

March 1995

ARMY RESERVE COMPONENTS

Cost, Readiness, and Personnel Implications of Restructuring Agreement



**National Security and
International Affairs Division**

B-259379

March 7, 1995

Congressional Requesters

On December 10, 1993, the Secretary of Defense announced a major restructuring of the Army National Guard and Army Reserve (we refer to these collectively as reserve components). Specifically, he laid out the terms of the Offsite Agreement, which specified how personnel reductions would be distributed between the reserve components.

In response to your concerns about the effects of the agreement, we evaluated (1) its cost of implementation, (2) its impact on the reserve components' readiness, and (3) reserve components' efforts to absorb displaced personnel. Because the agreement is in the initial stages of implementation, we can only estimate its impact on these areas.

Finally, as you requested, we assessed the agreement's impact on the implementation of the Goldwater-Nichols Department of Defense Reorganization Act of 1986.¹ Specifically, we determined whether the agreement decreases the Special Operations Command's control over training of special forces in the Guard.

Background

The Department of Defense's bottom-up review concluded that the Army's reserve components should be reduced to 575,000 positions by 1999—a 201,000 decrease since fiscal year 1989. A group of senior officers of the Army, its reserve components, and organizations that represent Army component issues was tasked with providing a recommendation to the Secretary of the Army on the allocation of the 575,000 positions between the Guard and Reserve.² The group, through the Offsite Agreement, allocated the positions as follows: 367,000 positions to the Army National Guard and 208,000 to the Army Reserve.

The agreement also included a realignment of functions between the Guard and Reserve. This is to be accomplished through three separate approaches—swap, migration, and reallocation.

¹Public Law 99-433, October 1, 1986, 10 U.S.C. 161-166.

²The group (called the Offsite group) was established in 1991 to advise the Army leadership on key issues affecting the reserve components and to circumvent potential disputes between them. Its deliberations are outside normal Department of Defense channels. The organizations were the National Guard Association of the United States, Adjutant General Association, Senior Army Reserve Commanders Association, Reserve Officers Association, and Association of the U.S. Army.

- The swap involves about 10,000 authorized positions in each reserve component. The Guard agreed to inactivate 128 combat support and combat service support units such as medical, military police, and transportation units and transfer about 10,000 authorized positions associated with these units to the Reserve. The Reserve agreed to inactivate 28 units, including most of its remaining combat units and its last remaining special forces units, and transfer about 10,000 positions associated with these units to the Guard. According to the Army, the swap will more clearly concentrate combat support and combat service support functions in the Reserve and combat functions in the Guard.
- The migration involves the transfer of about 4,300 authorized positions and over 250 helicopters from the Reserve to the Guard. The Reserve agreed to nearly deplete its helicopter resources by inactivating 11 utility helicopter aviation and aviation maintenance units and 15 medical air ambulance units. According to Guard officials, the migration and other initiatives will provide enough helicopters for the Guard to cover the needs of each state. Without the migration, this objective would have been jeopardized because the Guard is scheduled to lose helicopters as part of the Army's general downsizing.
- The reallocation allows the Guard to keep about 7,700 authorized positions for engineer and military police units that otherwise would have been inactivated. According to a Guard official, this will enable the Guard to better support its state missions. Other units were eliminated so the positions could be reallocated within the Guard. The reallocation does not affect the Reserve, nor does it affect the personnel end strength of the Guard.

Results in Brief

Implementation of the Offsite Agreement could cost over \$180 million. The Army's latest cost estimate is about \$85 million. However, we believe that the Army's estimate excludes training costs that the Guard will likely incur and includes savings in operating costs that would have resulted regardless of the agreement.

It is too early to tell how the agreement will affect readiness for most units. The Guard did not identify specific units that will assume the missions of 20 inactivating Reserve units; another 107 Reserve units are new and have 1 year to establish their readiness ratings. We estimated the readiness impact for some units. Thirteen units will be replaced by units with lower readiness ratings, while 18 units will be replaced by units having the same or higher readiness ratings.

The Guard and Reserve have primarily left it up to the reserve component commands and individual units to help affected persons find new units. In three areas already affected by the agreement—the 157th Separate Infantry Brigade, aviation units, and special operations units—some of the commands' and units' initiatives appear to be working well. Others, however, appear to discourage the transfer of personnel, even if a transfer would result in a more effective use of their skills. Senior and experienced officers and enlisted persons in inactivating units appear to have the most difficulty obtaining positions in other units in the Reserve and the Guard. Reserve helicopter pilots and technicians are also experiencing difficulties.

