY.

BEFORE DETAILED FUNDING GUIDELINES COULD BE PREPARED, THE OMB/DOD STUDY GROUP RECOGNIZED THAT SOME PRELIMINARY RULES HAD TO BE ESTABLISHED. NEEDED WERE (1) A UNIFORM LIST OF THE KINDS OF MWR ACTIVITIES AND (2) FORMAL RECOGNITION THAT SOME MWR ACTIVITIES WERE MORE NECESSARY THAN OTHERS.

THE STUDY GROUP PROPOSED A DOD DIRECTIVE SETTING OUT EIGHT CATEGORIES OF ACTIVITIES BY TYPE WHICH THE SERVICES WOULD BE EXPECTED TO USE UNIFORMLY. IN RECOGNITION OF THE NECESSITY OF DIFFERENT ACTIVITIES DOD ACCEPTED CATEGORIZATIONS PROPOSED BY A 1951 PRESIDENTIAL COMMITTEE. THE COMMITTEE

CONCLUDED ACTIVITIES COULD BE CATEGORIZED AS INDISPENSABLE, ESSENTIAL, OR DESIRABLE AND AVAILABLE FUNDS SHOULD BE APPLIED IN THAT ORDER. THE STUDY GROUP ADDED AN OPTIONAL CATEGORY.

THE PROPOSED GUIDELINES ALSO RECOGNIZE THAT THE NEED FOR THE GOVERNMENT TO OFFER THESE ACTIVITIES DEPENDS UPON PROXIMITY TO METROPOLITAN AREAS WHERE SIMILAR PROGRAMS MAY BE AVAILABLE IN THE PRIVATE SECTOR. HENCE A PARTICULAR ACTIVITY MAY BE INDISPENSABLE IN A REMOTE AREA BUT LESS NEEDED IN A METROPOLITAN AREA.

IT SHOULD BE NOTED THAT ALTHOUGH THE STUDY GROUP ENDORSED AND USED THE TERMINOLOGY OF THE 1951 PRESIDENTIAL STUDY IN SETTING PRIORITIES FOR OFF-DUTY ACTIVITIES, THE STUDY GROUP HAD IN MIND A LESS AUSTERE PROGRAM THAN WAS CONTEMPLATED IN 1951. FOR INSTANCE THE 1951 STUDY CONCLUDED THAT BARRACKS WITH SHOWERS WERE "INDISPENSABLE" LEISURE TIME FACILITIES. TODAY SUCH FACILITIES ARE NOT EVEN CONSIDERED AS MWR ACTIVITIES.

WITHIN THE GENERAL FRAMEWORK OF HAVING UNIFORMLY CLASSIFIED MWR ACTIVITIES AND SET PRIORITIES, THE OMB/DOD STUDY GROUP PREPARED A REVISED DIRECTIVE 1330.2. THE PROPOSED DIRECTIVE LISTS 39 KINDS OF COSTS APT TO BE INCURRED BY MWR ACTIVITIES, AND FOR EACH OF THE ACTIVITIES SPECIFIES WHETHER THE COST IS AUTHORIZED FROM APPROPRIATED OR NONAPPROPRIATED FUNDS. THE DECISION IN EACH INSTANCE WAS REACHED BY A CONSENSUS OR VOTE OF THE STUDY GROUP WITH THE ADVICE OF THE MILITARY SERVICES.

WHETHER OR NOT TO PAY A CERTAIN COST FOR A CERTAIN MWR ACTIVITY FROM APPROPRIATED OR NONAPPROPRIATED FUNDS IS LARGELY A SUBJECTIVE DECISION BASED ON MANY FACTORS. WE HAVE LISTED IN OUR REPORT SEVERAL ARGUMENTS FAVORING APPROPRIATED FUND SUPPORT. TO SUM THEM UP, ACTIVITIES ARE NEEDED FOR (1) BASIC LIFE SUPPORT IN REMOTE AND OVERSEAS AREAS; (2) FOR PHYSICAL FITNESS; (3) BECAUSE COMMUNITY-TYPE FACILITIES ARE NOT ACCESSIBLE TO THOSE ON BASE; (4) TO ASSIST IN MAINTAINING DISCIPLINE, MORALE, AND ESPRIT DE CORPS; (5) TO SUPPORT DEPENDENTS DURING PERIODS OF FAMILY SEPARATION; (6) FOR SELF-DEVELOPMENT; AND (7) TO ATTRACT AND RETAIN MILITARY PERSONNEL.

