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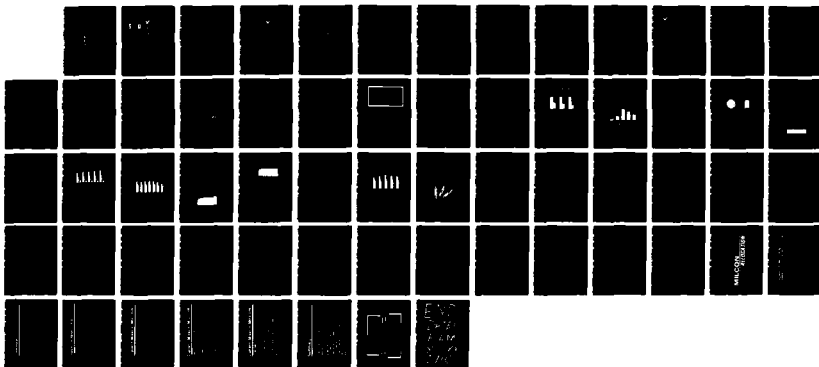
IMPACT OF THE AF MILCOM (MILITARY CONSTRUCTION) FUNDING 1/1

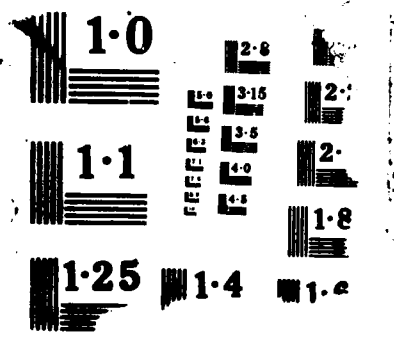
SHORTFALL ALTERNATIVES AND RECOMMENDATIONS(U) AIR
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STUDENT REPORT

IMPACT OF THE AF MILCON
FUNDING SHORFALL
ALTERNATIVES AND RECOMMENDATIONS

MAJ GORDON R. JANIEC 88-1365

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TITLE IMPACT OF THE MILCON FUNDING SHORTFALL
ALTERNATIVES AND RECOMMENDATIONS

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PREFACE

The AF Military Construction (Milcon) Program is an extremely important entity in the Department of Defense. It specifies the requirement for revitalizing and building new facilities, and seeks adequate funding through proper channels to maintain the physical plant in warfighting condition. Today AF facilities are at risk. They are not being revitalized and replaced when needed, but continue to deteriorate and become obsolete. Congress, the Department of Defense, and the Air Force are failing to provide adequate funding. The situation is critical and requirements far exceed resources (funding). Therefore, it is important to analyze and discuss this issue and implement a solution as soon as possible. The author would like to thank members of the Air Staff for providing data on the characteristics of the physical plant and Milcon funding profiles, and especially thank his wife for her assistance and sacrifice of time.

See #1473

ABOUT THE AUTHOR

Major Gordon R. Janiec graduated from the University of Washington in 1976, with a Bachelor of Science degree in Civil Engineering. He entered active duty in the Air Force in January 1977. His first assignment was as a construction management inspector, at Minot AFB, North Dakota. He soon became the Chief of the Construction Management Branch and continued in that position until late 1980. Then he moved to McChord AFB, Washington, where he was assigned as the Director of Civil Engineering for the 25th Air Division. His job responsibilities ranged from programming Military Construction (Milcon) projects to managing the operation of a power plant. He had overall accountability for the condition of facilities in the Division. After only a year and ten months on station, he was notified of a special duty assignment at the Pentagon in HQ USAF/LEE. While at the Pentagon, he participated in every facet of programming Military Construction from program formulation to attending Congressional hearings on Milcon program. Other duties included working in SAF/MII and all other offices in the Engineering and Services Directorate. Next, he was selected to move to Hickam AFB, Hawaii, where he managed the HQ PACAF programming of military construction program, the host nation programs in Japan and Korea, nonappropriated fund program, and emergency construction. A majority of his time was spent working on the Milcon program. While at PACAF, he worked closely with the Air Staff in formulating the new Milcon Allocation strategy and was instrumental in instituting the first PACAF Comprehensive Planning and Programming Conference. He is presently attending Air Command and Staff College, and has a follow-on assignment as the Base Civil Engineer at Shemya AFB, Alaska.

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EXECUTIVE SUMMARY

Part of our College mission is distribution of the students' problem solving products to DOD sponsors and other interested agencies to enhance insight into contemporary, defense related issues. While the College has accepted this product as meeting academic requirements for graduation, the views and opinions expressed or implied are solely those of the author and should not be construed as carrying official sanction.

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REPORT NUMBER 88-1365

AUTHOR(S) Major Gordon R. Janiec

TITLE Impact of the AF Milcon Funding Shortfall
Alternatives and Recommendations

I. Problem: There is a complex relationship between the facilities where people live and work, and their ability to perform the defense mission. When adequate facilities are provided, there is an improvement in the quality of life and an increase in productivity, readiness and sustainability. However, today the quality of life and the mission capability are at risk. Funding necessary for revitalizing and replacing deteriorated, obsolete facilities is not available.

II. Purpose: Analyze the impact of the Milcon funding shortfall on AF people and the mission. Identify alternatives and recommend short and long term solutions to this serious problem.

III. Discussion of Analysis: In order to assess the impact of the Milcon funding shortfall, it is essential to

understand why facilities are important, what condition they are in today, and associated cost of revitalization and replacement of deteriorated obsolete facilities. Once the importance of facilities is understood and facility requirement is known, the magnitude of the problem can be determined by comparing facility requirements to available resources (funding). The delta between requirements and resources is an indication of the magnitude of the problem. The issue is complicated for two reasons. First, the direct impact is on people, and this effect is not easily measurable. The indirect affect is on readiness and retention rates which can be measured. Secondly, the impact of the funding shortfall is gradual and not a catastrophic event. The effect will increase over a period of time. The best indicator of the magnitude of the problem is an assessment of Milcon funding, in terms of the magnitude of the delta between requirements and resources. Furthermore, the impact can also be assessed by reviewing past conditions that prevailed in a similar situation (1970s).

IV. Conclusions: Milcon funding is far short of meeting the needs of the Air Force. The delta between resources and requirements is so large that today's situation is critical. The situation today parallels a similar lack of funding that occurred in the 1970's. There are serious implications. Like the 1970's, funding is inadequate to reverse facility deterioration and obsolescence; morale and retention rates will drop to historic lows, and there will be a collateral adverse affect on readiness and sustainability. If allowed to continue, the impact of AF Milcon funding shortfall will challenge the AF's qualitative edge in defense.

V. Recommendations: The AF must begin by supporting the new strategy of "Milcon Allocation," which was developed by HQ USAF/LEE. Support must include agreement to fund a sustained Current Mission (CM) baseline. Major command (MAJCOM) commanders can help by providing offsets from accounts other than Milcon. The Air Staff can help by providing monetary incentives to commanders in the form of a \$1 for \$3 million bonus. For instance, for every \$3 Million in offsets offered by MAJCOM commanders, the Air Staff will add \$1 Million. Additionally, there must be strong corporate resolve in the AF, DOD, and Congress in getting Milcon funding levels back on-track. Lastly, the Congress must agree to support a CM baseline and let new mission Milcon float with support for National programs.

GLOSSARY

AF - Air Force
AF/CC - Air Force Chief of Staff
CINC - Commander in Chief
CM - Current Mission
CW - Chemical Warfare
DLA - Defense Logistics Agency
DOD - Department of Defense
DRB - Defense Resource Board
FY - Fiscal Year
FYDP - Five Year Defense Plan
HN - Host Nation
ICBM - Inter Continental Ballistic Missiles
JFIP - Japan Facility Improvement Program
MAJCOM - Major command
MCP - Military Construction Program
Milcon - Military Construction
msf - Million Square feet
NATO - North American Treaty Organization
NM - New Mission
O & M - Operations and Maintenance
OSD - Office of the Secretary of Defense
POM - Program Objective Memorandum
PRC - Programs Review Committee
SAF - Secretary of the Air Force
SECDEF - Secretary of Defense
TAC - Tactical Air Command
TOA - Total Obligation Authority

Chapter One

INTRODUCTION: FRAMING THE PROBLEM

"Excellent installations are the foundation of defense" from which the Air Force (AF) performs its mission to fly and fight. (6:6) Installations include the facilities, pavements, and utilities supporting the people and weapon systems responsible for accomplishing the defense mission in peacetime and war. There is a complex relationship between the facilities where people work and live and their ability to perform the mission. (8:51) People work harder, are more efficient, and better equipped to operate and maintain multi-million dollar weapon systems when the AF provides adequate facilities. (14:6) Inadequate funding denies facility revitalization and contributes to low morale and retention rates, and a decrease in productivity. (12:13) Therefore, the AF, Department of Defense (DOD) and Congress must provide adequate funding. Today requirements far outweigh resources (funding). (16:3) The current situation is critical. If this unsatisfactory situation is not corrected soon, facilities will deteriorate to a point where the AF will lose its qualitative edge in defense. As stated by Giulio Douhet, "Any action or resource diverted or not considered makes the essential aim of conquering the air that much less probable." (1:177)

This paper describes the seriousness of the current Military Construction (Milcon) funding shortfall, analyzes its impact, identifies alternatives, and recommends solutions to this critical problem. The following synopsis briefly reviews Milcon history and significant events leading up to today's crisis.

HISTORICAL PERSPECTIVE

In the 1970's AF Military Construction (Milcon) was severely under funded by Congress. (7:5) Facilities began to deteriorate, requirements accumulated at an alarming rate, and there was a devastating affect on people and the mission. Quality of life diminished, with retention rates and productivity reaching all-

time lows. (12:3,4) A change for the better occurred in the 1980s with a gradual increase in Milcon appropriations aimed at improving the quality of life and mission readiness. By 1984 the AF Milcon request was \$2.2 billion, the largest peacetime request in history. (22:3) At this funding level the AF could have reduced the longstanding backlog of requirements. However, Congress only appropriated \$1.5 billion of the \$2.2 billion request. (22:3) The funding picture remained the same for the next two years. The AF requested nearly \$2.0 billion a year, but Congress deferred \$500 million a year. The Milcon funding level was effectively capped at the \$1.5 billion mark. (18:8-15) In fiscal year 1987 (FY87), the AF Milcon account was devastated by the Gramm-Rudman-Hollings Deficit Reduction Bill. (17:3-16)

CURRENT SITUATION

Gramm-Rudman put restraints on the entire spectrum of the DOD budget, to include the AF, and more specifically the Milcon account. Congress reduced the FY87 and FY88 AF Milcon requests to the lowest levels in six years (\$1.2 billion). (18:5-10) Additionally, DOD placed severe multiyear funding constraints on the FY89-93 AF program. (29:--) Over this period the AF will experience a negative ten percent real growth and AF Milcon funding will fall to the levels of the 1970s. (29:--)

Complicating this issue, construction requirements are growing at an alarming rate. (16:8-10) The existing physical plant is relatively old, with an average age over 28 years. (23:2) Additionally, age is not distributed normally. The vast majority of the plant was built in a short period from WWII to the ICBM build-up in the early 1960s. (23:2) The 30-40 year old facilities are wearing-out and need revitalization or replacement. Furthermore, changes in force structure and new technology make many of these facilities obsolete, adding to the demand for new facilities. So, in an environment of fiscal constraints, construction requirements far outweigh the critical resource of Milcon funding.