We found no evidence indicating that the Special Operations Command will have problems exercising control over the training of Guard special operations forces.

Army and Reserve Components Understated the Cost of Implementing the Agreement

The Army and its reserve components considered several factors in calculating the cost to implement the agreement. The factors include the percentage of personnel who would separate from military service and receive benefits, the number of facilities that would have to close, and the amount of goods and equipment that would have to be moved. In March 1994, the Assistant Secretary of Defense for Reserve Affairs and the Vice Chief of Staff of the Army testified that the short-term cost to implement the agreement was less than \$100 million. According to Army officials, this was a rough estimate because the Army could not be certain how many military persons would transfer or leave. Also, the Army could not determine the actual cost of closing facilities and transporting goods until the reserve components identified which units would be affected. However, when we began our audit work in June 1994, the Army estimated the total cost of implementing the agreement at about \$38 million from fiscal year 1995 to fiscal year 1999.

In response to our audit questions, the Army revised some of its estimates and, on the basis of these revisions, increased it to about \$85 million. For example, Army officials projected that transition benefits for Reservists whose units will deactivate would probably be greater than originally estimated.³ It also estimated that the Reserve will need more funds for training and construction of facilities and that the operations costs for units involved in the swap would be more than anticipated.

³Pay and benefits for reserve component members who are involuntarily or voluntarily separated from military service due to downsizing or unit inactivation.

However, we believe that this revised estimate is understated by about \$100 million because it excludes training costs that are related to the agreement and includes savings that are not a result of the agreement. In table 1, we compare our estimate with the Army’s initial and revised estimates.

Table 1: Cost Estimates of Implementing the Offsite Agreement

Cost category	Army’s initial estimate	Army’s revised estimate	Our estimate
Transition benefits	\$92.5	\$109.0	\$109.0
Training	15.7	24.5	38.5
Operations	(107.8)	(96.2)	(13.7)
Transportation	5.9	5.9	5.9
Facilities	31.7	41.7	41.7
Total	\$38.0	\$84.9	\$181.4

We accepted the Army’s revised estimates for transition benefits, transportation of equipment, and costs of facilities because we had no basis to question their reasonableness. However, we found that the revised estimate excluded training costs that the Guard will likely incur and included savings in aircraft operating costs that resulted from another initiative.

The Guard will receive the missions of five Reserve assault helicopter battalions that were being modernized with Blackhawk helicopters. The Reserve had trained the equivalent of 3-1/2 battalions for the Blackhawk systems. The Guard did not include in its estimates the cost to train a like amount of personnel. We estimate this training cost to be about \$14 million because the Guard units that will take over the Blackhawk missions have only a few Blackhawk trained personnel. Also, most Blackhawk qualified Reserve personnel may not join the Guard. The Guard will also have to train the remaining 1-1/2 battalions, but we do not consider this a cost of the agreement because it is an expense that the Reserve would have had if it were not for the agreement.

The Army estimated that the Guard will avoid about \$82.5 million in operating expenses by turning in excess nonmodern aircraft once the Blackhawks arrive. We believe the savings should not be attributed to the agreement because these aircraft have been programmed for disposal for several years. Consequently, we deleted the \$82.5 million savings from the operations cost category, leaving an anticipated savings of \$13.7 million. According to Guard officials, the \$13.7 million savings to the federal

government is that part of the Guard’s operating costs that is paid by state funds.

Agreement’s Impact on Readiness Cannot Be Estimated Yet for Most Units

The Department’s current system for reporting readiness to the Joint Chiefs of Staff is the Status of Resources and Training System.⁴ This system measures the extent to which individual service units possess the required resources and training to undertake their wartime missions. The system compares the current status of specific elements considered essential to unit readiness—personnel and equipment on hand, equipment condition, and the training of operating forces—with those needed to undertake wartime missions.

We compared the readiness levels (as of April 1994) of the inactivating units with the readiness levels of the units assuming the missions of the inactivating units. Table 2 shows the results of that comparison.

Table 2: Readiness Comparison of Units as of April 1994

	No degradation	Degradation	Cannot be estimated	Total
Swap				
Guard to Reserve	9	11	108	128
Reserve to Guard	8	•	20	28
Migration				
Utility helicopter	•	2	9	11
Air ambulance	•	•	15	15
Total	17	13	152	182

We could not estimate the agreement’s impact on readiness for 152 of the 182 units affected by the swap and migration. However, we estimated the readiness impact for some units. Thirteen units will be replaced by units with lower readiness ratings, while 17 units will be replaced by units having the same or higher readiness ratings.