OPPOSING ARGUMENTS CENTER ON THE NEED FOR THE ACTIVITIES AND WHO SHOULD PAY FOR THEM. IN A NUTSHELL THEY ARE--MILITARY PAY IS COMPETITIVE AND MEMBERS SHOULD PAY FOR A GREATER SHARE OF THE MWR COSTS, RELIANCE SHOULD BE PLACED ON COMMERCIAL COUNTERPARTS, LIFESTYLES HAVE CHANGED AND PERSONNEL MOBILITY INCREASED, SOME MWR ACTIVITIES BECOME EXPECTED AND LOSE THEIR MOTIVATIONAL EFFECT, BASE USERS SHOULD PAY COSTS AS COMMUNITY FACILITIES ARE LARGELY PAID FOR BY LOCAL RESIDENTS, AND PROVIDING A WIDE RANGE OF ACTIVITIES MAY NOT BE COST-EFFECTIVE.

REGARDING THE LATTER ARGUMENT, A STUDY DONE FOR THE NAVY IN 1975 CONCLUDED THAT RECREATION PROGRAMS WERE COST EFFECTIVE--THAT IS, EACH DOLLAR SPENT FOR RECREATION SAVED MORE THAN A DOLLAR IN RECRUITING AND TRAINING COSTS OR EXTRA

COMPENSATION THAT DID NOT HAVE TO BE PAID TO RETAIN PERSONNEL. WE EVALUATED THAT STUDY, AND WE DISAGREE WITH ITS CONCLUSIONS. IMPORTANT ASSUMPTIONS USED IN THE STUDY WERE EITHER NOT SUPPORTED BY EMPIRICAL DATA OR HAVE BEEN GENERALLY REJECTED BY BEHAVIORAL SCIENTISTS FOR MANY YEARS. BASICALLY, A MUCH MORE ADVANCED TECHNOLOGY THAN USED IN THIS STUDY IS REQUIRED TO MAKE STRONG STATEMENTS ABOUT CAUSES OF HUMAN BEHAVIOR.

IN CONSIDERATION OF THE ABOVE ARGUMENTS THE STUDY GROUP, IN ITS REPORT, TOOK THE POSITION THAT THE U.S. GOVERNMENT SHOULD PROVIDE SUPPORT ONLY FOR INDISPENSABLE OR ESSENTIAL PROGRAMS AND--BEYOND THESE--ONLY TO THE EXTENT THAT SERVICE PERSONNEL CANNOT REASONABLY BE EXPECTED TO CONTRIBUTE.

THE STUDY GROUP DETERMINED THE EFFECT OF THE PROPOSED DIRECTIVE ON PRESENT FUNDING PRACTICES USING DATA FROM THE DEMOGRAPHIC SURVEY. THE RESULT WAS \$27 MILLION OR 5 PERCENT OF THE REPORTED \$532 MILLION IN APPROPRIATED FUND SUPPORT WOULD NO LONGER BE AUTHORIZED. THIS FIGURE MAY BE AFFECTED BY THE ACCURACY OF THE DATA. THE LARGEST PROPOSED REDUCTIONS--FOR PERSONNEL, SUPPLIES, UTILITIES, AND EQUIPMENT--FALL MOSTLY ON RESALE ASPECTS OF PROGRAMS. THIS WOULD BE OFFSET BY INCREASES FOR SUCH PROGRAMS AS LIBRARIES, INTRAMURAL SPORTS, AND ARTS AND CRAFTS.

