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NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Issues on the Civilianization of the Commissioned Corps

Statement by L. Nye Stevens
Director, Federal Management and Workforce Issues
General Government Division



National Oceanic and Atmospheric Administration: Issues on the Civilianization of the Commissioned Corps

The National Oceanic and Atmospheric Administration (NOAA) Corps is a uniformed service whose officers carry out a variety of navigational and scientific functions and whose members are covered by a military-like compensation system. In October 1996, GAO issued a report on the results of its limited review of (1) issues concerning the NOAA Corps as a uniformed service with military-like pay, allowances, and benefits and (2) what would be the comparative cost of using civilian employees, rather than uniformed officers, to carry out the NOAA Corps' functions.

GAO reported the following:

- In the 1800s, the Coast and Geodetic Survey—the organization that eventually became NOAA—relied on personnel from the Departments of the Army and Navy to augment its civilian complement that was charged with surveying the then uncharted U.S. shoreline. By the outbreak of World War I, both departments had withdrawn their detailed personnel. However, ships and men qualified to operate them were needed immediately for the war effort. It was then that Congress passed legislation authorizing the president to transfer the Coast and Geodetic Survey's ships and men to the Navy and War Departments for the duration of the war and to give military rank to those Survey field officers who served in the military. In 1920, the Joint Service Pay Act extended the Navy's pay, allowances, and retirement system to members of the Survey who held Navy ranks.
- NOAA Corps officers receive virtually the same pay and benefits as military personnel. However, the Corps carries out civilian rather than military functions. Although NOAA describes the essential functions of the Corps to be deck officers aboard NOAA ships and a mobile cadre of professionals who can be assigned wherever needed, often in hazardous conditions, civilian employees in other agencies are often assigned to similar duties. Further, the Corps is not subject to the Uniform Code of Military Justice, which underlies military personnel management, and the Department of Defense's war mobilization plans did not envision a role for the Corps.
- Using the estimate of a contractor hired by NOAA to determine the comparative costs of using civilian employees rather than Corps officers to carry out NOAA Corps functions, and GAO's adjustment for a more complete comparison, GAO estimated that the cost to the government would have been about \$661,000 lower from July 1994 through June 1995 if civilian employees had carried out the Corps' work. GAO's estimate compared two alternative ways of staffing the existing NOAA Corps functions and did not factor in the costs of transitioning to civilian staff. No transition plan existed at the time of GAO's review, and the details of such a plan could materially affect such costs.

National Oceanic and Atmospheric Administration: Issues on the Civilianization of the Commissioned Corps

Madam Chairwoman and Members of the Committee:

I am pleased to be here today to discuss a report that we completed last year on the National Oceanic and Atmospheric Administration's (NOAA) Commissioned Corps.¹ The NOAA Corps is a uniformed service whose officers carry out a variety of navigational and scientific functions, such as charting and oceanographic research, and whose members are covered by a military-like compensation system. Our report, prepared at the request of Representatives Lamar Smith and John Kasich, was issued in October 1996 and provided information on (1) issues concerning the NOAA Corps as a uniformed service with military-like pay, allowances, and benefits and (2) what the costs would be if federal civilian employees carried out the Corps' functions.

As these objectives suggest, ours was a limited review. Generally, we developed information on why the NOAA Corps exists and what the Corps officers' duties are; how the Corps is similar to and different from the military services; and what would be the comparative costs of using civilian employees versus uniformed officers to carry out the Corps' functions. As described later in this statement, our review did not include an examination of Corps functions or restructuring or any potential savings related thereto. Also, our cost estimate was developed, in part, on the basis of a cost comparison done by Arthur Andersen LLP. Like its cost estimate, our estimate compared two alternative ways of staffing the existing NOAA Corps function and did not factor in the costs of transitioning to civilian staffing.

Background

The organization that became NOAA was established in 1807 and became known officially as the Coast Survey in 1836. The Coast Survey dispatched technical and scientific teams to survey the uncharted U.S. shoreline and relied on the Departments of the Army and Navy to supply personnel to augment the organization's civilian employees. After the Civil War, the Army withdrew from the Coast Survey's work. The Navy withdrew during the Spanish-American War, leaving the work to be done solely by the employees of the newly named Coast and Geodetic Survey.