We do not have estimates for the agreement’s readiness impact on 152 units because new units are being created or individual units have not been designated to replace inactivating units. For example, we cannot identify the readiness impact for 20 of the 28 Reserve to Guard transfers involved in the swap because the Guard did not designate specific units

⁴We reported in *Military Readiness: DOD Needs to Develop a More Comprehensive Measurement System* (GAO/NSIAD-95-29, Oct. 27, 1994) that this system provides valuable information on readiness but that the information is limited and cannot signal an impending change in readiness.

that will assume the missions of the 20 Reserve units. In all but one of the 108 Guard to Reserve transfers, we could not estimate the readiness impact because they involved the establishment of new Reserve units.

The 107 new Reserve units have up to 1 year to organize and build up their readiness ratings before the Guard units are inactivated. During this year, the Reserve units' readiness ratings can be expected to improve as the units obtain personnel and equipment and train their personnel, while the Guard units' ratings can be expected to decrease as these units lose personnel and equipment. Hence, the impact on readiness could vary over time. For some units, this time could be very short. For example, 37 Reserve units are being established within 50 miles of existing inactivating Guard units to utilize Guard personnel, equipment, and facilities. We were told that in some of these cases, Guard units will convert to Reserve units.

In 13 instances, some degradation in readiness may occur. For example, two Guard units that will take on the missions of Reserve Blackhawk helicopter units do not have enough Blackhawk helicopters or trained personnel to satisfy unit requirements. Reserve unit personnel told us that it may take 3 to 5 years before these Guard units reach the readiness level of the Reserve units that are deactivating. According to Army officials, the Army plans to convert these units within a 3-year period, and they anticipate, on the basis of National Guard historical data, that unit readiness will not be degraded longer than 1 year during the conversion. In the other 11 instances, Guard units had higher overall readiness ratings than existing Reserve units taking on their missions.

In 17 instances, we noted either little impact on readiness or an improvement in readiness. For example, nine inactivating Guard units had the same or higher overall readiness ratings as existing Reserve units taking on their missions. Similarly, six of the eight Guard field artillery and armor units taking on the missions of Reserve units had higher overall readiness ratings than the inactivating Reserve units.

Contingency Force Pool Units

Contingency force pool units support a crisis response force, serve as follow-on forces, or serve as forces in a separate contingency. It is important for these units to maintain a high state of readiness because these units often deploy to military conflicts early—sometimes even before some active units. Fifty-eight inactivating Guard units in the swap and seven inactivating Reserve units in the aviation migration portion of

the agreement had contingency force pool designations. These designations did not always transfer to the units that assumed the missions of the inactivating units. We found that the agreement’s impact on readiness varied on a unit-by-unit basis.

Most of the Guard’s contingency force pool designations transferred to the Reserve as of November 22, 1994. For 44 of the 58 units, existing Reserve units assumed the contingency force pool assignments previously assigned to the Guard, while for 14 units, new Reserve units will take on the assignment. We found that 29 of the 44 Guard units had higher overall readiness ratings than the Reserve units taking on the contingency force pool assignment. For the remaining 15 units, the overall readiness ratings for the Reserve units are equal to or higher than those of the Guard units. We could not ascertain the impact on readiness for the 14 new Reserve units.

The Reserve aviation units’ contingency force pool designations transferred to the Guard as of November 22, 1994. In six of the seven cases, the Guard units had the same or higher overall readiness ratings as the Reserve units they are replacing. In the remaining case, the Guard unit had a lower readiness rating.

Initiatives to Reassign Displaced Personnel Have Mixed Results

Most of the Reserve troops facing inactivation will be released during fiscal year 1995, while most of the affected Guard troops will not be inactivated until subsequent years. Table 3 shows the number of units and authorized positions that will be affected in fiscal years 1994-95 and 1996-97.

Table 3: Comparison of Units Inactivated in 1994-95 and Units to Be Inactivated in 1996-97

	1994-95		1996-97	
	Units	Authorized personnel	Units	Authorized personnel
Guard	16	2,265	112	8,682
Reserve	24	7,352	30	6,705
Total	40	9,617	142	15,387

Because we cannot anticipate what future actions the reserve components will take to accommodate displaced personnel, we focused our attention in three primary areas affected in fiscal years 1994 and 1995 by the agreement—the 157th Separate Infantry Brigade, aviation units, and

special operations units. These account for 23 of the 40 units and about 6,900 of 9,600 authorized personnel.