PROLOGUE

In a recent interview on national defense, Vice President George Bush put the above issue into perspective, "The question we ask ourselves is not how much money we should spend, but what is required to keep our country secure." (3:4)

OVERVIEW

First, this paper discusses three key issues: 1) The role of facilities in the defense mission, 2) The current condition of AF facilities, and 3) The Milcon funding profile for the Five Year Defense Plan (FYDP). Next, this paper analyzes the negative as well as positive aspects of the Milcon funding shortfall. Lastly, it identifies alternatives and presents recommendations for short and long term solutions to this serious issue.

Chapter Two

CRITICAL ROLE OF AIR FORCE FACILITIES

The relationship of AF facilities to people and the weapon systems directly affects the successful accomplishment of the AF mission. (15:314) When the AF provides adequate facilities, there's an improvement in the quality of life and a corresponding change in morale, retention rates, and productivity. (8:71) Additionally, there's a collateral effect on readiness and sustainability. (15:314) Finally, facilities are prudent investments because they have a favorable benefit/cost ratio, act as force multipliers, and have the potential for a fast payback. (9:90-97) Facilities are the "Foundation of Defense," as illustrated in Figure 1 below. (6:6)

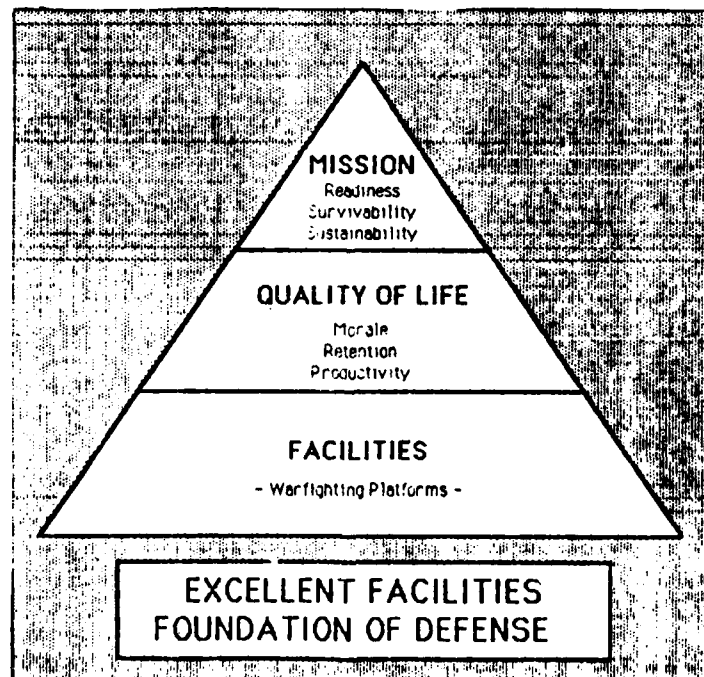


Figure 1: AF Facilities as the "Foundation of Defense" (6:6)

Although the relationship between facilities, people, and the mission can be simply represented as seen in Figure 1, the affect of one upon another is complex and dynamic.

IMPROVING THE QUALITY OF LIFE

Quality of life improvements (in terms of better dormitories, dining facilities, chapels, child care centers, and many others) have the collateral effect of improving morale, increasing retention rates and improving productivity. (8:52) For instance, since the 1970's, the Department of Defense has increased annual investment in the Milcon account by more than 35 percent and seen significant improvements in the areas mentioned above. (8:51) Furthermore, the AF's Tactical Air Command (TAC) credits facility investment with significant increases in productivity and efficiency. In testimony before Congress, James P. Wade, Assistant Secretary of Defense for Acquisition and Logistics, described the effects of TAC's investment in facilities: "TAC invested \$1 billion on facilities and increased aircraft availability and safety to an equivalent of having an additional 336 fighters worth \$5.1 billion, saved \$1.7 billion in planes that did not crash, and also saved the lives of 115 aviators." (12:3) Other AF Major Commands (MAJCOMs) are also improving the quality of life by investing in facilities.

A major share of the total AF Milcon, called Current Mission (CM) Milcon, is dedicated to improving the quality of life where people live and work. (18:8-20) CM Milcon provides a conducive living environment by programming facilities as mentioned above. Furthermore, CM Milcon upgrades the workplace by revitalizing or building new operations, training, maintenance, supply, and, administrative facilities, and by upgrading utility systems. Revitalizing and building new facilities not only affects the quality of life, but also improves readiness, sustainability, and survivability. (6:438)

INCREASING READINESS, SUSTAINABILITY, AND SURVIVABILITY

Facility investments improve warfighting capabilities by increasing readiness, sustainability, and survivability. (6:438) Providing facilities in a prepositioned posture (in Europe, the Pacific, and S.E. Asia to store War Readiness Materials (WRM)) increases readiness and adds to the AF's staying power. For example, in the AF FY89 Milcon request there's a \$1.1 million Rapid Runway Repair Equipment Storage facility programed at

Clark AB in the Philippines. (28:--) Additionally, there are similar facilities programed for Osan and Kwang-Ju ABs in Korea, and in Europe at Aviano, Italy, and Bitburg, Ramstein, Hahn, and Sembach in Germany. (28:--) All of these projects enhance readiness and sustainability. Furthermore, upgrading a facility can increase its functional efficiency, which improves readiness. (10:340-348) For example, an avionics equipment repair facility can be modernized by properly configuring the facility to accommodate state-of-the-art equipment and processes. Modernization can lead to increases in equipment repair rates, equipment availability, and ultimately, readiness. In FY89, an old storage warehouse at Misawa AB, Japan, will be revitalized to improve their jet fuel storage/build-up capability. (28:--) Lastly, facilities enhance survivability of AF assets by providing structural hardening and chemical/biological warfare protection. (12:14,15) In FY89 flow-through aircraft shelters are proposed for Clark AB in the Philippines. Chemical/biological warfare (CW) protection projects are programed for existing facilities at Misawa AB in Japan, and similar CW projects at Alconbury, Lakenheath, and Upper Heyford, England, and Aviano AB in Italy. (28:--) Other facilities that benefit from hardening and CW protection include tactical operational centers, command control communications and intelligence facilities, and power plants.

Failure to provide these improvements denies proper operation of expensive, highly technical warfighting weaponry. It also denies the multiplying effect a new or revitalized facility might add.

FACILITIES AS FORCE MULTIPLIERS

Another affect of investing in Milcon is that it allows military forces to increase their workload without increasing the size of the force, in other words, force multiplication. (8:69-72) Revitalized or new facilities promote increases in morale and corresponding increases in efficiency and productivity. For example, when a facility is properly sized, configured, and equipped, people do a better job, work faster, and can handle a larger workload. The TAC example used earlier is a case-in-point.

Listed on the next page in Table 1 are projects in the AF FY88/89 Milcon that act as force multipliers.

FACILITIES AS FORCE MULTIPLIERS

ATTRIBUTES	PROJECT DESCRIPTION
* EFFICIENCY/PRODUCTIVITY	o Vehicle Maint Fac Upper Heyford, England
	o Acft Maintenance Fac Williams AFB, AZ
* PREPOSITIONING	o Jet Fuel Storage Osan AB / Yokota AB
	o RRR Equip Stor Hahn AB
* SURVIVABILITY	o Acft Shelters Clark AB
	o Chem/Bio Protection Misawa AB, JP
	o Passive Def Equip Stor Ramstein AB, GE

Table 1: Facilities as Force Multipliers (28:--)

In addition to the multiplication factor, investing in facilities offers an attractive benefit/cost ratio and potential for a fast pay-back.

INVESTMENT OPPORTUNITIES

Investing in facilities offer a high return on the initial investment. Construction projects may only cost a fraction of the assets being stored or protected. Other projects amortize in a short period of time.

The Pacific Air Forces has programed three FY88 Milcon projects to outfit existing facilities with fire protection systems. (28:--) The projects provide overhead wet sprinkler systems in warehouses and under-wing automatic aqueous foam protection for aircraft in hangars. At Clark AB there's a project for \$2.15 million, at Hickam AFB a \$1.55 million project, and at Kadena AB a \$1.85 million project. (28:--) The assets being protected by the fire protection system at Kadena AB alone exceed \$100 million. (28:--) The benefit/cost ratio is obviously in favor of the investment. Furthermore, investing in facilities can offer fast paybacks. For instance, as stated in the TAC \$1 billion facility investment, "a facility investment in an aircraft maintenance unit only takes three and one-half

additional minutes per day per airman to amortize the initial cost." (7:71)

In summary, facilities play a key role in the lives of AF people and their ability to perform the AF mission. Facilities improve the quality of life and enhance efficiency. Investing in facilities offers collateral benefits to readiness and sustainability through prepositioning and improving functional efficiency of existing facilities. Lastly, it's hard to deny the tremendous effect facilities have as force multipliers and their excellent investment potential as fast payback candidates.

Armed with the knowledge of the importance of facilities, the next chapter will focus on analyzing the condition of the physical plant and comparing needed requirements to available AF Milcon funding.

Chapter Three

THE FUNDING DILEMMA

Although facilities are extremely important, funding to replenish worn out and aging assets has been deferred and remains a critical resource in very short supply. (24:2-4) In order to assess the magnitude of this problem, the existing physical plant characteristics of size, age, and condition will be reviewed. Next, Milcon requirements will be identified, followed by a review of the past and present Milcon funding profile. Finally, a comparative funding analysis will identify the delta between what's needed and what's available, and also analyze any apparent trends. The magnitude of the delta between requirements and resources will form the basis for the discussion in the next chapter on the impact of this funding shortfall.