At the outbreak of World War I, when ships and men who were qualified to operate the ships were needed immediately to augment the military forces, Congress passed legislation authorizing the president to: (1) transfer the

¹Federal Personnel: Issues on the Need for NOAA's Commissioned Corps (GAO/GGD-97-10, Oct. 31, 1996).

Coast and Geodetic Survey's ships and men to the Navy and War Departments for the duration of the war and (2) officially to give military rank to Survey field officers when these officers were serving in the Army or Navy. The Joint Service Pay Act of 1920 extended the Navy's pay, allowances, and retirement system to members of the Coast and Geodetic Survey who held ranks equivalent to Navy officers. In 1965, the Coast and Geodetic Survey became the Environmental Science Services Administration, and, in 1970, it became part of the newly formed NOAA. Currently, NOAA has both civilian employees and CORPS officers.

NOAA Corps' Similarities to and Differences From the Military Services

The NOAA Corps carries out civilian functions, rather than military functions. NOAA Corps officers operate and manage NOAA's research and survey ships that collect the data needed to support fishery management plans, oceanographic and climate research, and hydrographic surveys. NOAA Corps officers also fly and manage NOAA's aircraft that are used to penetrate hurricanes for research and to carry out surveys for forecasting floods and mapping changing U.S. shorelines. They are assigned to work in all offices of NOAA.² According to Corps officials, NOAA Corps officers can expect to serve one-third of their careers in each of the following work categories: (1) sea duty; (2) shore duty that involves responsibilities in marine centers, vessel support, geodetic surveys, or aircraft operations; and (3) shore duty that involves management and technical support throughout NOAA. Although NOAA Corps officers who serve at sea have few civilian employee counterparts at NOAA, other agencies use federal civilian employees or contractors to carry out duties similar to the functions NOAA assigns to the Corps.

Corps officials said that the essential functions of the uniformed Corps are to serve as deck officers aboard NOAA ships and to be a mobile cadre of professionals who can be assigned with little notice to any location and function where their services are necessary, often in hazardous or harsh conditions. We found that some Corps assignments are of this nature, but civilian employees in other agencies are often assigned to duties similar to those of the Corps. For example, the Environmental Protection Agency (EPA), the National Transportation Safety Board, and the Federal Emergency Management Agency use civilian employees to respond quickly to disasters and other emergency situations. Moreover, we found that EPA and the Navy used ships operated by civilian employees or

²NOAA is composed of five line offices—(1) the National Marine Fisheries Service; (2) the Office of Oceanic and Atmospheric Research; (3) the National Weather Service; (4) the National Ocean Service; and (5) the National Environmental Satellite, Data, and Information Service—and the Office of the Administrator.

contractors in conducting their oceanic research. Also, NOAA ships have been operated on occasion by Wage Marine (civilian) deck officers, and NOAA officials termed this approach successful.³

Although NOAA Corps officers perform civilian functions, they receive virtually the same pay and benefits as members of the military. Corps members' entitlement to military ranks and military-like compensation, including eligibility for retirement at any age after 20 years of service, was an outgrowth of their temporary service with the armed forces during World Wars I and II. The NOAA Corps has not been incorporated into the armed forces since World War II, and we were told that the Department of Defense's (DOD) war mobilization plans envisioned no role for the Corps in the future.

In a 1984 report,⁴ DOD provided a detailed discussion of the criteria and principles used to justify the military compensation system. According to this report, the main purpose of the military compensation system is to ensure the readiness and sustainability of the armed forces. The NOAA Corps is not considered an armed service, and Corps officers are not subject to the Uniform Code of Military Justice, which underlies how military personnel are managed.⁵ Accordingly, NOAA cannot press criminal charges or pass sentence against an officer who disobeys orders, and Corps officers can quit the Corps without legal sanctions.

Comparative Cost of Using Civilian Employees or Corps Officers

NOAA contracted with Arthur Andersen LLP to determine the comparative costs of using civilian employees rather than Corps officers to carry out the Corps' functions. The contractor's report was issued August 30, 1995.⁶ We examined the contractor's approach and methodology and generally found them to be similar to those we would have used. Thus, other than making an adjustment we believed was necessary for a more complete comparison, we accepted the contractor's estimates of the comparative

³A Wage Marine is an employee paid under the prevailing rate pay system in the excepted service who serves as a master or mate on NOAA ships. A prevailing rate employee generally is an individual employed in a recognized skilled mechanical trade or craft. The excepted service consists of civil service positions that are neither part of the competitive service nor the Senior Executive Service.