WE BELIEVE THE STUDY GROUP'S APPROACH AND RATIONALE ARE REASONABLE, AND THAT THERE ARE FURTHER FACTORS, MENTIONED BY

THE STUDY GROUP AND RECOGNIZED BY THE 1951 PRESIDENTIAL STUDY, THAT SHOULD BE USED TO DETERMINE THE ALLOCATION OF RESOURCES. AS CITED PREVIOUSLY THE PROXIMITY OF MILITARY INSTALLATIONS TO URBAN AREAS IS A FACTOR THAT IS TO BE CONSIDERED WHEN ESTABLISHING AN MWR ACTIVITY. HOWEVER, NO GUIDELINES WERE SET FORTH AS TO HOW URBAN AREAS WERE TO BE CONSIDERED, AND ONCE AN ACTIVITY IS ESTABLISHED THE PROXIMITY OF SIMILAR ACTIVITIES OFF BASE DOES NOT ENTER INTO THE DECISION WHETHER TO USE APPROPRIATED OR NONAPPROPRIATED FUNDS TO OPERATE THE ACTIVITY.

THUS A MILITARY MWR ACTIVITY NEAR A SIMILAR ESTABLISHMENT IN A CITY IS ENTITLED TO AS MUCH APPROPRIATED SUPPORT AS THE SAME MWR ACTIVITY IN A REMOTE AREA. AN EXCEPTION IS THAT UTILITIES MAY NOT BE FURNISHED TO "REVENUE-PRODUCING" RECREATION ACTIVITIES IN METROPOLITAN AREAS. IF MAXIMUM BENEFIT IS TO BE GOTTEN FROM AVAILABLE FUNDS, THEY SHOULD NOT BE USED TO DUPLICATE SIMILAR ACTIVITIES OFF THE BASE. FUNDS SAVED, INCLUDING NONAPPROPRIATED FUND SUBSIDIES, COULD BE USED FOR ACTIVITIES THAT ARE TRULY ESSENTIAL BECAUSE OF THE SCARCITY OF OTHER LEISURE-TIME OPPORTUNITIES. CURRENTLY THERE IS NOT ENOUGH DETAILED INFORMATION TO PRECISELY ESTIMATE HOW MUCH APPROPRIATED FUND SUPPORT IS GIVEN TO MWR PROGRAMS FOR WHICH THERE ARE ALTERNATIVES OFF BASE. INDICATIONS ARE THAT IT IS A SIGNIFICANT PART OF THE \$532 MILLION REPORTED FOR FISCAL YEAR 1976.

THE STUDY GROUP RECOGNIZED AN OVERSIMPLIFICATION IN GIVING ONE PRIORITY RANKING TO AN ENTIRE MWR ACTIVITY. THE SALE OF BASIC NECESSITIES BY AN EXCHANGE MAY BE INDISPENSABLE IN SOME FOREIGN COUNTRIES OR REMOTE AREAS, BUT THE SALE OF JEWELRY, FURS, OR STEREO SETS BY THE SAME EXCHANGE IS NOT AS IMPORTANT. SIMILARLY, A REASON FOR LABELING OPEN MESSSES AS ESSENTIAL AND GIVING THEM APPROPRIATED SUPPORT IS THAT THEY MAY PROVIDE MESSING FACILITIES NOT OTHERWISE AVAILABLE. NONETHELESS, AN OPEN MESS MAY ALSO INCLUDE COCKTAIL LOUNGES, GAME ROOMS, BANQUET ROOMS, BALLROOMS, BARBER SHOPS, AND GOLF CLUBHOUSES, ALL OF WHICH UNDER PRESENT GUIDELINES CAN RECEIVE AS MUCH SUPPORT FOR MAJOR EXPENSE ITEMS AS THE ESSENTIAL MESS FUNCTION. THE PROPOSED GUIDELINES ARE SOMEWHAT IMPROVED BECAUSE THEY WOULD PROHIBIT USING APPROPRIATED FUNDS FOR SOME EXPENSES OF THE NONESSENTIAL OPEN MESS FUNCTIONS. HOWEVER, MANY COSTS, UTILITIES FOR EXAMPLE, CAN STILL BE FUNDED WITH APPROPRIATIONS FOR ENTIRE OPEN MESSSES AS LONG AS THEY ARE JUDGED TO BE ESSENTIAL FEEDING FACILITIES.