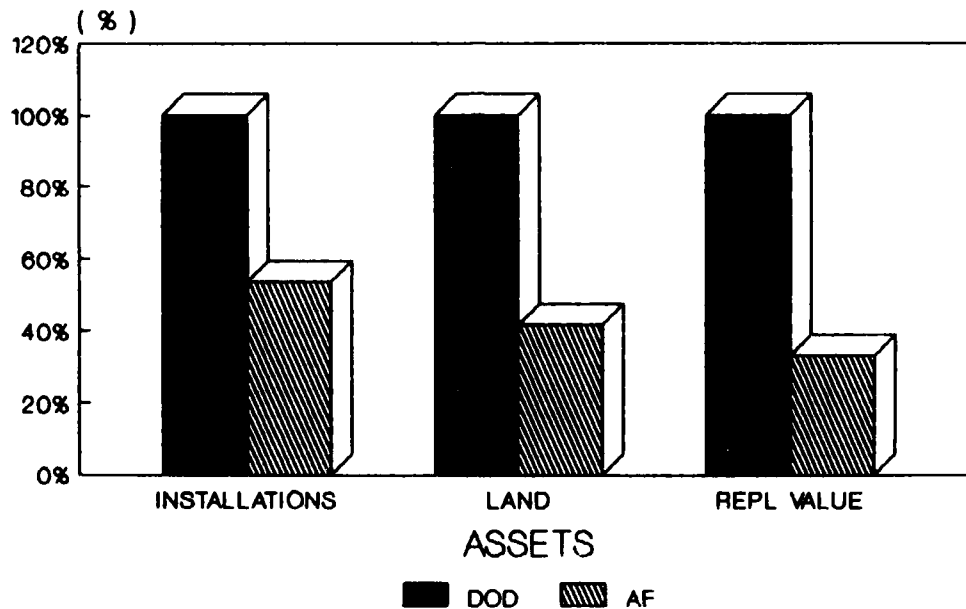
THE EXISTING AF PHYSICAL PLANT

Size and Scope of the Inventory

The AF physical plant is composed of a large collection of pavements, buildings, and utilities that are included within 2,935 installations covering 10.7 million acres of land. (18:7) Other assets include 506 million square feet (msf) of buildings, 247 msf of airfield pavements, 89 msf of other pavements, 11,400 miles of roads and streets, and 140,000 family housing units. (18:7-11) The associated replacement value of this physical plant, (excluding family housing), is \$117.4 billion. (18:7-11)

The chart on the following page, simply compares AF assets to the Department of Defense inventory.

AF vs DOD ASSETS (% COMPARISON)



AS OF JAN 1988

Figure 2: AF Compared to DOD Assets (18:7-10; 7:3)

From the chart above, it's obvious the AF physical plant assets are very large and of high dollar value. But an analysis of true value is not restricted to an evaluation of only size and replacement cost, but must include an analysis of age and condition of facilities.

Age of the AF Physical Plant

The average age of AF facilities is 28 years; however, the age is not normally distributed. (23:2) Twenty seven percent of facilities still in use were brought into the inventory prior to or during WWII. (23:2) Following WWII two key events triggered a surge in construction of facilities, the Department of Defense

Reorganization Act of 1947 and the advent of the Korean War. (23:2) Further expansion was marked by the continuation of the cold war and the ICBM buildup in the early 1960's. The last real construction build came as a result of President Reagan's resolve to build a strong defense in the 1980's. This period ended abruptly in 1986 with the enactment of the Gramm-Rudman-Hollings legislation and the politics of deficit reduction. The following chart graphically depicts the age of AF facilities still in use.

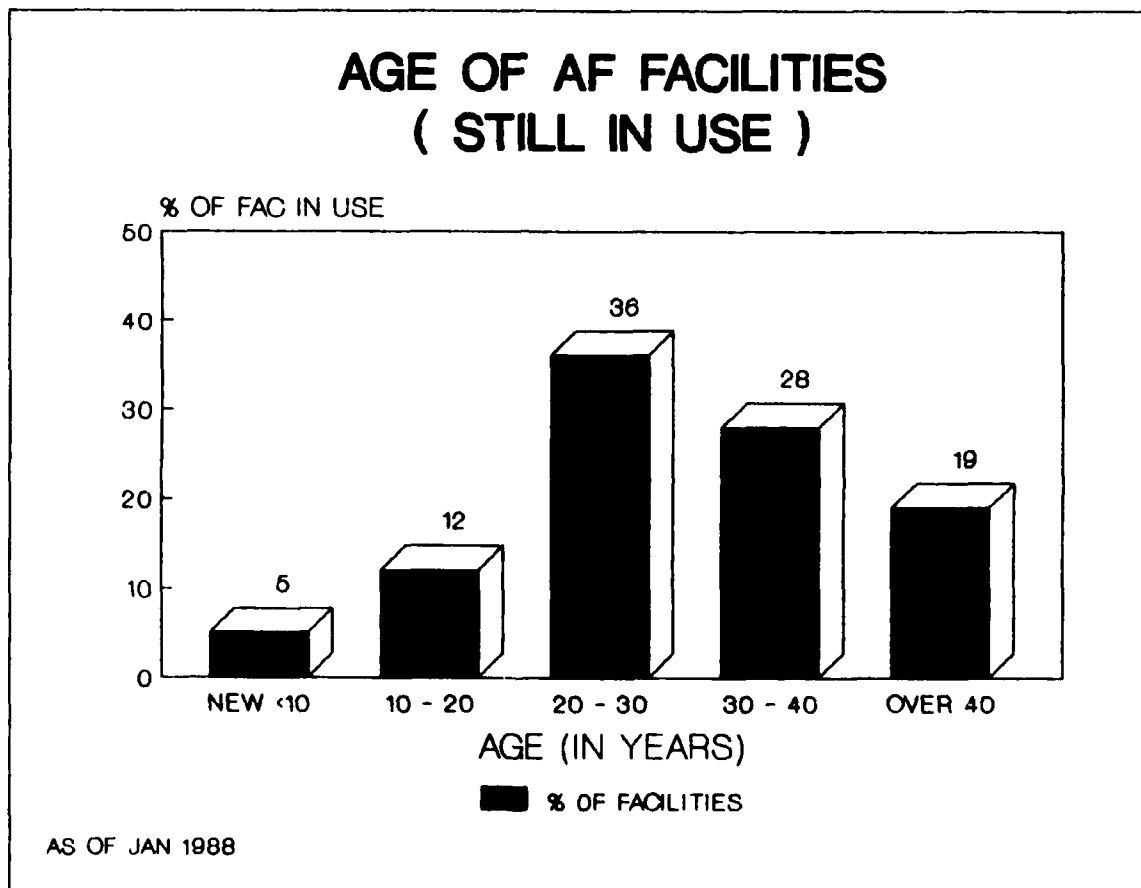


Figure 3: Age of AF Facilities (23:2)

From the chart above it is interesting to note that only 5 percent of the facilities in use are less than ten years old. Furthermore, only a small percentage of these facilities replaced deteriorated, obsolete buildings. The majority of facilities were constructed to support new weapon systems. (29:--) As shown graphically above, AF facilities are old. How can the AF function effectively with these aging assets?

Age is only one indicator in assessing the true value of AF facilities and can sometimes be misleading. For instance, a facility that was constructed during the Vietnam War era on Clark AB in the Philippines may have been built using either concrete block or metal. The metal facilities are known as Quonset huts. They were originally constructed as temporary facilities, with an expected life of 5 years. They consist of merely thin sheets of metal fastened to a wooden framework. Although both types of facilities were constructed during the same time period, it is most likely only the concrete structure still remains in acceptable condition. Today both facilities appear on the AF's Real Property records at the same age. Therefore, to accurately assess the AF physical plant, the condition of facilities must be taken into consideration.

Condition of Facilities

The condition of facilities that make-up the AF physical plant inventory are classified into three condition code categories. (23:10-13) Code one facilities are buildings that are functionally and structurally adequate and only require normal repair and maintenance to maintain. Code two facilities are substandard buildings, but upgradeable through a major repair or revitalization effort. Code three facilities are substandard, but not upgradeable because they are beyond economical repair. The only remedy in this case is facility replacement. If code three facilities are allowed to remain in the inventory, they consume a disproportionate share of normal Operations and Maintenance (O&M) monies and are high energy users. (10:341,342)

Key factors in the chart on the following page indicate that an alarming one third of AF facilities are substandard. Furthermore, 23 percent of these substandard facilities cannot be upgraded and must be replaced. However, they remain in the inventory and continue to eat up valuable O&M monies. The current cost estimate to replace code three facilities alone approaches six billion dollars. Figure 4 on the next page represents a graphic picture of the condition of AF facilities.

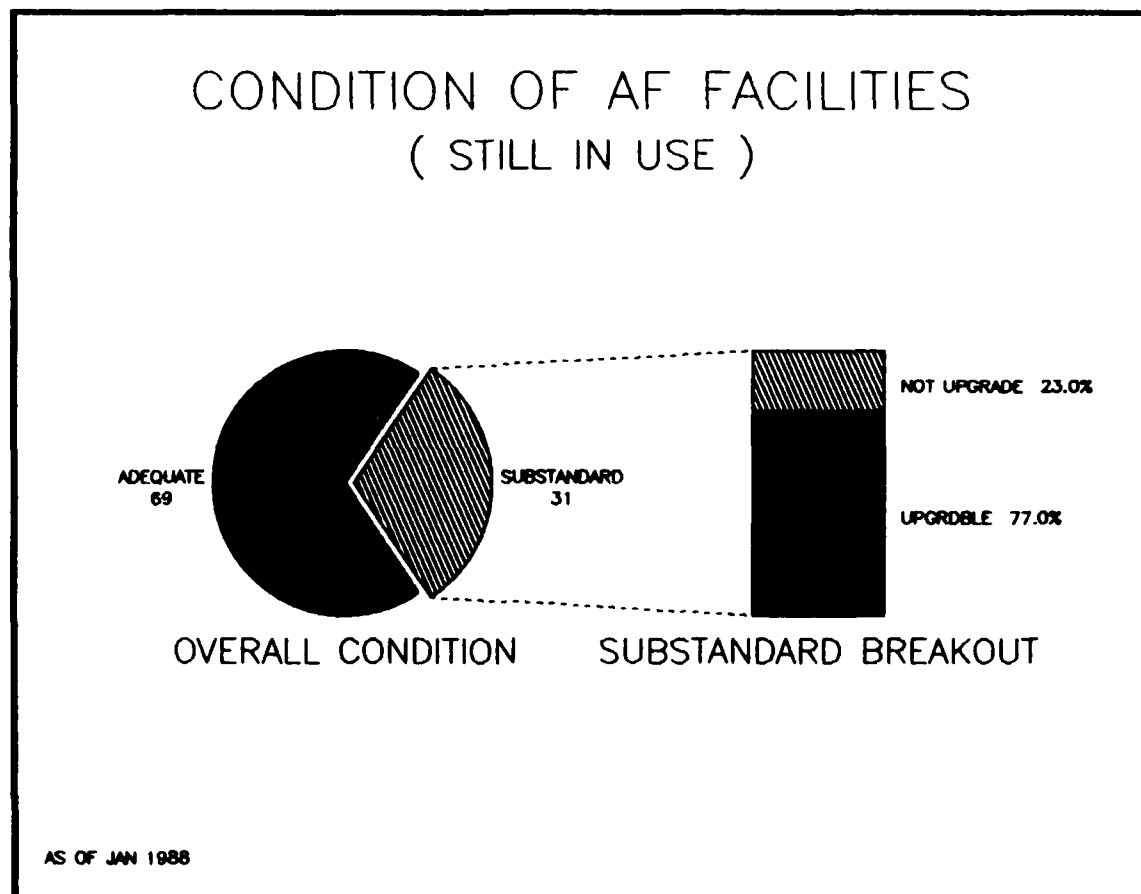


Figure 4: Condition of AF Facilities (17:21-24; 22:6)

Ofcourse, the aging process can't be stopped. But, the AF can identify requirements associated with upgrading code two and replacing code three facilities and dedicate CM Milcon funding to satisfy these requirements.