157th Separate Infantry Brigade

We found that the Army Reserve Command is helping inactivated soldiers find new positions in other Reserve units but is not helping them switch to the Guard even though the available Guard positions are more consistent with their occupational skills and offer greater longevity. For example, the Reserve Command in eastern Pennsylvania has offered assignments to nearly all the troops in the 157th Separate Infantry Brigade. These positions generally are in other Reserve units within a 50-mile range of the soldiers' homes. These include several new units in eastern Pennsylvania established to accommodate troops from the 157th. But many of the offers will be for overstrength positions that can only be held for 1 year, and few will be for assignments in the soldiers' current occupational skills. According to reserve officials, they expect few permanent positions to become available to senior officers and enlisted personnel.

Reserve and Guard officials told us that many soldiers in the 157th would rather switch from the Reserve to the Guard because they are combat soldiers and the Guard is the only reserve component with combat units. We were also told that the Reserve will release some troops to the Guard but is doing several things that will make switching unattractive. For example, soldiers transferring to Reserve positions and requiring new occupational skills will immediately begin training for the new positions, while soldiers who elect to join the Guard will be used to close out the Brigade and will not be released until the inactivation date for the 157th, which is scheduled for September 1995.

Pennsylvania Army National Guard officials told us that, except for senior officers and enlisted persons, they would welcome the transfer of troops from the 157th. To make the transfer to the Guard more attractive, the Guard recently announced that it would honor most Reserve bonus contracts and student loan repayment plans.

Aviation Units

Most Reserve helicopter pilots, technicians, and civilians associated with aviation units will have difficulty finding new units in the Guard. The Guard already has personnel for most of these positions, except for the Blackhawk units where the Guard has few qualified Blackhawk personnel. However, even for these units, we do not anticipate that many Reserve aviators will transfer to the Guard because the Guard is training its own

personnel to fill available positions. For example, in Illinois, the Guard has assigned the Blackhawk mission to a unit some distance away from the inactivating Reserve unit and is training Guard personnel to become Blackhawk qualified.

The National Guard Bureau has requested that the state adjutant generals establish assignment advisory boards for aviation personnel, which would match available Reservists and Guard personnel with available positions and select those who are best qualified. As of January 1995, most states affected by the agreement have scheduled advisory boards.

Special Forces Units

The Army National Guard recruited inactivating Reserve special forces personnel and added them to existing Guard units or to special temporary detachments it created. For example, the Guard created three detachments with an authorized strength of 83 persons each to accommodate personnel of the Reserve 12th special forces group. This arrangement places the Guard in an overstrength position with too many units, a situation that Army officials stated will be remedied in 18 months. During this time, the Guard plans to assess all Guard special forces units and retain those units having the highest readiness ratings and sustainability at the end of the test period.

Other Initiatives

We learned of other initiatives to accommodate displaced personnel. For example, the Reserve is establishing 37 new units within 50 miles of inactivating Guard units. It plans to recruit the deactivating Guard personnel for these units. Included in the 37 are 6 watercraft units in Washington State, which are to assume the missions of deactivating Guard units.

Legislation Requires Army Report on Displaced Personnel

The Defense Appropriations Act for fiscal year 1995 directed the Secretary of the Army to ensure that members of units inactivating as a result of the agreement be reassigned to remaining units to the maximum extent practicable. It further directed the Secretary to submit semi-annual reports to the congressional defense committees on the number of members reassigned while the agreement is in effect.

Special Operations Command Can Control Training of National Guard Special Forces

The Offsite Agreement places all reserve component special forces in the Guard, which is generally state-controlled during peacetime. We found no evidence that the Guard's status would hinder the Special Operations Command's training responsibilities under the Goldwater-Nichols Department of Defense Reorganization Act of 1986.

The Goldwater-Nichols Department of Defense Reorganization Act of 1986 authorizes combatant commands to exercise command and control over their forces. As a combatant command, the U.S. Special Operations Command is responsible for preparing active and reserve component special operations forces to carry out assigned missions, including the training of assigned forces.

As we reported in March 1994,⁵ special operations forces have become an integral part of the combatant commanders' peacetime mission. Overseas training exercises are held frequently in support of this mission, and according to Command officials, reserve component forces are often called upon to participate in this training. For example, troops from the Mississippi, Maryland, and Alabama National Guards conducted training programs for military personnel and provided assistance to local citizens in Honduras in 1994. Further, the Guard's participation in overseas training exercises is ensured as a result of a 1990 U.S. Supreme Court decision.⁶ This decision affirmed a federal law restricting governors from withholding consent for overseas training for Guard units put on active duty.