THE 1951 PRESIDENTIAL COMMITTEE ALSO RECOGNIZED THIS OVERSIMPLIFICATION AND MADE A CLEAR DISTINCTION BETWEEN THE NATURE OF THINGS ESSENTIAL AND THOSE THAT ARE NOT. THE COMMITTEE STATED IT DID NOT BELIEVE THE PUBLIC SHOULD BE ASKED TO SUPPORT SUCH LUXURIOUS FACILITIES SUCH AS OFFICER AND NONCOMMISSIONED OFFICER CLUBS AS COULD THEN BE FOUND ON MILITARY INSTALLATIONS.

USE OF MILITARY PERSONNEL

ONE OF THE LARGEST MWR APPROPRIATED FUND EXPENSE ITEMS IS FOR MILITARY PERSONNEL. AS WITH OTHER ELEMENTS OF SUPPORT, SPECIFIC GUIDANCE ON THE USE OF MILITARY PERSONNEL HAS BEEN LACKING, WHICH HAS LED TO VARYING PRACTICES AMONG THE SERVICES. LONGSTANDING DOD POLICY (DIRECTIVE 1315.10) STATES THAT CIVILIANS SHALL BE USED TO STAFF MWR ACTIVITIES TO THE MAXIMUM EXTENT. BUT MILITARY PERSONNEL MAY BE USED (1) WHEN CIVILIANS AREN'T AVAILABLE, (2) FOR EXECUTIVE CONTROL AND ESSENTIAL COMMAND SUPERVISION, AND (3) FOR PURPOSES OF MILITARY ROTATION, TRAINING, AND CAREER PROGRESSION THAT CAN'T BE PROVIDED ELSEWHERE.

DESPITE THE RESTRICTIVE TONE OF THIS GUIDANCE, WE HAVE REPORTED SEVERAL TIMES OVER MANY YEARS THAT WIDESPREAD ASSIGNMENT OF MILITARY PERSONNEL TO NONMILITARY ACTIVITIES IS COMMON PRACTICE. DESPITE GENERAL AGREEMENTS BY DOD THAT THE SERVICES AREN'T ALWAYS OBEYING THE GUIDELINES, THE PRACTICE APPEARS TO BE EVEN MORE PREVALENT THAN IN THE PAST. IN 1965, WE ESTIMATED THAT OVER 5,000 ENLISTED PERSONNEL WERE ASSIGNED TO MOST TYPES OF MWR ACTIVITIES. THE DEMOGRAPHIC SURVEY INDICATED THAT IN 1976, WHEN FEWER MILITARY MEMBERS WERE ON ACTIVE DUTY, OVER 12,100 ENLISTED PERSONNEL WERE ASSIGNED TO MWR PLUS ABOUT 2,700 OFFICERS. THE REPORTED COST OF MILITARY PERSONNEL WAS \$134 MILLION, SUBSTANTIALLY MORE THAN FOR APPROPRIATED FUND CIVILIANS. IN NUMBERS, MILITARY PERSONNEL ARE 70 PERCENT OF THE APPROPRIATED FUND WORK FORCE.

WE DOUBT THAT THE OMB/DOD STUDY GROUP'S PROPOSED GUIDELINES WILL CURTAIL THIS PRACTICE BECAUSE A PROPOSED REVISION OF DIRECTIVE 1315.10 CONTAINS THE SAME THREE EXEMPTIONS ALLOWING MILITARY PERSONNEL TO BE USED--AND IN PAST REVIEWS WE'VE FOUND THESE EXEMPTIONS ARE NOT CLOSELY OBSERVED.