Upgrading substandard facilities is only part of the cost of the Milcon bill. The total Milcon requirement includes the cost of providing new facilities to satisfy existing space deficiencies and facilities to support new weapon systems.

THE FUNDING SHORTFALL

Determining the Total Requirement

Military construction requirements evolve from two general categories, New Mission (NM) and CM Milcon. (19:12) New Mission Milcon requirements are characterized by projects that support weapon system beddowns, force structure changes and capabilities that increase force sustainability, readiness or rapid deployment. (19:12) They're sometimes referred to as "must pay" requirements because they support programs that directly affect national security. (20:1) CM Milcon, as discussed in Chapter 2, are projects that revitalize existing assets through upgrade or replacement, and build new facilities to eliminate existing space deficiencies. (19:12) The composition of the Military Construction Program (MCP) is a mix of NM and CM requirements.

Theoretically, in an unconstrained funding environment, the annual Milcon request would include the sum of all NM and CM requirements. Realistically, this is not possible because of the constrained funding environment. Requirements are not funded all at once, but stretched over a realistic period of time. To do this, the AF should provide a sustained CM Milcon funding baseline then include NM Milcon as dictated by support of national programs. (17:2-10) The following graph depicts a picture of this total Milcon requirement.

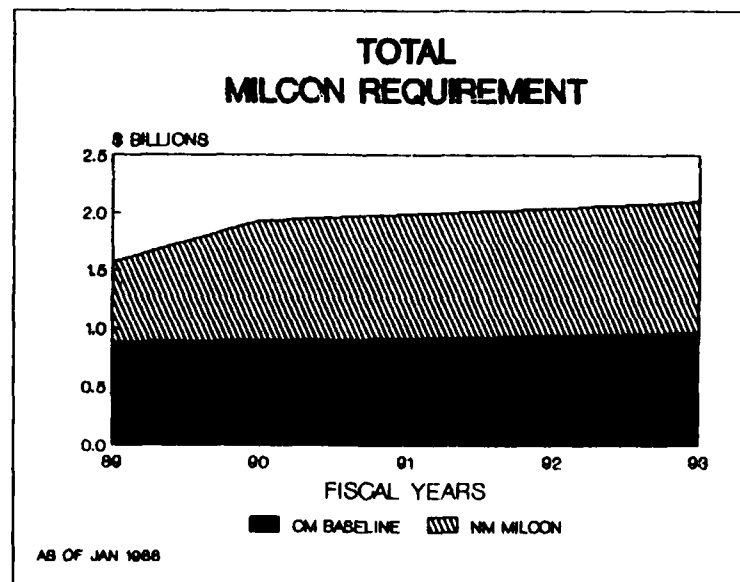


Figure 5: The Total AF Milcon Requirement (17:2; 19:6)

The objective of this strategy is to provide for continued growth but at the same time prevent unrealistic expectations. (17:2-10) This has not always been the case; there has never been a sustained CM Milcon funding baseline.

Cost to Satisfy the Requirement

In the past, the Air Force has been extremely successful in defending NM Milcon; however, defense of a sustained CM Milcon funding level has not been successful. (22:2-7) Since 1982, defense of CM Milcon has been centered around the need for a funding level equal to two percent of the replacement value of the physical plant. (11:301) This is equivalent to maintaining a building for 50 years before replacement. The credibility of this requirement was based on two considerations: experience from the 1970's and a review of commercial industry standards for funding revitalization and new construction. (11:301; 9:98) In the 1970's, Milcon was funded at only one percent the replacement value of the physical plant. (7:4) The results were devastating. Facilities deteriorated, a backlog of requirements grew beyond a manageable level, and collateral effects were seen in low retention rates, morale, and productivity. (12:3,4) Funding at this level is unacceptable. At the other end of the spectrum, the AF looked into commercial industry standards for funding revitalization and new construction. Commercial industry upgraded facilities between the 30 to 40 year mark. (26:--) Furthermore, facilities over 40 years old are not considered for renovation, but are replaced. (26:--) However, the commercial industry incentive to replace and build new is directly related to tax incentives and profit motives, rarely need. After evaluating each alternative, the two percent level was agreed upon and supported by the Secretary of Defense (SECDEF). (7:5)

The chart on the next page displays a relative comparison of the various funding levels. As seen in Figure 6, there is a substantial difference between the alternatives. The commercial industry standard represents an investment equal to 3 percent of the replacement value of the physical plant. Also shown is the funding received in the 1970's (1% RPL VAL), and the two percent funding level. Compare these funding levels to current funding available (FY89 BES), and required funding pictured as the CM Milcon baseline. The CM Milcon baseline is defined as the amount of funding necessary to promote real growth in CM Milcon while constraining unrealistic expectations. (25:2)

FUNDING ALTERNATIVES

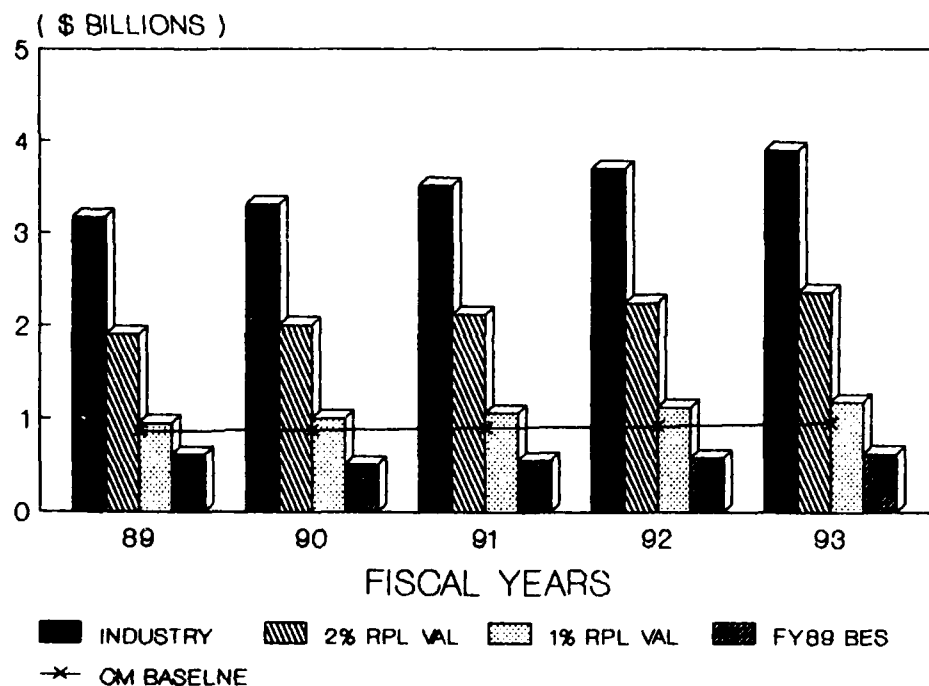


Figure 6: Comparing the Funding Levels (7:5; 29:--; 19:5-15)

Which funding alternative is realistic and will satisfy the current requirements? To answer this question, the AF Milcon funding profile will need to be analyzed.

Actual Expenditures - AF Milcon Funding Profile

As mentioned previously, Milcon funding in the 1970's fell severely short of meeting AF Milcon requirements. Underfunding had a lasting effect on facilities, quality of life, and mission capability. Funding increased significantly in the early 1980's, reaching a high at around \$1.5 billion. (21:6-15)

The Milcon program stabilized at that mark until in 1986 the politics of deficit reduction took hold and funding levels began to decline. (18:7-10) Recent Congressional appropriations for the FY87 and FY88 Milcon programs fell to a six year low at only \$1.2 billion for each year. (28:--) The following graph shows this funding trend.

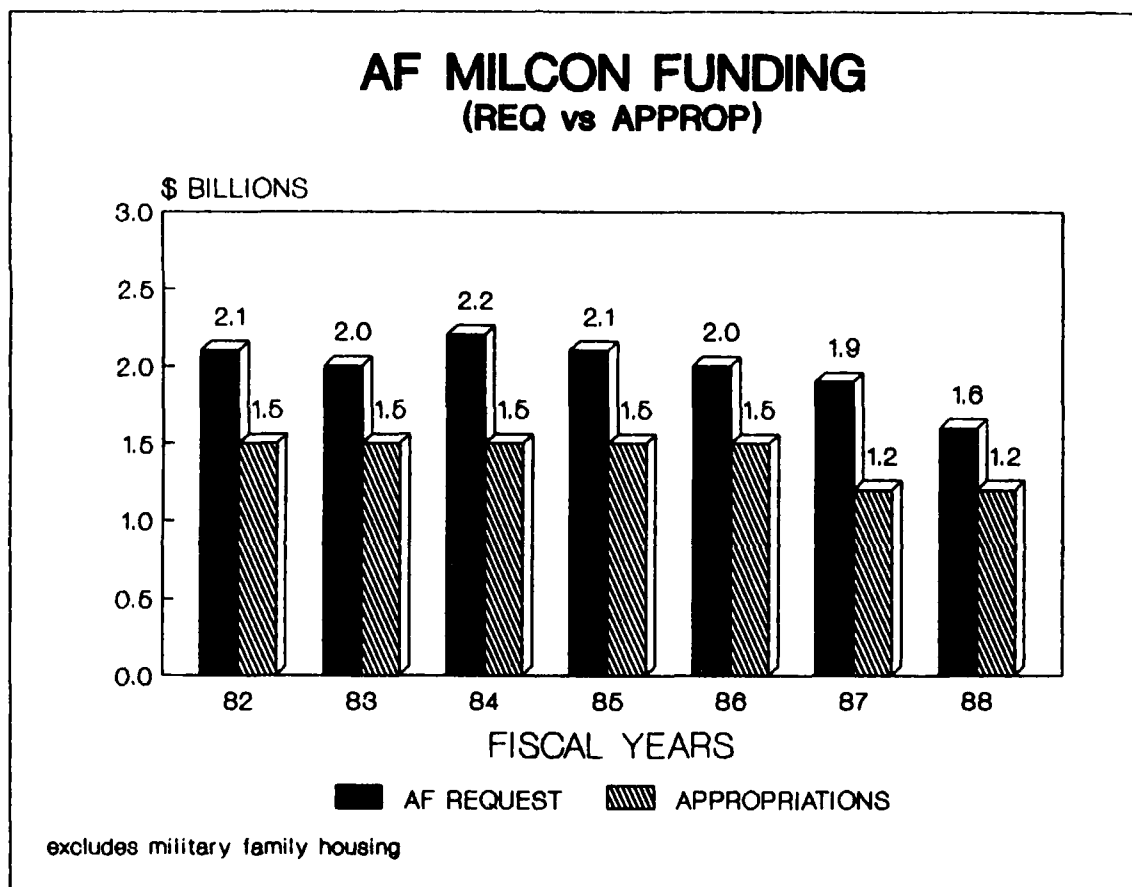


Figure 7: Milcon Funding Profile (17:3; 24:5)

As seen in the graph above, Congress continually cuts the AF request by approximately \$500 million per year. In fact, the trend indicates that Congress has capped the AF Milcon at \$1.5 billion, and recently reduced the AF requests even below this mark. Additionally, DOD is complicating this funding dilemma.

