



RESERVE FORCES POLICY BOARD

Interim Report to the Secretary of Defense

Gaps in DoD Data on the Cost of Reserve Component Forces

RFPB Report FY12-03

Recommendations approved by the RFPB on 13 June
2012

Gaps in DoD Data on the Cost of Reserve Component Forces

EXECUTIVE SUMMARY

Senior leaders within the Department of Defense do not have complete or uniform data on the total costs associated with their active and reserve component forces. As a result, decisions about the optimal mix of active and reserve component forces are not fully informed. Consequently, the Reserve Forces Policy Board (RFPB) recommends the establishment of appropriate DoD policy guidance and reserve component costing tables to capture the “Fully Burdened” and Life Cycle” costs of both components in order to fill this data gap.

TASK

At the direction of its Chairman, the Reserve Forces Policy Board staff is engaged in a project to examine DoD personnel costing methodologies and policies for the Total Force. The RFPB has concluded that DoD senior leaders are not receiving complete and accurate personnel costing data as they consider the appropriate AC/RC force mix in a budget constrained environment. This issue surfaced in the “Report on the Comprehensive Review of the Future Role of the RC” (April 2011) and was formally raised again at the Nov 29, 2011 Board meeting. Specifically, the RFPB is concerned that current personnel costing methodologies do not convey the annual “Fully Burdened” or complete “Life Cycle” costs.

- Fully Burdened – The sum of **all** annual costs to include additional benefits provided through Department agencies and activities (e.g., medical, subsidized groceries, child care/development and family support services, family housing subsidies, education assistance, training, and advertising and recruiting) AND additional costs that are borne by other Federal agencies as a result of the Department of Defense employing military personnel.
- Life Cycle – The sum of **all** recurring costs (fixed and variable) and non-recurring (one-time) costs over the career (initial entry to end of survivor benefits) of an active or reserve component member. Current cost comparisons do not consider the long-term costs such as differences in retiree pay, healthcare and dependent benefits.

Maj Gen James N. Stewart serves as the Project Officer for this study. Staff support includes Col Michelle Obata, COL Robert Preiss, and Maj Darryl McLean. Outside experts include Reserve Component Chiefs, Representatives from OSD / Military Departments, and ASD Health Affairs.

PROJECT APPROACH

Layer Cake

The project team is using a “Layer Cake” approach to ensure all stakeholders are informed and heard.

- Layer 1: Develop definitions of “Fully Burdened” and “Life Cycle” costs and identify individual cost elements, alternatives, and recommendations with a core group of experts from reserve component staffs (coordination has already taken place)
- Layer 2: Military Service vetting (currently being worked)
- Layer 3: Office of the Secretary of Defense vetting (initial contact has been made with ASD/RA, CAPE and Comptroller)
- Layer 4: Outside DoD vetting (initial contact made with GAO)

Working Group of RC Costing Experts

Numerous meetings were held from January through May of this year with both budget and costing subject matter experts from all of the Reserve Components. First, the working group developed a schedule to identify all tasks and deliverables. Next, they identified several costing element discrepancies between the Services and developed definitions of key terms like “Fully Burdened” and “Life Cycle” costs. Finally, the group developed a model for presenting all Service cost elements and provided recommendations on needed DoD policy changes.

Vetted Issue

The Chairman and/or the Military Executive met with several officials or their representatives to confirm gaps, discuss the requirement, and request project support.

- Department of Defense (Consulted to date)
 - Under Secretary of Defense (Comptroller)
 - Assistant Secretary of Defense for Reserve Affairs
 - Assistant Secretary of the Army for Manpower & Reserve Affairs
 - Assistant Secretary of the Air Force for Manpower and Reserve Affairs
 - Assistant Secretary of the Navy for Manpower and Reserve Affairs
 - Chief of Staff of the Army
 - Chief of the National Guard Bureau
 - Chief of the Air Force Reserve and Commander, Air Force Reserve Command
 - Chief of the Navy Reserve and Commander, Navy Reserve Force
 - Chief of the Army Reserve and Commander, Army Reserve Command
 - Director of the Air National Guard
 - Director of the Army National Guard
 - Assistants to the Chairman of the Joint Chiefs of Staff for National Guard and Reserve Matters
 - Deputy Chief of Naval Operations (N1 - Manpower, Personnel, Education & Training)
 - Vice Director, Force Structure, Resources and Assessment (JS J-8)
 - Deputy Director, Cost Assessment (CAPE)
- Federal Government (Initial contact made)
 - Comptroller General and Head of Government Accounting Office (GAO)

CRITICAL CONSIDERATIONS

Foundation

The foundation for analysis is to compare costs at the individual level.