The Department of Defense is formulating policy guidance that will clarify the relationship between the Guard and the combatant commands as established by law and will ensure the authority of Governors will not be limited over their National Guard forces when these forces are not in federal service. An Army National Guard official told us that the policy guidance should more clearly give combatant commands authority over training and readiness of assigned reserve component forces.

Agency Comments and Our Evaluation.

In commenting on a draft of our report, the Department of Defense agreed with all of our findings except for our cost estimate to implement the Offsite Agreement. Specifically, the Department said that the \$82.5 million in cost avoidance for the early inactivation of aviation units is attributable

⁵Special Operations Forces: Force Structure and Readiness Issues (GAO/NSIAD-94-105, Mar. 24, 1994).

⁶Perpich v. Department of Defense, 496 U.S. 334 (1990).

to the agreement and should be included in our estimate. We continue to disagree with the Department's position.

In February 1993, 10 months prior to the Agreement, the Army's Aviation Restructuring Initiative directed the National Guard to inactivate over 600 helicopters because they were no longer needed to support National Guard missions. The Department said that the National Guard agreed to turn in helicopters earlier than required by the Initiative because of the agreement. The Department further said that the \$82.5 million is attributable to savings in operations and maintenance due to the early turn-in schedule. The Department was not able to produce convincing evidence that the agreement had any impact on the National Guard's turn-in schedule. Since the Guard was already required to turn in these aircraft, we continue to believe that the savings should not be attributed to the agreement. The Department's comments are shown in appendix I.

Scope and Methodology

We reviewed the provisions of the agreement and the actions taken by the Army and reserve components to implement it. We spoke with Department of the Army, Army Reserve, and Army National Guard officials to obtain documents and other information pertaining to the cost and readiness implications of the agreement, the reserve components' efforts to absorb displaced personnel, and the agreement's impact on control of special forces in the reserve components. We also spoke with officials of the U.S. Special Operations Command to discuss the Command's control over Guard units.

We visited National Guard and Army Reserve Command offices and units in Pennsylvania and Illinois and an Army Reserve Command office in Missouri to discuss actions planned or underway to assist displaced personnel in finding new units. We also met with Army Reserve Association officials to discuss their views on the agreement. The association is not represented in the Offsite group.

Our review was conducted between May and December 1994 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Secretary of Defense, the Secretary of the Army, appropriate congressional committees, and other interested parties. We will also make copies available to others on request.

The major contributors to this report are Robert Pelletier, Donald Campbell, Mae Jones, Paul O'Brien, and Frances Scott. Please contact me at (202) 512-3504 if you or your staff have any questions concerning this report.

A handwritten signature in black ink that reads "Richard Davis". The signature is written in a cursive style with a prominent underline under the word "Davis".

Richard Davis
Director, National Security
Analysis

List of Requesters

The Honorable Frank R. Lautenberg
The Honorable Richard J. Santorum
The Honorable Arlen Specter
United States Senate

The Honorable Robert E. Andrews
The Honorable Robert A. Borski
The Honorable Michael N. Castle
The Honorable William F. Clinger, Jr.
The Honorable Jerry F. Costello
The Honorable Richard J. Durbin
The Honorable Thomas M. Foglietta
The Honorable Bob Franks
The Honorable George W. Gekas
The Honorable Benjamin A. Gilman
The Honorable William F. Goodling
The Honorable James C. Greenwood
The Honorable Henry J. Hyde
The Honorable Ron Klink
The Honorable Paul McHale
The Honorable Martin T. Meehan
The Honorable Bud Shuster
The Honorable Christopher H. Smith
The Honorable Robert S. Walker
The Honorable Curt Weldon
The Honorable Dick Zimmer
House of Representatives

Comments From the Department of Defense



RESERVE AFFAIRS

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, DC 20301-1500

FEB 10 1995

Mr. Henry L. Hinton, Jr.
Assistant Comptroller General
National Security and International Affairs Division
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Hinton:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "ARMY RESERVE FORCES: Cost, Readiness, and Personnel Implications of Restructuring Agreement," dated January 4, 1995 (GAO Code 701043), OSD Case 9843. The DoD partially concurs with the draft report.

Although the Department agrees with most of the draft report, the DoD does not agree that the Army understated the costs of implementing the Off-Site Agreement. The total savings estimated from the accelerated drawdown of the Army National Guard (ARNG) aircraft are not presented in a single resource document. Accordingly, the \$82.5 million amount the GAO deleted from the Army savings should be included in the operations category, along with \$22.6 million for early inactivation of overstructured aviation units. The final GAO cost estimate for operations should also reflect the original Army cost avoidance estimate of \$107.8 million, resulting in a total estimated cost of \$77.4 million for implementing the Agreement.