In response to the politics of deficit reduction, DOD is now

placing severe funding constraints on the outyear AF budget. (17:16) The FY88 AF budget fell from a \$105 billion request down to \$97 billion. (29:--) The FY89 budget will be \$95 billion, with subsequent years falling to \$90 billion and below. (29:--) The overall effect will be negative ten percent real growth for the AF. (29:--) Two additional developments have added to keep the pressure on the federal government to reduce defense expenditures: the stock market fall of 19 October 1987, and the record decline in the strength of the dollar. Furthermore, in a press conference 22 October 1987, President Reagan stated that when it came to reducing the budget, "everything with the exception of social security is on the table." (30:--) The AF Milcon program, in particular, will be hit hard.

For FY89 and throughout the FYDP, AF Milcon funding levels fall to the low funding levels seen in the 1970's. (25:6) Further investigation into the outyear funding profile indicates two significant problems. First, for FY90-93, the AF program projects Milcon funding above the \$1.5 billion mark. (17:2) This appears to be unrealistic, when considering past funding trends and pressure to reduce the deficit. Secondly, if a line is drawn at the \$1.5 billion mark and NM Milcon is paid first to support the national programs, CM Milcon will be reduced far below a level that is sufficient to deter the continued deterioration of AF facilities. The following two charts show this cause and effect relationship.

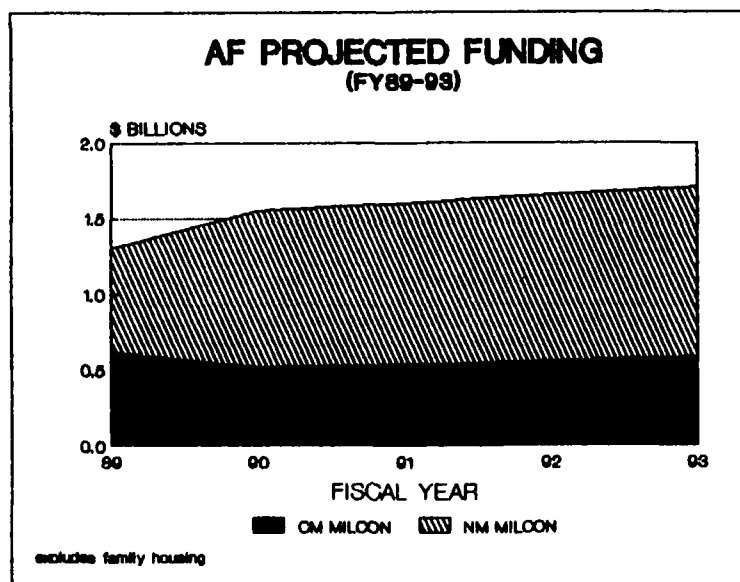


Figure 8: Projected NM and CM Milcon funding (19:18)

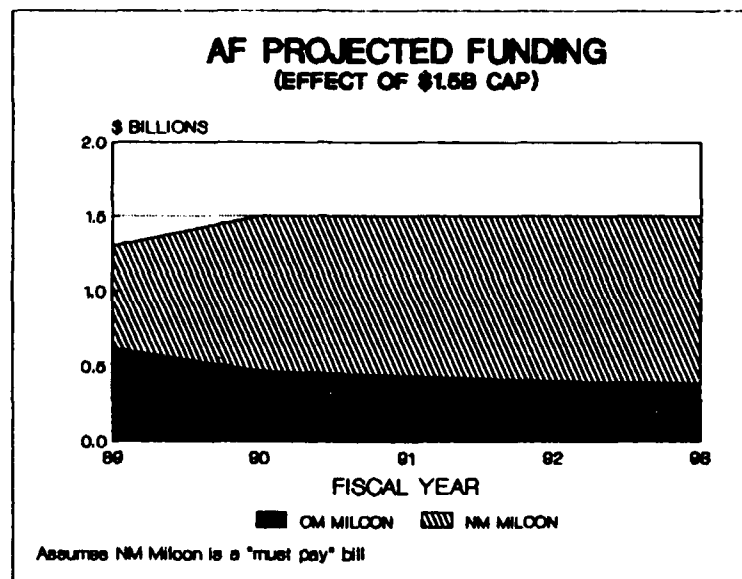


Figure 9: Effect of the \$1.5 Billion Congressional Cap (19:19)

Now, to determine the true delta, compare total Milcon requirements identified in Figure 5 with projected AF funding identified in the above graph. The delta is significant!

The affect of the funding shortfall will be dramatic and affect every service member, function, and staff element. It could ultimately change the way the AF operates and challenges the AF claim to having a qualitative edge over the Soviets. The next chapter will take this issue a step further and analyze the specific impact this funding shortfall will have on the AF.

Chapter Four

IMPACT OF THE FUNDING SHORTFALL

The recent decline in Congressional Milcon appropriations, coupled with increasing NM and CM Milcon requirements, have lead to a critical funding shortfall. If continued without correction, the impact of the funding shortfall will be devastating. There will be a decrease in the quality of life and collateral effects that strike at the heart of AF mission capability. Additionally, without adequate funding, there will be intense competition for remaining Milcon monies. The AF will have an extremely difficult time in balancing the composition of the Milcon program between people and weapon system projects. As in the past, people programs will suffer at the expense of new weapon systems. However, not all of the effects of the shortfall are negative. In an effort to increase Milcon funding, the AF has developed a new, credible Milcon allocation strategy and uncovered other sources to fund Milcon requirements.

NEGATIVE EFFECTS

CM Milcon Paying NM Milcon Bills

One of the most critical, but hidden, effects of the shortfall in Milcon monies is that NM Milcon is being paid for with CM Milcon monies. (19:19) In essence, dormitories, child care centers, chapels, gyms, and many other community support facilities are being deferred, indefinitely, to provide funding for facilities that support the B-1 bomber, Ground Launch Cruise Missile (GLCM), and other national programs. In a FY86 Congressional AF Milcon hearing, a DOD witness made specific mention of concern that the facility modernization (CM Milcon) needs must keep pace with new weapon systems acquisitions. (2:347). Again in FY87 and FY88, the modernization program was emphasized to the Air Staff Board, OSD, and Congress. (10:346) However, CM Milcon was not protected. Politics of deficit reduction and pressure to fund NM Milcon contributed to severe cuts in the FY88-92 CM Milcon program. (17:16)

The following chart is a pictorial audit trail of the severe outyear CM Milcon cuts.

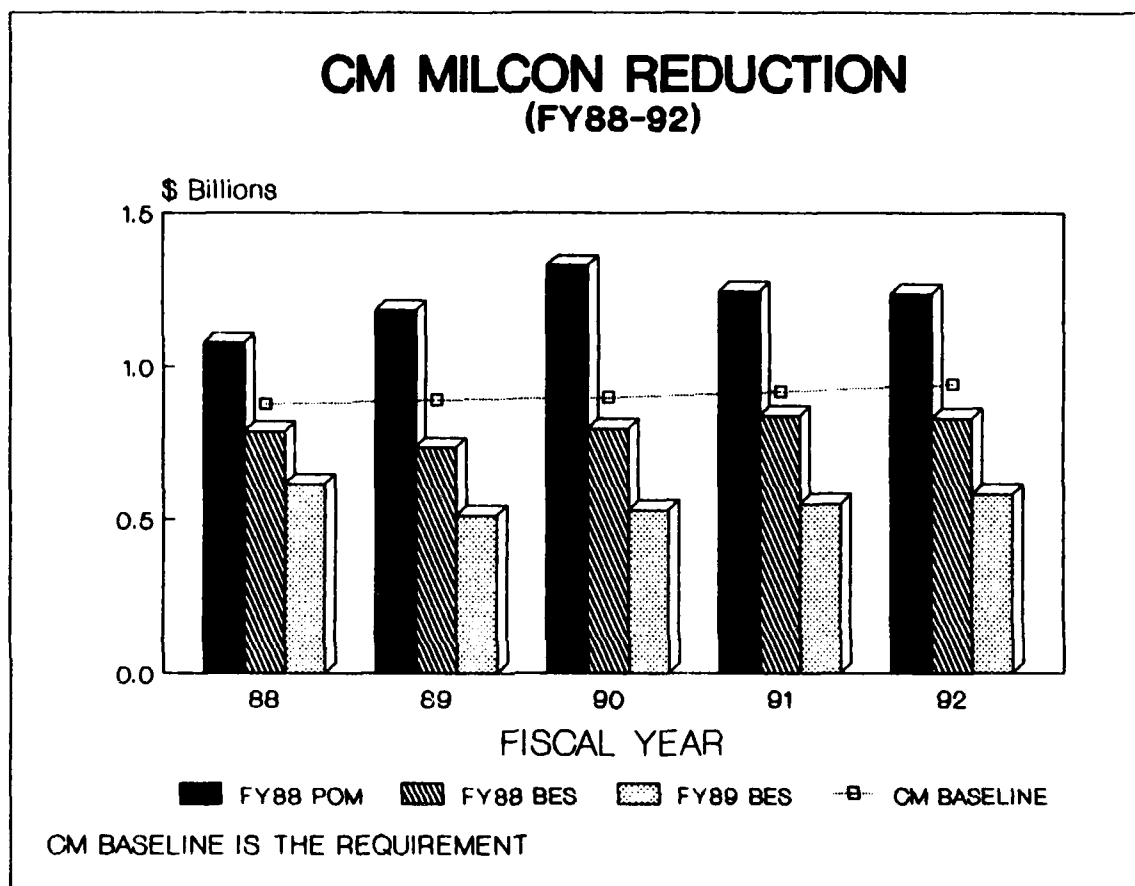


Figure 10: FY88-92 CM Milcon Cuts (17:16)

The chart above reflects the result of paying NM Milcon first and using the remaining limited funds to revitalize facilities. CM Milcon will be reduced to approximately a \$500 million investment per year, which is equivalent to replacing a facility every 235 years. This would only be acceptable if the AF was in the business of building castles! It is not.

The NM for CM Milcon trade-off is not acceptable, the impact is critical. If this continues, the AF will not have sufficient funding to reverse the deterioration of AF facilities. (19:19)

Deterioration and Obsolescence

The most obvious impact of the funding shortfall is deterioration and obsolescence. They could have a lasting catastrophic affect. (11:301) Without adequate funding, facilities that are old get older. Substandard facilities in need of upgrade are not revitalized. Facilities that can not be economically upgraded will not be replaced by new facilities. The old adage in the TV commercial, "Pay me now or pay me later" is appropriate for this situation. The threat is three dimensional: 1) it's a cost to the future, 2) false economies and, 3) adversely impacts quality of life and mission capability. Here's a graphic representation of the effects, best illustrated by the action of one domino upon another.

