



# PRESS RELEASE

## House National Security Committee

### Floyd D. Spence, Chairman

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CONTACT: Maureen Cragin

Ryan Vaart

(202) 225-2539

### HOUSE NATIONAL SECURITY COMMITTEE LEADERSHIP INTRODUCE H.R. 1778, THE DEFENSE REFORM ACT OF 1997

Reflecting a growing consensus for more aggressive Pentagon reform, senior members of the House National Security Committee have introduced legislation to compel significant changes to the Department of Defense bureaucracy and many of its business practices.

“The imperative for forward-leaning Pentagon reforms has never been greater,” said committee Chairman Floyd Spence (R-SC) upon introduction of H.R. 1778, The Defense Reform Act of 1997. “The Department of Defense spends far too much of its shrinking resources on burdensome regulations, excessive support staff, and inefficient business practices. The ‘business as usual’ approach, where 60 percent of the defense budget is spent on infrastructure and support functions, is no longer acceptable when we continue to cut combat forces in order to pay bills.”

At the request of committee Democrats, Ranking Member Ronald V. Dellums (D-CA) joined Spence in sponsoring the legislation.

Dellums stated that, “Although I do not personally agree with all of the provisions contained in the legislation, I do believe that the negotiations have proceeded in good faith in an effort to arrive at a package that the majority of members can support. I view this as the first step in the deliberative legislative process, one that will begin the debate which is meant to produce meaningful and necessary reform within the Pentagon.”

“The committee has been working on defense reform issues for several years now, but in a piecemeal fashion that has resulted in important but only modest changes,” added Spence. “The time has come for a comprehensive, far-reaching and bipartisan approach. I commend Secretary Cohen for initiating efforts to grapple with the issue of Pentagon reform, and I look forward to working with him on any and all smart ideas for reform if the end result is a more efficient Pentagon.”

The committee is expected to consider the legislation next week.

A summary of the bill’s major provisions follows.

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# THE DEFENSE REFORM ACT OF 1997

## SUMMARY OF MAJOR PROVISIONS

### Defense Personnel Reforms

**DOD Headquarters Staff Reductions:** Requires a reduction of 12,500 (i.e., 25 percent) in management headquarters and headquarters support personnel over four years. This 25 percent reduction will be a phased drawdown, beginning with a 10 percent reduction in fiscal year 1998, with an additional five percent reduction in each subsequent fiscal year.

**Acquisition Workforce Reductions:** Today's acquisition workforce is the size of almost two U.S. Marine Corps. The committee regards the disproportionate size of the acquisition workforce, particularly in light of dramatically reduced procurement accounts, as a drain on current and future defense resources. Therefore, the bill directs DOD to achieve a reduction of more than 40 percent over four years, resulting in the elimination of 124,000 acquisition positions over four years. The bill requires a reduction of 40,000 acquisition personnel in fiscal year 1998. In order to provide the Secretary of Defense with the management tools necessary to facilitate these reductions and to shape the workforce as it is reduced, the bill provides the following personnel incentives:

- **Early Out Penalty Waiver:** Waives 50 percent of the early retirement ("early out") penalty in fiscal year 1998 for certain defense acquisition personnel separated DOD as a result of the mandated reductions.
- **Buy-Out Authority Extension:** Establishes an additional, tailored one-year buyout authority, separate and apart from existing DOD buyout authority, to provide separation pay incentives to acquisition workforce employees impacted by the mandated reductions.

### Defense Business Practices Reforms

**Competition for Finance And Accounting Services:** Requires the Secretary of Defense to compete finance and accounting services currently provided by the Defense Finance and Accounting Service in anticipation that the private sector can more cost effectively carry out some of these functions.

**Competition for Defense Information System Agency's (DISA):** Requires the Secretary of Defense to compete DISA's unclassified, non-inherently governmental commercial activities. Many of the commercial services provided by DISA are widely available in the private sector, often at significantly lower costs.

**Competition for Defense Automation and Printing Service (DAPS):** Directs DAPS to outsource at least 70 percent of its printing and duplication work. It would also eliminate the current surcharges levied by DAPS for handling printing orders that are sent to the Government Printing Office or to private contractors.

**Commercial Services Outsourcing:** Requires the Secretary of Defense to outsource a minimum of 33 percent of the defense agencies commercial services by fiscal year 2000. According to DOD, defense agencies are estimated to have outsourced only 14 percent of their commercial and industrial activities during fiscal year 1997. In comparison, the military departments are estimated to outsource between 33 and 61 percent of their commercial activities.