WE ALSO DOUBT THE VALIDITY OF THOSE EXEMPTIONS, PARTICULARLY WITH REGARD TO CIVILIANS NOT BEING AVAILABLE TO RUN MWR PROGRAMS OR THAT LARGE NUMBERS OF MILITARY PERSONNEL ARE NEEDED FOR ROTATION, TRAINING, EXECUTIVE CONTROL, AND COMMAND SUPERVISION. BY WAY OF ILLUSTRATION, THE ARMY AND AIR FORCE EXCHANGE SERVICE IS THE LARGEST AND PROBABLY MOST WIDESPREAD AND SOPHISTICATED OF ALL NONAPPROPRIATED FUND INSTRUMENTALITIES. DOD HAS ALSO GIVEN EXCHANGES THE HIGHEST PRIORITY IN TERMS OF ESSENTIALITY. DESPITE THE COMPLEXITY OF THE EXCHANGE SERVICE AND THE IMPORTANCE ATTACHED TO IT, IT OPERATES VERY SUCCESSFULLY WITH FAR FEWER MILITARY MEMBERS THAN ANY OTHER MWR PROGRAM. ACCORDING TO THE DEMOGRAPHIC SURVEY OF THE EXCHANGE SERVICE'S 61,000 EMPLOYEES, 133 ARE MILITARY MEMBERS. THAT IS A RATIO OF 1 MILITARY PERSON OUT OF EVERY 460 EMPLOYEES.

BETTER USE COULD BE MADE OF THE MILITARY SKILLS OF THESE PERSONNEL IF THEY WERE INSTEAD ASSIGNED TO MILITARY ACTIVITIES. BASED ON OUR PAST SEVERAL REVIEWS WE BELIEVE THAT MANY MILITARY PERSONNEL ARE ASSIGNED TO MWR PROGRAMS BECAUSE THEY ARE A SOURCE OF MANPOWER THAT IS FREE TO THE USING ACTIVITY. THE PRACTICE

IN SOME CASES WENT TO THE EXTENT OF USING ENLISTED PERSONNEL FOR MWR WHO HAD CRITICAL SKILL SPECIALTIES--THOSE THAT WERE IN SHORT SUPPLY IN TACTICAL UNITS OR IN THE RESPECTIVE MILITARY SERVICES.

WE FEEL THAT A REALISTIC APPRAISAL OF THE USE OF NEARLY 15,000 MILITARY PERSONNEL IN MWR PROGRAMS WOULD SHOW THAT MANY IF NOT MOST PERSONNEL ARE NOT NEEDED FOR THE THREE PURPOSES SET OUT IN DIRECTIVE 1315.10. DOD'S LONGSTANDING POLICY THAT CIVILIANS SHOULD BE USED TO THE MAXIMUM EXTENT HAS NOT BEEN FOLLOWED FOR SEVERAL YEARS, AND WE DOUBT THAT ASSIGNMENT PRACTICES WILL CHANGE IF THE PROPOSED REVISIONS TO DIRECTIVE 1315.10 ARE ADOPTED. MORE SPECIFIC GUIDANCE IS NEEDED FROM THE OFFICE OF THE SECRETARY OF DEFENSE, USING AS A BASIS THE ROLE OF MILITARY PERSONNEL IN THE ARMY AND AIR FORCE EXCHANGE SERVICE.

WE NOTE THAT IN JULY 1977, SUBSEQUENT TO THE PREPARATION OF OUR REPORT, THE CONFERENCE COMMITTEE ON THE FISCAL YEAR 1978 DEFENSE APPROPRIATION BILL RESTRICTED THE NUMBER OF MILITARY PERSONNEL THAT CAN BE USED IN NONAPPROPRIATED FUND ACTIVITIES TO 10,201 FULL TIME AND 2,603 PART TIME, A REDUCTION OF 1,750 FULL TIME AND 250 PART TIME FROM THE NUMBER ASSIGNED DURING FISCAL YEAR 1976. THE COMMITTEE DIRECTED THAT DEPARTMENT OF DEFENSE DIRECTIVE 1315.10 BE REVISED AND THAT THE DIRECTIVE EMPHASIZE THE MAXIMUM USE OF NONAPPROPRIATED FUND CIVILIANS INSTEAD OF MILITARY PERSONNEL.