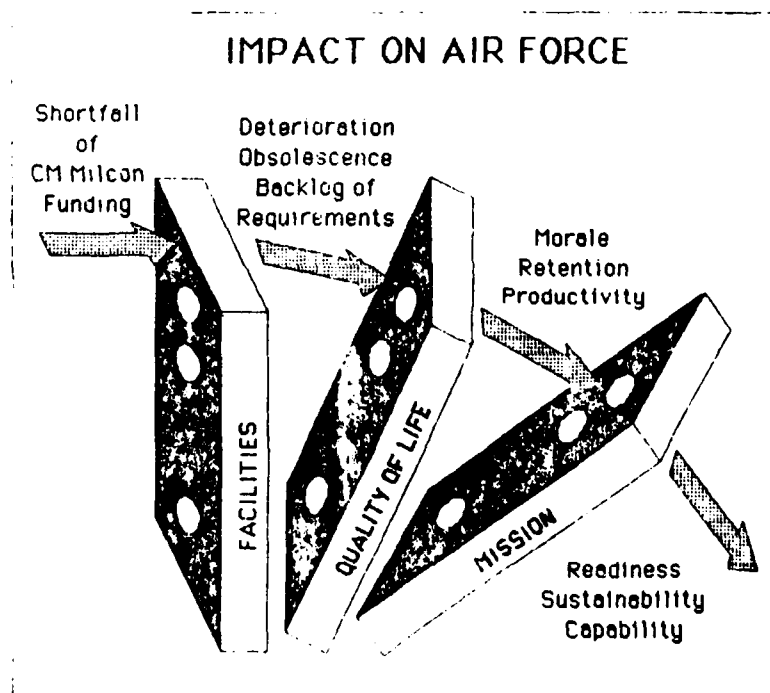


Figure 11: Domino Effect of the Milcon Funding Shortfall (7:108)

As stated by a DOD witness in a Congressional hearing on the AF Milcon program, "Investment in the physical plant must be a pay-as-you-go proposition. Deferring the costs is like mortgaging the future. The cost is still there, except it's even

more expensive two or three years later." (7:4,5) Furthermore, it's also a missed investment opportunity. As stated in Chapter 2, investing in facilities can offer high benefit/cost ratios, and can amortize relatively fast. (9:94) In addition to the missed opportunities and high future costs, there will be significant collateral effects.

Deferring projects that revitalize the physical plant promote false economies. (12:13) A substandard facility, still in use, requires a disproportionate share of O&M monies. Today O&M funding is scarce. (6:438) The O&M account is in deeper despair than the Milcon account. Here's a chart that graphically illustrates the reduction in that account.

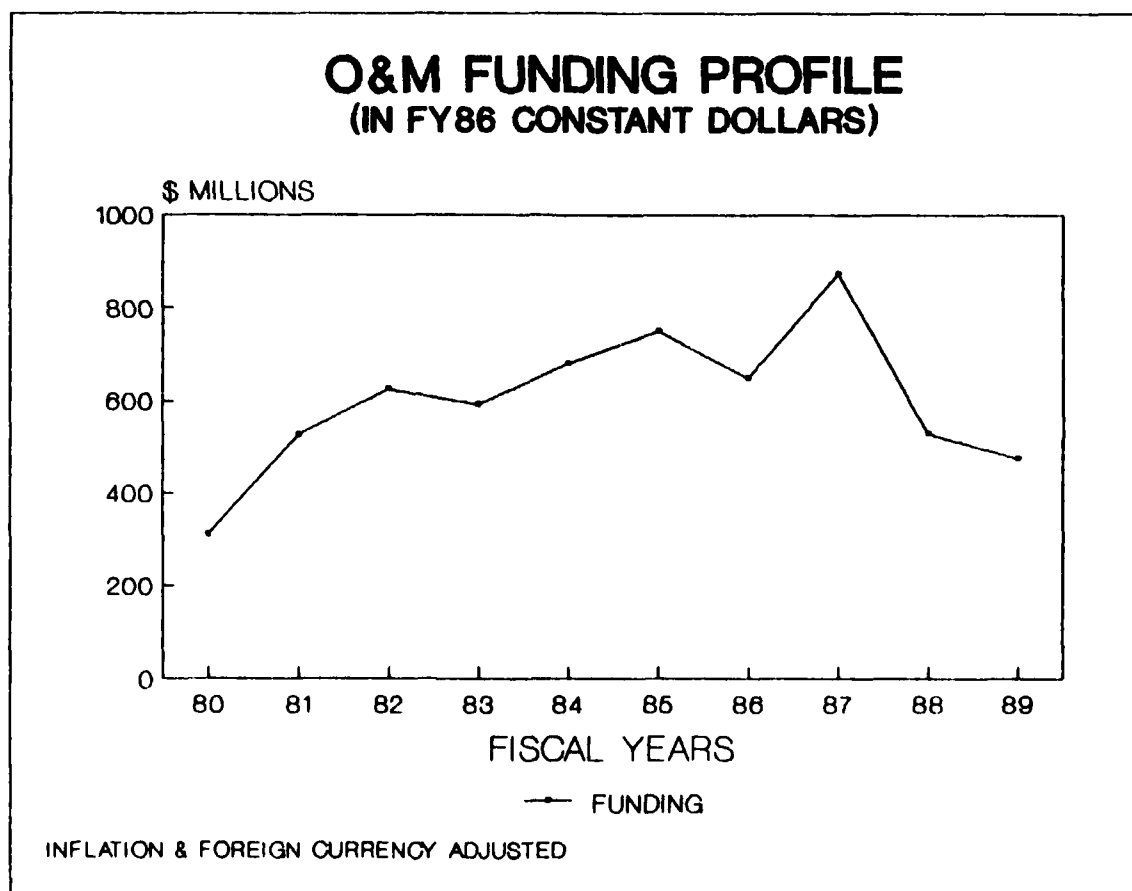


Figure 12: AF O&M Funding Profile (27:--)

Not shown in the chart on the previous page is the backlog of maintenance and repair projects. For FY89 the backlog is approximately \$870 million. (27:--)

In addition to consuming O&M monies, older facilities were not originally designed to conserve energy or accommodate sophisticated environmental controls or avionics equipment. For instance, precision measurement equipment laboratories, avionics shops, and flight simulators associated with F-15/16's require facilities that meet stringent environmental control criteria. Furthermore, old dining halls were not designed to handle the new ala carte method of food handling. The result is a markable decrease in efficiency and productivity. (9:94) As stated in Congressional testimony, "because of poor facilities throughout the Defense establishment we probably get no more than 60 to 70 percent productivity." (9:94) Productivity is also affected by morale and retention problems. (7:108)

Failing to take care of the facilities where people live and work could place undue stress on the individual. There's a perception of lack of concern and neglect. For instance, here's a comment often heard, "If the AF cared about us, they would fix these things." With this kind of attitude, there is a high probability that morale, productivity, and professionalism will decline. In Congressional testimony by the Deputy SECDEF, the effect is explained, "maintenance would suffer, training would deteriorate, crew proficiency would be undermined, and reduced quality of life for service personnel would hurt morale and increase turnover. That would mean higher training costs for less experienced forces and indeed overall reduced readiness." (12:3) Congressional testimony from people of this caliber in the DOD and AF help to build credibility; however, funding for these projects continues to be a problem.

It's a periodic problem, and the seriousness of the issue is still hidden from view. As DOD and Congress constrain the CM Milcon program in the years to come, the impact of funding neglect will become readily apparent. Today the basic issue centers around the level of funding and direct relationship between CM Milcon requirements and the relative need of the existing physical plant. Once the AF is successful in justifying the need, funding will increase. Its ironic that the funding shortfall has prompted a detailed investigation by the AF into new strategies that are leading to quantifiable results.

POSITIVE AFFECTS

The search for a strategy to reverse the current funding shortfall has lead to an orchestrated effort in setting new realistic objectives, obtaining AF corporate level support of the Milcon program, and providing a credible distribution of CM Milcon resources based on relative need. (19:5-8) Additionally, the Air Staff is investigating new funding sources.

A New Strategy

In the past four years, the AF Milcon request to Congress has approached the two billion dollar mark. (18:30) However, as stated earlier, Congressional appropriations only amounted to \$1.5 billion. (19:18) The loss of AF total obligation authority (TOA) on the hill had an adverse impact on the mindset of the AF corporate board leadership. (17:5-15) Milcon was perceived as not having the ability to deliver the AF TOA. So, the AF decided to constrain Milcon to prevent TOA loss. The loss of confidence was attributed to the lack of credibility of the request and inability to measure results against objectives. (24:6)

Compounding the issue of Milcon TOA loss was the effect of deficit reduction. The Department of Defense was hit with a sizeable funding reduction, and AF CM Milcon was heavily targeted. To comply with the reduction, the Air Staff cut all MAJCOM CM Milcon accounts by an equal percentage. (17:6) The cut was taken without a review of how the new distribution of CM TOA affected the AF physical plant. This prompted MAJCOM commanders to question the distribution of CM TOA and overall objectives of Milcon modernization funds. (17:4)

In September 1986, the new AF Chief of Staff (AF/CC), General Larry D. Welch, directed an inquiry into the methodology involved in the distribution of AF Milcon TOA. (17:4) He thought there was a better way. (17:4) (It's interesting to note that General Welch was CINC Strategic Air Command during the equal percentage cut drill mentioned above.) In February 1987 a new strategy was announced at Corona South. (19:1) The new methodology was called the "Milcon Allocation" strategy. (19:1) The new strategy is guided by several key goals: 1) support real growth in the Milcon, 2) limit TOA loss, 3) seek the right distribution, 4) MAJCOMs keep the stick for program content, priorities, and initiatives. (17:8) The objectives are realistic and measurable. They seek real growth by establishing a CM Milcon baseline that promotes steady growth. (17:11) Funding is equitable and

distributed based on relative need rather than determined by free competition in the Program Objective Memorandum (POM), as done in the past. (19:17) Lastly, MAJCOMs would remain in control of program content, and when reductions were necessary, project cuts would be taken in accordance with the same methodology used for initial distribution of the CM resource. (19:17) An excerpt from Corona South conference, describing the Milcon Allocation strategy, is provided at appendix A. This new strategy has been distributed to all MAJCOMs as part of their FY90-94 POM guidance. The program will go into full effect in FY91; however, there are some problems.

The most significant problem with the new Milcon Allocation strategy is that the only funds available are those that are already in the POM. Existing TOA will not fund the needed CM baseline, but only reallocate existing TOA according to relative need. To fund the full CM baseline, MAJCOM CINCs will need to use offsets from other accounts to fund their respective command's difference between what is in the POM and their CM baseline. The average cost to each command will be between \$8-10 million per year. (19:3) Although the CINCs will be reluctant at first to use offsets, they will change their mind as they see the new strategy build credibility with Congress and increase Milcon appropriations. The collateral affect of this strategy is that it has promoted a new interest, and more participation, in the Milcon program at every level.

Collateral Effects of the New Strategy

By virtue of the AF/CC presenting the Milcon Allocation strategy at Corona South, AF Milcon began to be looked at in a new light. The Air Staff recently added a facility panel to their board structure. MAJCOMs followed suit and instituted their own facility boards, within their respective commands. Likewise, at numbered AF and base level, facility working groups have been established to review and prioritize requirements that are now based on relative need. For example, in Europe the numbered AFs (3rd, 16th, and 17th) now have an engineer on their respective staffs to help in Milcon project formulation and submittal. Also at Clark AB in the Philippines, the program has grown so big and has gained enough importance that a 13AF Headquarters working group has been formed to oversee the Milcon program. Milcon is gaining momentum, and with the oversight of the AF/CC and other key players at every level of command, sustained Milcon credibility and growth is possible.