**Government Purchase Cards:** Requires that all DOD purchases for items costing less than \$2,500 be implemented through the use of government purchase cards instead of formal contracts. The provision would allow the use of contracts under certain circumstances with the specific approval of a senior official.

**Expansion of Simplified Acquisition Procedures:** Expands the range of commercial items that could be procured using simplified acquisition procedures. Currently, those items are limited to \$100,000. This provision would allow the use of simplified procedures for procurements of commercial items up to \$5 million.

**Data on Outsourced Activities:** Requires the Secretary of Defense to collect cost information on all outsourced activities for five years after a contract is awarded and creates a permanent repository for the data. DOD rarely collects or keeps data on outsourced activities even though it is crucial to identifying and developing accurate savings estimates of such activities over time.

**DOD Inventory Control Points (ICPs):** Requires the DOD ICPs to reduce their overhead costs to not more than eight percent of net sales by the end of fiscal year 2000. The current costs of overhead within the DOD ICPs is significantly greater than in the private sector, even after taking into account DOD-unique requirements.

**Procurement and Electronic Commerce Technical Assistance Program:** Creates the Procurement and Electronic Commerce Technical Assistance Program by directing the merger of Electronic Commerce Resource Centers and Procurement Technical Assistance Centers. Both centers are intended to assist small businesses in improving their access to defense acquisition opportunities. Consolidation of the two programs would improve the delivery of services while lowering costs and, at the same time, ensure that the program reflects the sweeping changes taking place within the federal acquisition system.

**Utility Conveyance:** Authorizes the secretary of a military department to convey a base utility system, or part of a utility system, to a municipal, private, regional, district, or cooperative utility company or other entity, to operate and maintain on behalf of the Department if it is in the economic interest of the Department to do so.

**Ophthalmic Services Contract:** Requires the Secretary of Defense to compete for ophthalmic services that provide military members with single vision and multi-vision eyewear, excepting those services needed to meet readiness requirements. This provision is based on a recommendation made jointly by the U.S. Army Audit Agency and Naval Audit Service.

## **Environmental Reforms**

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

**EPA's Role in Environmental Cleanup:** Current law has allowed states to enter into interagency agreements that have afforded states total control of the cleanup of contaminated federal facilities and of federal funds used

for the cleanup activities. This provision would reassert the role of EPA in the approval and delegation of federal cleanup authority to states.

**Cleanup Methods:** Current environmental law encourages the permanent treatment of a contaminated site, regardless of the different levels or types of contamination located at the site. While many such sites contain “hot spots” that merit immediate and comprehensive cleanup, they may also contain many areas that have little or no contamination. Therefore, the provision would allow smarter and more effective cleanup solutions at contaminated sites while continuing to ensure protection on both human health and the environment.

**DOD Cleanup Standards:** Unlike either the private sector or any other federal agency, current law requires a higher standard of cleanup for DOD contaminated sites not on the National Priorities List (NPL). This provision would apply the same standard to the cleanup of DOD’s non-NPL sites as is currently applied to the private sector and to other federal agencies.

**Clean Air Act Standards:** In recognition of DOD’s unique mission, current law permits DOD with exemptions from the Clean Air Act in consideration of military requirements such as live fire exercises or off-road training. Based on the Administration’s proposal to implement more stringent Clean Air Act standards, this provision would ensure the preservation of these existing exemptions in the future.

## Miscellaneous Reforms

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

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

**Termination of the Armed Services Patent Advisory Board:** Terminates the Armed Services Patent Advisory Board and transfer its functions to the Defense Technology Security Administration (DTSA). The Armed Services Patent Advisory Board is currently responsible for coordinating security reviews of patent applications to determine if they contain sensitive technical information, the public release of which would be detrimental to national security. DTSA carries out nearly the same technology security review function when reviewing export license applications. All security reviews will be performed by DTSA, thereby eliminating a redundant functions and resulting in more expeditious and thorough reviews.

**Sunset of All DOD Advisory Committees:** Sunsets all DOD advisory committees other than those established by law after January 1, 1995, by December 31, 1998. At present, 56 such committees exist and will spend over \$16 million in fiscal year 1997. This provision would also require DOD to submit to Congress a

report and a legislative proposal, due March 1, 1998, identifying advisory committees that warrant continuation beyond the specified sunset date.

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

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

### **Commission on Defense Organization and Streamlining**

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