- Enable Apples-to-Apples comparisons, which should strengthen audit readiness
- Seek common Business Case Analysis Processes across the Services and Components
- Have DoD follow the same requirement they impose on contractors to allocate all costs
- Ensure all stakeholders are included and heard

Determine all costs

All individual “Fully Burdened” and “Life Cycle” costs must be identified.

- Identify all cost elements to include those covered by other agencies (Treasury, VA, Education, etc.)
- Determine which costs are appropriate for consideration by DOD decision-makers

Lessons Learned

It is essential to identify and capture ‘lessons-learned’ from previous analysis on this topic.

Address Policy Concerns

The Services compute costs in many different ways. Each has their own unique way of accounting for the costs associated with their Reserve Component forces. Thus, it is difficult for DoD leadership to compare and contrast costs associated with the various components (i.e. civilian, contractor, active, and reserve components).

- Should DOD have an instruction in place to guide the Services on how to account for all “Fully Burdened” costs with standardized accounting since today this does not exist?
- What DoD organization should be required to institutionalize this analysis, formalize the process, and track and compare trends over time?
- How will the various personnel and accounting systems be de-conflicted and reconciled?

FINDINGS

The Board found that there is no permanent DoD policy in place to identify or collect data regarding the “Fully Burdened” or “Life Cycle” personnel costs for an individual military member for either active or reserve components. As a result, senior decision-makers in government do not know what the real costs of their active, guard and reserve forces are in the All-Volunteer Force, nor do they have an ability to track trends or do comparative analysis of costs when making crucial decisions such as the future active/reserve component mix of forces. Additionally, the new DoD Instruction currently being drafted and vetted by the office of the Director, Cost Assessment Program Evaluation (CAPE) as replacement for Directive Type Memorandum (DTM) 09-007 does not provide the Services with Reserve Component Personnel Costing Tables.

DoD Directive-Type Memo (DTM) 09-007 (dtd 29 Jan 10/updated 2 Sep 11) says, “It is DoD policy that: Defense officials are aware of the full costs of manpower and have a thorough understanding of the implications of those costs to the Department of Defense and, on a broader scale, to the Federal Government when developing national security policies and making program commitments.” The Reserve Forces Policy Board finds this to be sound policy, but

recommends that it be applied more broadly to the collection of data regarding the reserve components. Whereas, there are DoD policies directing the collection of data on the costs of full-time, active-duty service members, there are no similar policies currently in existence requiring or standardizing the calculation of costs for members of the reserve components.

This situation also exists when reviewing the DoD Financial Management Regulation. The DoD Deputy Comptroller is required to publish annual active component "Military Composite Standard Pay and Reimbursement Rates" tables, but neglects publishing them for the reserve components. Reserve component tables must be included in the DoD Financial Management Regulation.

RECOMMENDATIONS

The Board feels that it is essential for senior decision makers to have complete, uniform data on the "Fully Burdened" and "Life Cycle" costs of their Total Force as they contemplate the best mix of forces in a budget constrained environment. To that end, the Board makes the following recommendations:

1. Director of Cost Assessment and Program Evaluation (CAPE) should establish permanent DoD policy (DoD Instruction) that covers "Fully Burdened" and "Life Cycle" costs for individual military members of both the active and reserve components and report these costs in an appropriate annual report.
2. The Under Secretary of Defense (Comptroller) should update current DoD Financial Management Regulation (FMR) (DoD 7000.14R), Volume 11A, Chapter 6, Appendix I, to include guidance to develop Military Composite Standard Pay and Reimbursement rate tables for the Reserve Components.

NEXT STEPS

The next steps needed to complete this report are to develop actual "Fully Burdened" and "Life Cycle" costs figures for both active and reserve component members for use by senior decision makers for comparison, and to vet this data with Service, DoD and outside DoD agencies to confirm accuracy.

Respectfully submitted,



Arnold L. Punaro
Major General, USMCR (Ret)
Chairman, Reserve Forces Policy Board