WE AGREE WITH THE PROPOSED RECOMMENDATION OF THE OMB/DOD STUDY GROUP THAT THE GOVERNMENT SHOULD SUPPORT ONLY THE MOST NECESSARY PROGRAMS. AT ISSUE ARE THE SUBJECTIVE JUDGMENTS INVOLVED AND THE APPROPRIATENESS OF TREATING CERTAIN PROGRAMS AS ALWAYS ELIGIBLE FOR A SET LEVEL OF SUPPORT NO MATTER WHERE THEY ARE LOCATED OR NO MATTER WHETHER A SUBSTANTIAL NUMBER OF THOSE PROGRAMS HAVE LOW PRIORITY.

THE REASONS FOR HAVING MWR PROGRAMS DO NOT RULE OUT THE LEGITIMATE QUESTION OF WHO SHOULD PAY FOR THEM, THE USER OR THE GOVERNMENT--PARTICULARLY SINCE MILITARY PAY IS NOW COMPETITIVE AND MWR SERVICES PROVIDED ON MILITARY INSTALLATIONS ARE IN ALMOST ALL CASES MORE THAN WHAT IS FOUND IN CIVILIAN COMMUNITIES OR OFFERED BY PRIVATE EMPLOYERS AND OTHER GOVERNMENT AGENCIES.

AS I MENTIONED EARLIER WE WERE ASKED TO DETERMINE WHETHER APPROPRIATED FUND COSTS OF MWR ACTIVITIES COULD BE IDENTIFIED AND REIMBURSED. IF THE PROBLEMS WE NOTED EARLIER IN ACCOUNTING FOR DATA ARE CORRECTED WE SEE NO TECHNICAL REASON WHY APPROPRIATED FUND COSTS CANNOT IN LARGE PART BE ASSUMED BY THE ACTIVITIES. MOST DIRECT COSTS CAN BE IDENTIFIED BUT IT MAY BE COUNTER-PRODUCTIVE TO TRY TO IDENTIFY AND ALLOCATE COMMON SUPPORT COSTS.

IF MWR ACTIVITIES ARE REQUIRED TO PAY FOR MEASURABLE APPROPRIATED FUND SUPPORT THEY RECEIVE (ABOUT \$626 MILLION)

AND CONTINUE AT THEIR PRESENT LEVEL, NONAPPROPRIATED FUND REVENUES WOULD HAVE TO INCREASE ABOUT 13 PERCENT.

EXCHANGE PRICES COULD BE INCREASED TO YIELD SUBSTANTIALLY MORE PROFITS TO OTHER MWR ACTIVITIES AND AT THE SAME TIME REMAIN BELOW PRICES IN COMMERCIAL STORES. EXCHANGE CUSTOMERS SAVED FROM \$1.1 TO \$1.3 BILLION BY SHOPPING IN THE EXCHANGES, ABOUT TWICE THE \$600 MILLION PLUS APPROPRIATED FUND SUPPORT FOR ALL MWR ACTIVITIES. FURTHERMORE THE STUDY GROUP NOTED THE EXCHANGES COULD FUND THE \$273 MILLION APPROPRIATED FUND COST OF MILITARY GENERAL RECREATION BY INCREASING EXCHANGE PRICES 7.8 PERCENT. THESE ESTIMATES ASSUME NO LOSS IN REVENUE AS A RESULT OF INCREASING PRICES. DOD OFFICIALS BELIEVE IF EXCHANGES ARE CALLED UPON TO PROVIDE SIGNIFICANTLY MORE NONAPPROPRIATED FUNDS, CONGRESSIONAL RESTRICTIONS WOULD HAVE TO BE REMOVED ON THE TYPE AND VALUE OF GOODS THE EXCHANGES MAY SELL IN THE UNITED STATES.

BUT, THE EXCHANGES SHOULD NOT HAVE TO SHOULDER THE COST OF ALL OTHER MWR PROGRAMS. MANY ACTIVITIES CHARGE FEES AND DUES WHICH COULD BE BROUGHT IN LINE WITH OPERATING COSTS AND PRICES OF ITEMS FOR RESALE OUTSIDE THE EXCHANGES ALSO COULD BE INCREASED.