The detailed DoD comments on the draft report are enclosed. Additional technical corrections were separately provided. The DoD appreciates the opportunity to comment on the draft report and commends the professionalism of the GAO staff in performing the review and ensuring the accuracy of the draft report.

Sincerely,

Deborah R. Lee

Enclosure:
As stated

See comment 1.

GAO DRAFT REPORT - DATED JANUARY 4, 1995
(GAO CODE 701043) OSD CASE 9843

“ARMY RESERVE FORCES: COST, READINESS, AND PERSONNEL
IMPLICATIONS OF RESTRUCTURING AGREEMENT”

DEPARTMENT OF DEFENSE COMMENTS

* * * * *

FINDINGS

FINDING A: Restructuring of the Army National Guard and the Army Reserve. The GAO reported that the Department of Defense Bottom-Up Review concluded that the Army Reserve Components should be reduced to 575,000 positions by 1999--a 201,000 decrease since FY 1989. The GAO noted that a group of senior officers of the Army, its Reserve Components, and organizations that represent Reserve Component issues was tasked with providing a recommendation to the Secretary of the Army on the allocation of the 575,000 positions between the Guard and Reserve. The GAO also noted that the group, through the Off-Site Agreement, allocated the positions as follows: 367,000 positions to the Army National Guard and 208,000 to the Army Reserve. The GAO pointed out that the agreement also included a realignment of functions between the Guard and Reserve and is to be accomplished through three separate approaches--swap, migration, and reallocation.

DOD RESPONSE: Concur. Of the 201,000 reductions between FY 1989 and FY 1998, only 41,000 were a result of the Bottom-Up Review (BUR).

FINDING B: The Army and Reserve Components Understated the Costs of Implementing the Off-Site Agreement. The GAO reported that the Army and its reserve components considered several factors in calculating the cost to implement the Off-Site Agreement. The GAO noted that the factors include the (1) percentage of personnel who would separate from military service and receive benefits, (2) number of facilities that would have to close, and (3) amount of goods and equipment that would have to be moved. The GAO asserted that the Army could not determine the actual cost for closing facilities and transporting goods until the reserve components identified which units would be affected. The GAO noted that, however, when its audit work began in June 1994, the Army estimated the total cost of implementing the agreement at about \$38 million, but has since increased its estimate to about \$85 million. The GAO, however, noted that the revised estimate is understated by about \$100 million because it excludes training costs related to the agreement and includes savings that are not a result of the agreement.

Enclosure

The GAO observed that the Guard will receive the missions of five Reserve helicopter battalions that are being modernized with Blackhawk helicopters. The GAO noted that the Reserve has trained the equivalent of 3 1/2 battalions for the Blackhawk systems. The GAO also noted that the Guard did not include its estimates the cost to train a like amount of personnel. The GAO estimated this training cost to be about \$14 million because the Guard units that will take over the Blackhawk missions have only a few Blackhawk trained personnel. The GAO also indicated that most Blackhawk qualified Reserve personnel may not join the Guard.

The GAO asserted that the Guard will also have to train the remaining 1 1/2 battalions, but the Guard does not consider that a cost of the agreement because it is an expense that the Reserve would have had if it were not for the agreement. The GAO noted that the Army estimated that the Guard will avoid about \$82.5 million in operating expenses by turning in excess non-modern aircraft once the Blackhawks arrive. The GAO asserted that the savings should not be attributed to the agreement because the aircraft have been programmed for disposal for several years and consequently deleted the \$82.5 million savings from the operations cost category, leaving an anticipated savings of \$13.7 million. The GAO noted that according to Guard officials, the \$13.7 million savings to the Federal Government is that part of the Guard's operating costs that are paid by state funds. (pp. 4-6/GAO Draft Report)

DOD RESPONSE: Nonconcur. The DoD disagrees that the Army understated the costs of implementing the agreement. No other resource document (the Future Years Defense Plan or the Program Objective Memorandum) captures the savings from the accelerated drawdown of the Army National Guard (ARNG) aircraft. The programmed resource changes associated with the Army National Guard portion of the Army Aviation Restructuring Initiative had only been partially identified during the time the aviation migration was being developed. Additionally, its objectives were in later years. Savings from the retirement of the ARNG aircraft had been identified only for the later Program years. The savings, however, did not take into account the benefits gained through an accelerated retirement of aircraft. The \$82.5 million figure deleted by the GAO essentially reflects the savings garnered by maintenance and operations accounts that are no longer required because of an earlier than programmed elimination of units. The GAO estimate presented in Table 1 should be revised in the operations category to include the cost avoidance of \$82.5 million for the inactivation of aviation units and \$22.6 million for the early inactivation of overstructured aviation units. The GAO estimate for operations should reflect the original Army estimate of a cost avoidance of \$107.8 million. The final GAO estimate should be \$77.4 million.