⁴The Fifth Quadrennial Review of Military Compensation, Department of Defense, January 1984.

⁵Under a 1917 statute, the president can incorporate the NOAA Corps into the military service in the event of a national emergency. Since all military personnel are subject to the Uniform Code of Military Justice, Corps officers, after being incorporated into the military, would be subject to the code. This situation has not occurred since World War II.

⁶National Oceanic and Atmospheric Administration Commissioned Officer Corps: Comparison of NOAA Corps versus Federal Employees, Arthur Andersen LLP, August 30, 1995.

costs of using Corps officers and civilian employees. On the basis of the contractor's report and the adjustment that we made, we estimated that the cost to the government would have been about \$661,000 lower during July 1994 through June 1995, if civilian employees had been used.⁷

The contractor's report concluded that if civilians rather than Corps officers had been used to carry out the Corps' functions in the year ending June 30, 1995, costs would have been \$573,000 higher. This estimate was based on actual costs incurred during the year ending June 30, 1995, and on a Corps strength of 384 officers. However, the report did not include in its comparison the federal income tax advantage that Corps officers receive from their housing and subsistence allowances. Like members of the military, NOAA Corps officers pay no federal income taxes on these allowances.⁸ The "cost" to the government arising from this tax advantage comes in the form of a loss to the U.S. Treasury of the federal income taxes that otherwise would have been paid if the allowances were taxable. Federal civilian employees receive no such tax advantage; they must pay their living expenses from their fully taxable salaries.

According to its report, Arthur Andersen LLP did not include the Corps members' tax advantage as a cost of maintaining the Corps because it did not represent "costs incurred by the Federal Government." However, because the tax advantage represents a revenue loss to the government and is of considerable monetary value to Corps members, we believe that it should be included in any cost comparison. Since NOAA Corps officers receive the same base pay and housing and subsistence allowances as military officers at the same ranks, we used the DOD's tax advantage estimates to determine the tax advantage afforded to Corps members. We estimated that the annual tax advantage associated with the housing and subsistence allowance amounts used in the Arthur Andersen LLP study would be \$1,234,000 a year. Adjusting the Arthur Andersen LLP study results by the estimated tax advantage amount results in a total government cost for the Corps of \$30,942,000 for the year, compared with the estimated \$30,281,000 cost of using civilian employees—a difference of \$661,000.

⁷The actual net cost reduction would vary, depending on various factors, including the method by which any changes are implemented, the applicability of 1994 costs to future years, and the accuracy of the underlying assumptions concerning Corps and civilian personnel costs.

⁸A major component of military and Corps compensation is termed "Regular Military Compensation." This component includes basic pay, nontaxable housing and subsistence allowances, and the tax advantage accorded to members through the nontaxable allowances.

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In presenting our cost comparison figure, I would like to emphasize that this was a 1-year cost comparison prepared in 1996. It was based on a Corps staff of 384 and used the pay rates and benefit costs that existed at the time. Since then, the Corps staff has been reduced to about 270 and pay rates and benefit costs also have changed. As a result, it is likely that any estimated cost savings based on a comparison of the use of civilian employees rather than Corps officers made today would be different. Further, if a decision were made to civilianize the NOAA Corps, whether there would be any actual cost reductions would depend, in part, on the manner in which a transition to civilian employment would be carried out, including the period over which the transition would occur and what retirement benefits or credits for service would be given. We did not estimate transition costs because no transition plan existed and the details of such a plan could materially affect such costs. In addition, we did not examine whether NOAA Corps functions or the number of persons used to accomplish those functions were necessary or could be changed as a result of civilianization. Thus, the report did not address issues such as whether civilianization of the Corps could present opportunities for possible savings through restructuring or consolidating NOAA operations. Neither did the report examine the possibility of contracting with private companies, rather than using civilian employees, to carry out the Corps' current functions.

This concludes my prepared statement. I would be pleased to answer any questions the Committee may have.

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