Other Funding Sources

As Milcon appropriations stagnated and requirements grew, the Air Staff sought other funding sources, not to replace, but to complement Milcon. (12:17) Two sources were reviewed in detail, host nation funding in Europe and the Pacific and private sector participation. (11:32)

Host nation funding, which was already in use, was re-emphasized to maximize program potential. In Europe the program has been very successful. By 1990, contributions over a ten-year period will total over \$4.2 billion. (9:100) The Pacific host nation programs in Japan and Korea have been in existence over nine years. Contributions have totaled approximately \$2.0 billion. (12:17) However, the future outlook is not good in all cases. The NATO program in Europe is healthy and will remain a contributor for a number of years; however, the Japanese and Korean programs have peaked and are on the decline.

Lastly, private sector participation, through third party financing, was reviewed and found that it could be used to alleviate some of the long standing community support facility deficiencies. (11:32) Tests have been conducted and are underway that support contractor owned and operated child care centers, libraries, housing maintenance operations and leasing of family housing units. (29:--) Other facilities under consideration are gyms, civil engineering functions, and logistics functions. Although third party financing has not proven effective in all cases, it remains an alternative that has the potential to relieve the pressure of long standing CM deficiencies.

In review, positive and negative effects have come about as a result of the Milcon funding shortfall. Although there is an up side to this issue, the down side prevails. Without sufficient funding, the AF cannot reverse the continued deterioration of the bases. As stated above, the collateral affects are significant, and if not curtailed, the impact on quality of life and mission capability will be devastating.

CONCLUSIONS

In conclusion, AF facilities are important. There is a complex relationship between AF facilities, people, and mission capability. When the AF provides adequate facilities, there is a corresponding improvement in the quality of life and mission

capability. Failure to provide adequate facilities promotes problems in morale, retention rates, readiness, and sustainability. Furthermore, the AF is denied the added benefits of survivability and investment opportunities with favorable benefit/cost ratios. Therefore, **AF needs adequate facilities.**

Today, the **AF is not providing adequate facilities.** The AF physical plant is old (average age of facilities is 28 years) and needs revitalization (nearly 1/3 of all facilities are substandard). The annual cost to revitalize the physical plant is described by the CM baseline and represents an investment of approximately \$900 million per year. However, the **AF is failing to provide funding that supports this minimum essential investment.**

Current Mission Milcon requirements far outweigh resources (funding) available. Milcon funding for the outyears (FY89-93) falls to record low levels. The projected AF funding for CM Milcon is approximately \$500 million per year. This is equivalent to replacing facilities every 235 years. This is unacceptable. Here's the bottom line.

1. The proposed CM Milcon funding profile for the next five fiscal years will fall critically short of CM Milcon available. AF bases will deteriorate.
2. This deficiency will have a significant impact on readiness, sustainability, modernization, and overall USAF military posture. Fiscal constraints will cause modernization efforts to be stretched out over an unacceptable period of time and promote false economies. The net result will be a gradual but significant erosion of the qualitative edge in defense.
3. Adequate resources must be provided to sustain a CM baseline. NM Milcon must be provided as required to support the national programs, but not at the expense to CM Milcon.
4. Lastly, there is only one alternative: provide the critical resources at the right time and amount to match current and future demand.

Chapter Five

ALTERNATIVES AND RECOMMENDATIONS

ALTERNATIVES

There are three categories of alternatives that will be reviewed.

- 1) DO NOTHING
- 2) INCREASE MILCON FUNDING
- 3) DECREASE COSTS

The first alternative is simple, and always available, but requires a high price to pay in terms of cost. The second alternative implements new strategies that develop credibility, specific objectives, and a system of incentives that make it attractive for commanders to invest more in CM Milcon. The last alternative recommends the means for reducing the requirement on the CM Milcon account by using monies from other sources. It also alludes to changes in the Congressional review process that may alleviate the current Milcon cap on funding.

Alternative 1 - Do Nothing

Maintain the status quo. Upon selection of this alternative, several inherent consequences follow.

- a) deterioration of physical plant
- b) NM/CM trade off
- c) \$1.5 billion Congressional cap
- d) backlog of requirements
- e) low morale
- f) decreased productivity
- g) low retention rates
- h) higher training costs
- i) higher energy costs
- j) diminished mission capability

In effect, the selection of this alternative is acceptance of the circumstances that exist today.

A more viable solution is selection of either one of the next two alternatives or a combination of the two. They're composed of many options within two broad categories, but the goal is the same - maximizing resources to satisfy requirements.

Alternative 2 - Increase Milcon Funding

In order to increase Milcon funding, the total Milcon program must be viewed as a high value asset and supported at the highest level of priority. Also, requirements within the program must be credible, justifiable, and represent minimum essential needs. Here are two options that provide the means.

Option 2A - Solidify corporate resolve.

The AF can obtain strong corporate resolve by 1) introducing doctrinal change to AFM 1-1, 2) improving corporate participation by reviewing the Milcon at every level and increasing high level testimony in Congressional hearings, and 3) supporting objectives specified in Milcon Allocation strategy.

2A(1) - Doctrinal change: First, it's important to integrate the need for excellent facilities in the document that describes what the AF believes is the best way to accomplish its mission, AFM 1-1. The strength of warfighting platforms (AF bases) needs to be linked to mission capability. In Chapter 4 of AFM 1-1 the doctrine discusses the AF's responsibility in training, organizing and equipping aerospace forces to conduct and sustain operations; however, the doctrine fails to discuss the role of facilities. Throughout paragraph 4-4 on equipping aerospace forces the discussion on equipment obviously refers to weapon systems. References are made to speed, range and flexibility in the development and procurement of these systems. (5:4-8) In paragraph 4-5 on sustaining forces and the requirement for an adequate logistics system, again the key role and critical link of facilities is absent. (5:4-9) Even if there is an implied reference to facilities, the need exists to spell out the link between the strength of warfighting platforms and mission capability. Without this doctrinal link, the priority of Milcon remains at risk.

2A(2) - Corporate participation. It's essential for commanders to participate in the Milcon review and approval process. Without performing this function, it is difficult to understand the relative need, and it is impossible to correctly prioritize and support these requirements. At the Air Staff, the key players need to come on-line at the right time for essential Milcon requirements. Without adequate, key corporate participation, AF Milcon will lack the support. For example, at the end of the FY88 Program Budget Decision (PBD) cycle, a Major Budget Issue for AF Milcon went forward to OSD for consideration. It did not survive. That was the time and the place a key player needed to come on-line. In order to insure that the importance of the Milcon priorities shine through to the decision makers, there must be a team effort on the AF Board. The chairmen of the various committees must work directly with the chairman of the Facility Panel to know the projects that he validates and supports. In turn, it's even more critical for the Facility Panel chairman to know the intent of the other chairmen concerning the various programs that involve Milcon line items. When a decision is made, no one should be surprised. Next, this corporate unified effort must be communicated to the Program Review Committee (PRC), then to the AF Council and to the Defense Resource Board (DRB). The key is corporate participation. After the Milcon program goes to OSD and Congress it's time for the AF/CC, Secretary of the AF (SAF), and SECDEF to emphasize the need to fund the Milcon program. The Milcon program has lacked this element in the past. Members of Congress have even questioned why defense leadership fails to place greater attention on Milcon appropriations. (22:12) It is an essential element in helping to increase Milcon funding.

2A(3) - Support for objectives specified in the Milcon Allocation strategy. (19:1) Support for individual projects is sometimes required on a case-by-case basis; however, the support that is needed now is dedication to the basic objectives set forth in the Milcon Allocation strategy, i.e., baseline CM Milcon and let the NM Milcon float with support for the national programs. (19:1) The basis of support lies in the credibility of need. Option 2B provides this necessary justification.

Option 2B - Provide the means to establish adequate CM Milcon funding.

The CM Milcon funding requirement can be qualified in 3 ways. First, establish objectives where results can be measured and establish baseline CM Milcon funding line. (19:1) Next, provide an equitable distribution of Milcon monies based on relative need. (19:1) Lastly, offer MAJCOM CINCs incentives to buy in at or above the CM Milcon baseline.

2B(1) - Establish objectives where results can be measured. This option has already been partially instituted by the AF's Milcon Allocation strategy. (19:1) The strategy of Milcon Allocation, discussed earlier in Chapter 4, provides measurable objectives, establishes baseline CM, and distributes resources based on relative need. The CM Milcon requirement is now creditable and justifiable. The only other essential element to make this strategy work is to sustain MAJCOM CINCs participation.

2B(2) - Offer MAJCOM CINCs incentives to buy in at or above the CM Milcon baseline. Milcon Allocation strategy is set to go into full use with FY91. (19:5) However, the baseline CM will not be met. The resource allocation only distributes the money for CM Milcon that has been established in the POM. In order to fund CM up to or beyond the baseline, MAJCOM CINCs must use offsets from other appropriations. There is no real incentive for a CINC to do this and, in fact, it is risky, when considering the past Milcon success rate. Therefore, option 2B(2) offers MAJCOM CINCs an incentive to invest in CM Milcon, at least up to the CM baseline. Here is the incentive. The delta between what is in the POM and the CM baseline averages about \$8 million/MAJCOM. For every 3 million the command offers as an offset, the Air Staff will provide an additional \$1 million. Therefore, if all MAJCOMs participate, the cost of the CM baseline to the Air Staff would only be approximately \$20 million per year for receiving \$60 million in offsets from the commands. The other means of satisfying Milcon requirements is to reduce the cost of doing business. The following alternative seeks to achieve this goal.

Alternative 3 - Decrease Costs

Option 3A - Decrease costs by 1) maximizing value engineering by providing monetary incentives, 2) seeking other appropriation accounts to satisfy specific Milcon requirements, and 3) promoting more private sector interest.

3A(1) - Maximize value engineering by providing monetary incentives. Value engineering is not a new concept. It has been successful in the past, and in today's environment, it must be emphasized with incentives for performance. There is frequently a more efficient design possible that makes a facility more functional and less costly to build and maintain. In the past, value engineering of selected projects has yielded up to a return on an investment of 30 to 1. (1:312) The option offers a designer a monetary reward in the amount of 2% of the savings realized.

3A(2) - Seek other appropriation accounts to satisfy specific Milcon requirements. For selected projects, funds may be more readily available and accessible than resource limited Milcon monies. For instance, Defense Logistics Agency (DLA), in some cases, can fund large POL storage and distribution line projects. Clark AB was investigating the use of this source for a \$7.8 million POL pipeline project. Possibilities look good. The idea is to investigate all other possibilities to relieve Milcon appropriations from requirements.