FINDING C: Agreement's Impact on Readiness Cannot be Estimated Yet for Most Units.

The GAO compared the readiness levels (as of April 1994) of the inactivating units with the readiness levels of the units assuming the missions of the inactivating units. The GAO could not estimate the agreement's impact on readiness for 151 of the 182 units affected by the swap and migration because new units are being created or individual units have not been designed to

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See comment 1.

replace inactivating units. However, the GAO estimated the readiness impact for some units. The GAO found that thirteen units will be replaced by units with lower readiness ratings, while 18 units will be replaced by units having the same or higher readiness ratings.

The GAO found that in 13 instances, some degradation in readiness may occur. The GAO noted for example, two Guard units that will take on the missions of Reserve Blackhawk helicopter units do not presently have enough Blackhawk helicopters or trained personnel to satisfy unit requirements. The GAO also noted that according to Reserve unit personnel, it may take 3 to 5 years before these Guard units reach the readiness level of the Reserve units that are deactivating. The GAO also stated that according to Army officials, the Army plans to convert those units within a three-year period, and they anticipate, based on National Guard historical data, that unit readiness will not be degraded longer than one year during the conversion. The GAO also found that in the other 11 instances, Guard units had higher overall readiness ratings than existing Reserve units taking on their missions.

The GAO also found no degradation in 17 instances, i.e., little impact on readiness or an improvement in readiness. The GAO noted for example, nine inactivating Guard units had the same or higher overall readiness ratings as existing Reserve units taking on their missions. The GAO also noted that, six of the eight Guard field artillery and armor units taking on the missions of Reserve units had higher overall readiness ratings than the inactivating Reserve units. (pp. 7-9/GAO Draft Report)

DOD RESPONSE: Concur. "New" units referred to in this report could be misunderstood. This is conversion of the existing and downsizing Army Reserve structure. We are not creating new units where none have existed in the past.

FINDING D: Contingency Force Pool Units. The GAO reported that contingency force pool units support a crisis response force, an early reinforcing force, or forces in a separate contingency. The GAO asserted that it is important for those units to maintain a high state of readiness because those units often deploy to military conflicts early--sometimes even before some active units. The GAO found that fifty-eight inactivating Guard units in the swap and seven inactivating Reserve units in the aviation migration portion of the agreement had contingency force pool designations. The GAO further found that those designations did not always transfer to the units that assumed the missions of the inactivating units. The GAO asserted that the agreement's impact on readiness varied on a unit-by-unit basis.

The GAO observed that most of the Guard contingency force pool designations transferred to the Reserve as of November 22, 1994. The GAO found that for 44 of the 58 units, existing Reserve units assumed the contingency force pool assignments previously assigned to the Guard, while for 14 units, new Reserve units will take on the assignment. The GAO asserted that 29 of the 44 Guard units had higher overall readiness ratings than the Reserve units taking on the contingency force pool assignment. The GAO noted that for the remaining 15 units, the overall readiness ratings for the Reserve units are equal to or higher than those of the Guard units. The GAO could not ascertain the impact on readiness for the 14 new Reserve units.

Now on pp. 5-6.

Now on pp. 6-7.

The GAO further observed that the Reserve aviation units' contingency force pool designations transferred to the Guard as of November 22, 1994. The GAO found that in six of the seven cases, the Guard units had the same or higher overall readiness ratings as the Reserve units they replaced. The GAO added that in the remaining case, the Guard unit had a lower readiness rating. (p. 10/GAO Draft Report)

DOD RESPONSE: Concur.

FINDING E: Initiatives to Reassign Displaced Personnel Have Mixed Results. The GAO asserted that because future actions can not be anticipated regarding what actions the reserve components will take to accommodate displaced personnel, the GAO focused on three primary areas affected in FY 1994 and FY 1995 by the Off-Site Agreement, which accounted for 23 of the 40 units, and about 7,000 of 9,600 authorized personnel.