ALTERNATIVE FUNDING PROPOSALS

CONGRESSIONAL COMMITTEES HAVE SINCE 1949 STATED THAT MWR OUGHT TO BE FUNDED PRIMARILY WITH APPROPRIATED FUNDS, BUT AT

THE SAME TIME CONSIDERED IT IMPRACTICAL TO DO SO; AND IN FACT DOD NEVER REQUESTED FULL FUNDING SUPPORT FOR THE PROGRAMS. AS A RESULT, RESALE ACTIVITIES GENERATE REVENUE TO SUPPORT OTHER MWR AND HAVE THE CAPABILITY TO PROVIDE MORE SUPPORT. AT THE SAME TIME, AS DISCUSSED EARLIER, THE GOVERNMENT SHOULD SUPPORT ESSENTIAL ASPECTS OF MWR.

THEREFORE, WE PROPOSED TWO ALTERNATIVE FUNDING GUIDELINES WHICH WE BELIEVE ARE FEASIBLE.

1. APPROPRIATED FUNDS SHOULD BE PROVIDED AT ALL LOCATIONS, BUT ONLY FOR THE OPERATION OF THE KINDS OF COMMUNITY-TYPE ACTIVITIES SUCH AS LIBRARIES, ATHLETIC FIELDS, TENNIS COURTS, SWIMMING POOLS, ETC., ON THE SAME BASIS AS THEY ARE PROVIDED IN THE NEAREST URBANIZED AREA DESIGNATED BY THE BUREAU OF THE CENSUS.

2. APPROPRIATED FUND SUPPORT OF MWR SHOULD BE ELIMINATED AT INSTALLATIONS IN OR ADJACENT TO URBAN AREAS IN THE UNITED STATES WHEN ADEQUATE COMMUNITY FACILITIES EXIST. AWAY FROM URBAN AREAS, FUNDS SHOULD BE APPROPRIATED FOR OPERATING ON INSTALLATIONS COMMUNITY-TYPE FACILITIES MENTIONED IN ITEM 1 ABOVE COMMONLY PROVIDED IN THE NEAREST URBAN AREA. SUCH ACTIVITIES COULD ALSO BE SUPPORTED AT PLACES IN URBAN AREAS UPON CASE-BY-CASE CERTIFICATION BY THE OFFICE OF THE SECRETARY OF DEFENSE THAT AVAILABLE PUBLIC FACILITIES ARE IN FACT INADEQUATE FOR USE BY MILITARY PERSONNEL. INSTALLATIONS IN

FOREIGN COUNTRIES SHOULD RECEIVE A DOLLAR LEVEL OF SUPPORT COMPARABLE TO INSTALLATIONS IN REMOTE AREAS OF THE UNITED STATES.

UNDER EITHER ALTERNATIVE THE CONGRESS SHOULD

--CONTINUE APPROPRIATED FUND SUPPORT FOR COMMON BASE SERVICES WHOSE MWR COSTS ARE NOT FEASIBLE TO IDENTIFY, AND

--PROHIBIT THE USE OF FUNDS FOR MILITARY STAFFING OF MWR PROGRAMS UNLESS CIVILIAN EMPLOYEES ARE NOT AVAILABLE. THE ARMY AND AIR FORCE EXCHANGE SERVICE HAS DEMONSTRATED THAT CIVILIAN STAFFING IS POSSIBLE THROUGHOUT THE WORLD, AND WE BELIEVE THE CURRENT RATIO OF ITS MILITARY PERSONNEL TO TOTAL STAFFING SHOULD BE A STANDARD WHICH IT AND OTHER MWR ACTIVITIES SHOULD NOT BE PERMITTED TO EXCEED.

THIS CONCLUDES MY STATEMENT, MR. CHAIRMAN, AND I AND MY COLLEAGUES WILL BE PLEASED TO ANSWER ANY QUESTIONS.