3A(3) - Investigate more private sector interest. Private sector funding needs to be maximized. In the past, it has been extremely successful. Banks, credit unions, recreational facilities, and housing are among the examples. The tool for implementing this option is in the Authority of Title 10 of U.S. Code. (12:312) This code permits service secretaries to lease nonexcess government land to private parties. (12:312) Using this code, base commanders need to examine this option in helping to provide the community support facilities that are in short supply today through Milcon appropriations. (12:312)

Option 3B - Seek Congressional changes. The AF needs to lobby for the following Congressional changes: 1) review Milcon relative to strict CM/NM breakout and eliminate line item authorization and appropriation, 2) achieve strong support for AF's CM baseline and let NM float with support for national programs, and 3) revise review process of AF Milcon program on the Hill. (19:1)

3B(1&2) - Review Milcon relative to strict CM/NM breakout and achieve strong support for AF's CM baseline and let NM float with support for national programs. (19:1) The dilemma of the \$1.5 billion cap is that NM Milcon requirements are being funded with offsets from the CM Milcon account. (19:19) In order to turn this around and sustain growth for essential CM Milcon, the Congress first needs to accept a CM/NM breakout. Then they must understand the relationships between the two, and the impact of the shortfall in CM monies. An Air Staff delegation from HQ USAF/LEE/ACB should be formed and brief Congressional Staffers, in detail, on these issues. Then, high level AF and DOD counterparts must meet with Congressional members to insure understanding and need. The objective is to establish support for CM baseline and let NM float with support for future programs, such as Rail Garrison and Titan Launch Coupler. (2:2-10; 13:33) Another limiting factor is Congressional approval line item review. If this is eliminated, the AF will have the flexibility to use savings from one project to pay for another.

3B(3) - Revise review process of AF Milcon on the Hill. In order to promote CM baseline and float NM Milcon as supported by national programs, Congressional review process of the Milcon may need to be changed. Today only four subcommittees review Milcon authorizations and appropriations. A change in the process must be proposed that would be similar to the review process done by the Air Staff Board. (4:28) For instance, each subcommittee that presently authorizes and appropriates Milcon will remain to do so; however, their role would be to "validate" the need. For support, Milcon projects would need to be reviewed by other committees. A pictorial model that represents the proposed change is provided in Appendix B.

Option 3C - Seek Congressional support to approve multiyear authorization and relax host nation funding restrictions.

3C(1) - Approve multiyear authorization. Multiyear authorization has been used in large projects to reduce procurement costs and other front loaded costs. Recommend continued use of this concept.

3B(2) - Relax Host Nation (HN) funding restrictions. In the case of the Pacific host nation programs, if a project qualifies for HN funding in Japan or Korea, Congressional appropriations can not be sought. The project remains backlogged until funds become available. In a few cases, it is significantly cheaper to fund a project with Congressional appropriations. For example, at Misawa AB, Japan, a fire suppression system is needed in an existing facility. (28:--) If requested in the Japanese Facility Improvement Program (JFIP), the Japanese will upgrade the entire facility to meet current seismic and building standards. Although this provides the AF with a much better facility, the cost becomes prohibitive. A \$1.5 million project in the HN program may cost as much as \$10 million in the JFIP. The AF can make better use of HN funds in this case. Therefore, ask Congress to relieve HN restrictions on a case-by-case basis.

FINAL RECOMMENDATIONS

Final recommendations seek a short and long term solution. First, something must be done to increase funding and eliminate the existing delta between funding and requirements. Recommendation 1 below defines the means today to achieve this goal. The long term solution is to obtain Congressional approval of the CM/NM breakout. To do this, Congress will need to realign their review process. Recommendation 3 below defines the means

to achieve this goal. Lastly, recommendation 4 specifies sourcing civilian sector resources. Overall, the combination of the 4 recommendations provides a solution that can go into effect immediately, have a lasting effect, and achieve realistic results.

1. Support Milcon allocation with incentives for MAJCOM CINCs to buy-in at or above CM baseline.

2. Foster strong corporate resolve. Requires AF/CC and SECDEF to provide Congressional testimony in behalf of AF Milcon. Additionally, MAJCOM CINCs testify in behalf of their command.

3. Obtain Congressional approval for CM/NM breakout and support for CM baseline and let NM Milcon float with support for national programs. Request realignment of Congressional review process.

4. Maximize use of value engineering with incentive program and extend use of authority within Title 10 U.S. Code.

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APPENDIX

APPENDIX A: MILCON ALLOCATION STRATEGY EXCERPT FROM CORONA
SOUTH CONFERENCE. (19:1-8)

APPENDIX B: PICTORIAL MODEL OF PROPOSED CHANGE TO
CONGRESSIONAL REVIEW PROCESS OF AF MILCON

MILCON

ALLOCATION

Types of MILCON

NEW MISSION

- ▣ SUPPORTS WEAPON SYSTEM BEDDOWN, FORCE STRUCTURE CHANGES, AND FORCE SUSTAINABILITY

CURRENT MISSION

- ▣ ELIMINATES EXISTING FACILITY DEFICITS OR REVITALIZES THE EXISTING PHYSICAL PLANT BY UPGRADE OR REPLACEMENT

Overview

- DISTRIBUTION OF MILCON GOES ON WITHOUT A REVIEW OF HOW THIS DISTRIBUTION AFFECTS THE AIR FORCE PHYSICAL PLANT
- IN VIEW OF CURTAILED FUNDING WE NEED A BETTER WAY...

"Relative Need" Factor

REVITALIZATION	+	DEFICIENCY	=	MAJCOM "RELATIVE NEED"
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Replacement Cost for "CM Type" Facilities Needing Revitalization	Cost to Satisfy Facility Shortfalls for the Current Mission
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Current Mission MILCON

DISTRIBUTION

COMMAND	CURRENT FY90	RELATIVE %	NEED \$M	ADJ FY90 DISTRIBUTION \$(DELTA)
AAC	38	5.4	36	38(0)
AFLC	107	10.4	71	107(0)
AFSC	58	14.1	96	96(38)
ATC	78	5.8	39	78(0)
MAC	78	9.8	66	78(0)
PACAF	48	9.9	67	67(19)
SAC	88	17.5	119	119(31)
SPACE	12	4.3	29	29(17)
TAC	94	11.0	75	94(0)
USAFE	67	11.7	79	79(12)
SUBTOTAL	668	100	677	785
SMALL UNITS	120		111	111
TOTAL	788		788	896

Current Mission MILCON

SMALL UNIT ALLOWANCE

ADJ FY90 DISTRIBUTION

COMMAND	\$M
AFA	20
AU	20
AFDW	8
SHEMYA	55
MISC	8
TOTAL	111

Current Mission MILCON

BASELINE

- **REVITALIZE THE PHYSICAL PLANT**
- **BUY DOWN THE BACKLOG**
- **PROVIDE A STEADY FUNDING STREAM**
- **BETTER PLANNING AND PROGRAMMING**
- **SAVE DOLLARS**

Summary

BY

- SHARES ESTABLISHED MODEL
- SMALL UNIT ALLOWANCE PROTECTED
- BASELINE = \$896 (FY90 \$)
- OUTYEAR DISTRIBUTION BASED ON REFINED MODEL
- MAJCOMS "KEEP THE STICK"
- UNDERFUNDED COMMANDS^A CAN GROW TO BASELINE WITH OFFSETS
- CAN GROW ABOVE BASELINE BY 15% WITH OFFSETS
- MARKET THE PROGRAM

Appendix B

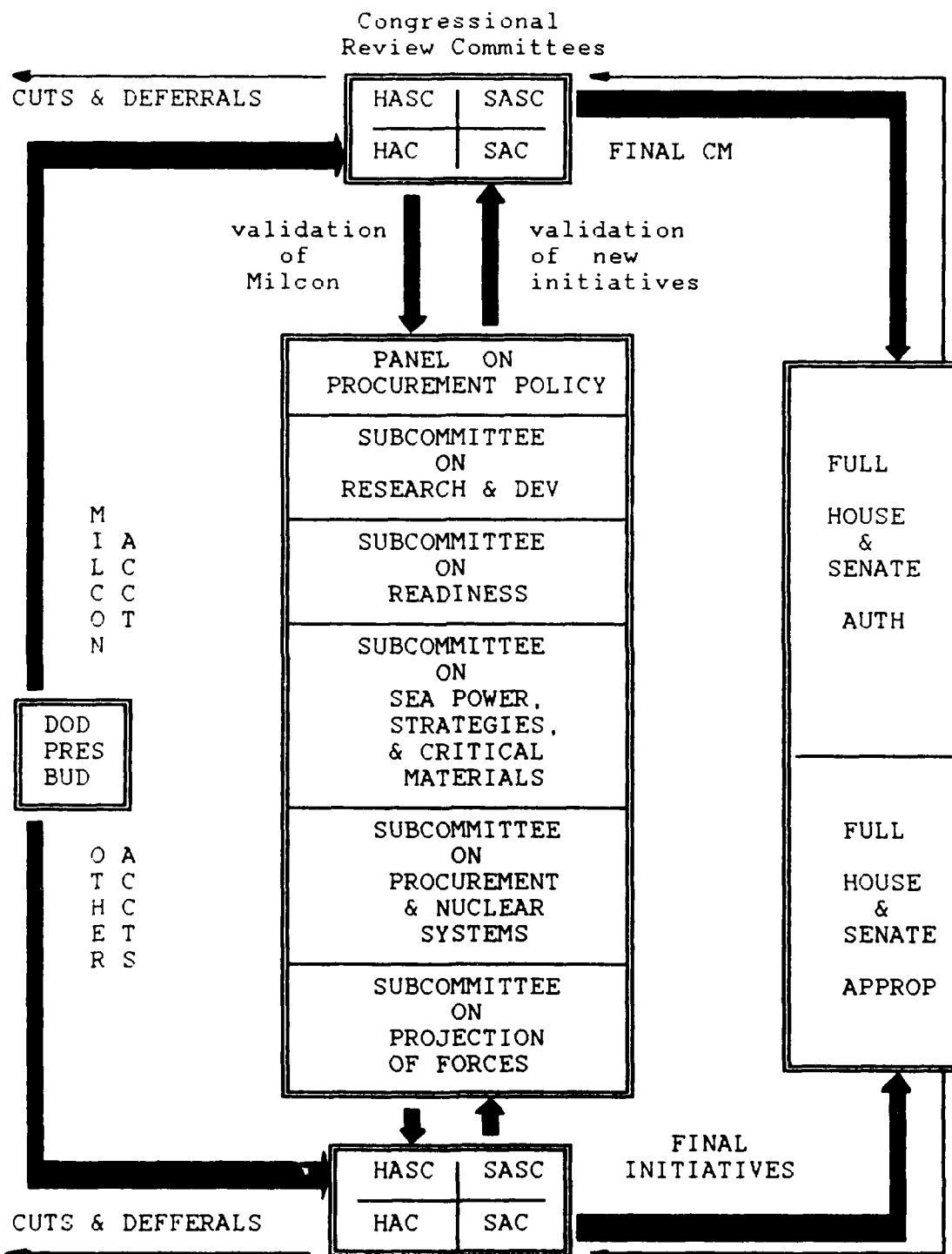


Figure 13: Proposed Congressional Review of AF Milcon

END

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