- The 157th Special Infantry Brigade. The GAO reported that the Army Reserve Command is helping inactivated soldiers find new positions in other Reserve units, but is not helping them switch to the Guard, even though the available Guard positions are more consistent with their occupational skills and offer a greater longevity. The GAO also noted that many of the officers will be in over-strength positions that can only be held for 1 year, and few will be assigned in the soldiers' current occupational skills. The GAO pointed out that according to Reserve officials, they expect few permanent positions to become available to senior officer and enlisted personnel. The GAO noted that to make the transfer to the Guard more attractive, the Guard recently announced that it would honor most Reserve bonus contracts and student loan repayment plans.
- Aviation Unit. The GAO asserted that most Reserve helicopter pilots, technicians, and civilians associated with aviation units will have difficulty finding new units in the Guard. The GAO found that the Guard already has personnel for most of those positions, except for the Blackhawk units where the Guard has few qualified Blackhawk personnel. The GAO added, however, even for those units, many Reserve aviators will not transfer to the Guard because the Guard is training its own personnel to fill available positions. The GAO noted that the Army National Guard requested that the State Adjutant Generals establish assignment advisory boards for aviation personnel, which would match available Reservists and Guard personnel with available positions and select those who are best qualified. The GAO pointed out that as of November 1994, the states affected by the agreement have not convened advisory boards, but some are considering them.
- Special Operations Units. The GAO reported that the Army National Guard recruited inactivating Reserve special forces personnel and added them to existing Guard units or to special temporary detachments it created. The GAO noted that this arrangement places the Guard in an over-strength position with too many units, a situation that must be remedied in 18 months. The GAO pointed out that during this time, the Guard plans to

assess all Guard special forces units and retain those units having the highest readiness ratings and sustainability at the end of the test period.

- Other Initiatives. The GAO observed that the Reserve is (1) establishing 37 new units within 50 miles of inactivating Guard units and (2) planning to aggressively recruit the deactivating Guard personnel for those units. The GAO added that included in the 37 new units are six watercraft units in Washington State, which are to assume the missions of deactivating Guard units. The GAO added that the Reserve plans to use facilities being vacated by the Guard and has directed its recruiting toward the displaced Guard personnel.
- Legislation. The GAO noted that the Defense Appropriations Act for 1995 directed the Secretary of the Army to ensure that members of units inactivating as a result of the agreement be reassigned to remaining units to the maximum extent practicable. (pp. 11-14/GAO Draft Report)

DOD RESPONSE: Concur. The bulk of the “swap/migration” personnel realignment will take place in FY 1996. Fiscal Year 1995 swaps are currently on-going as mid-year actions. It is, therefore, premature to draw firm conclusions concerning the success of the Army National Guard or the Army Reserve in assimilating soldiers displaced by the restructuring initiative. As of January 1995, each state affected by the aviation migration has scheduled an assignment advisory board. “New” units referred to in this report could be misunderstood. This is conversion of the existing and downsizing Army Reserve structure. We are not creating new units where none have existed in the past. Six watercraft units in Washington State represent direct transfer of units from the Guard to the Reserve.

FINDING F: Special Operations Command Can Control Training of National Guard Special Operations Forces. The GAO reported that the Off-Site Agreement places all reserve component special operations forces in the Guard, which is generally state-controlled during peacetime. The GAO found no evidence that the unique status of the Guard would hinder the Special Operations Command training responsibilities under the Goldwater Nichols DoD Reorganization Act of 1986. The GAO noted that the Act authorizes combatant commands to exercise command and control over their forces. The GAO pointed out that as a combatant command, the U.S. Special Operations Command is responsible for preparing active and reserve component special operations forces to carry out assigned missions, including the training of assigned forces.

The GAO noted that special operations forces have become an integral part of the combatant commanders’ peacetime strategy. The GAO added that the overseas training exercises are held frequently in support of this strategy, and according to Command officials, reserve component forces are often called upon to participate in that training. The GAO pointed out that the DoD is formulating policy guidance which will clarify the relationship between the Guard and the combatant commands as established by law, and will ensure the right of the states to maintain a militia. The GAO added that a DoD official stated that the policy guidance should more clearly

Now on pp. 7-9.

Appendix I
Comments From the Department of Defense

Now on p. 10.

give combatant commands authority over training and readiness of assigned reserve component forces. (pp. 14-15/Draft Report)

DOD RESPONSE: Concur. The DoD position is that U.S. Special Operations Command has full authority to establish standards and conduct operational readiness evaluations of these units.

The following is a GAO comment on the Department of Defense's letter dated February 10, 1995.

GAO Comment

1. The \$22.6 million for the early inactivation of overstructured aviation units is included in the \$82.5 million we deleted from Army's savings estimates.

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