



# Defense Agencies

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## Statutory Basis

- National Security Act

- 1958 Defense Reorganization Act

*Whenever the Secretary of Defense determines it will be advantageous to the Government in terms of effectiveness, economy, or efficiency, he shall provide for the carrying out of any supply or service activity common to more than one Military Department by a single Agency or other such organizational entities as he deemed appropriate.*

[Section 202]

- Goldwater Nichols Act

- Codified oversight by Principal Staff Assistants
- Created Combat Support Agencies



# Agencies & Field Activities Reviewed for the QDR

(Total of appropriated and working capital fund expenditures)

## Common Support

- Defense Logistics Agency (\$16.5)
- Defense Info. Systems Agency (\$4)
- Defense Security Service (\$.5)
- Defense Finance and Accounting Service (\$2)

## Contracting, Audit, & Legal

- Defense Contract Mgmt. Agency (\$1)
- Defense Contract Audit Agency (\$.4)
- Defense Legal Services Agency (\$.01)

## Quality of Life

- Defense Commissary Agency (\$6)
- DoD Education Activity (\$1.5)
- Tricare Management Activity (\$17.4)

## DoD-Wide Programs/Initiatives

- DARPA (\$1.9)
- Ballistic Missile Defense Org. (\$3.9)
- Defense Threat Reduction Agency (\$2)
- Defense Security Coop. Agcy. (\$.1)

Agencies shown in blue were formed to take advantage of economies of scale to be gained from consolidation

## **Not Reviewed:**

- **INTEL:** National Security Agency, National Imagery and Mapping Agency, Defense Intelligence Agency
- **FIELD ACTIVITIES:** American Forces Information Services, Office of Economic Adjustment, Defense Prisoner of War/Missing Persons Office, Washington HQs Service,



## A “Fourth Department”

- Fourteen Agencies expend \$57 B or 19% of DoD budget
  - Appropriations \$32 B\*
  - Defense Working Capital Fund 25 B\*\*
  
- These are big businesses
  - Lockheed-Martin \$19.2 B (defense only)
  - Defense Health Program 17.4 B
  - Defense Logistics Agency 16.5 B
  - Boeing 14.8 B (defense only)

\* TMA, DARPA, and BMDO appropriations fund Service activities.

\* \* Four Agencies operate under the Defense Working Capital Fund: Defense Finance and Accounting Service; Defense Logistics Agency; Defense Information Systems Agency; Defense Security Service



# Management Reviews & Initiatives

Pre-1975	1975 to 1990	After 1990
<p>McElroy Review</p> <p>1958 Reorganization Act</p> <p>Project 100</p> <p>Project 60</p> <p>Fitzhugh Blue Ribbon Defense Panel</p>	<p>Defense Organization Study (Antonelli)</p> <p>Defense Organization Need for Change (Locher)</p> <p>Packard Commission</p> <p>Goldwater-Nichols</p> <p>G-N: Reassessment of Agencies &amp; Field Activities</p> <p>Defense Management Report to the President</p> <p>Commissary Study</p>	<p>Bottom Up Review</p> <p>Commission on Roles and Missions</p> <p>Quadrennial Defense Review (1996)</p> <p>Defense Reform Task Force</p> <p>Defense Reform Initiatives</p>



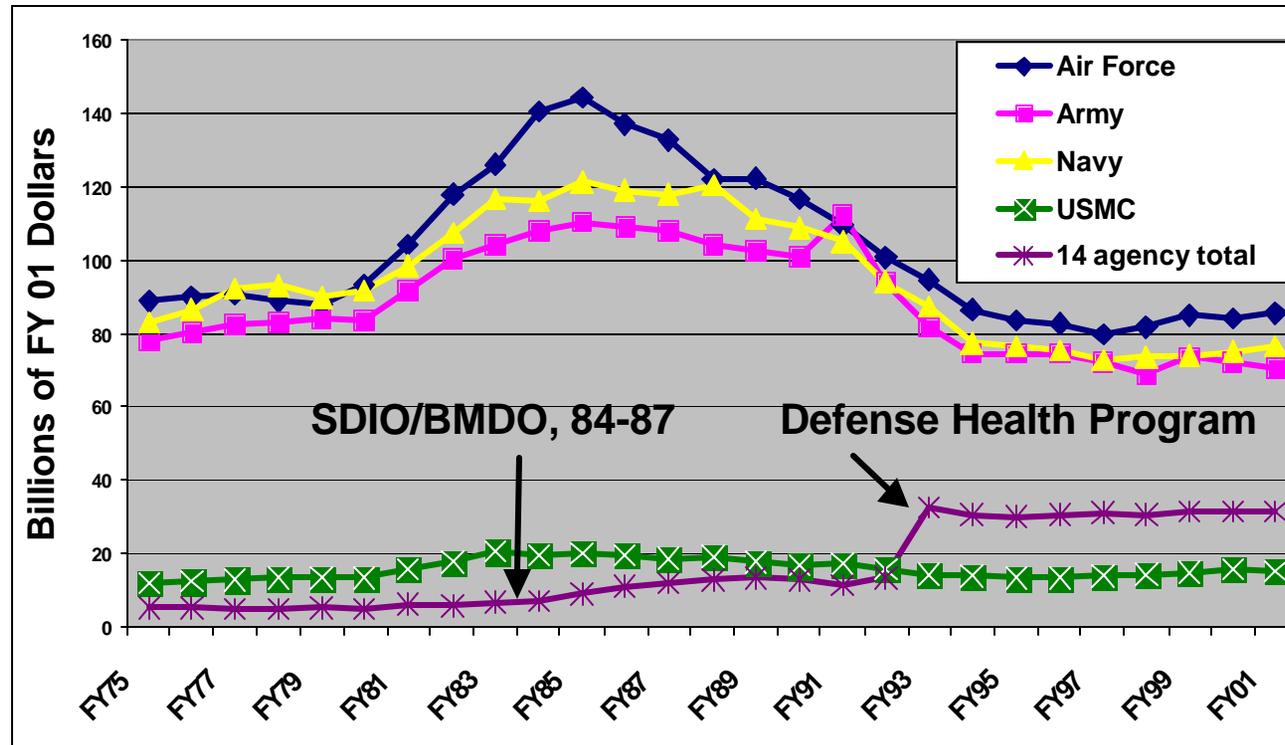
# Agency Origins

(Formation of an Agency or its Predecessor)

Pre-1975	1975 to 1990	After 1990
DARPA DISA DLA DTRA DSS DCMA DCAA DSCA  [NSA] [DIA] [NIMA]	DLSA BMDO	DoDEA TMA DeCA DFAS  + Revamped: DISA, DLA, DTRA, DCMA



# Missions and Budgets



1984 SDIO (now BMDO) established, soon reached \$4B

Personnel transfers to DLA:

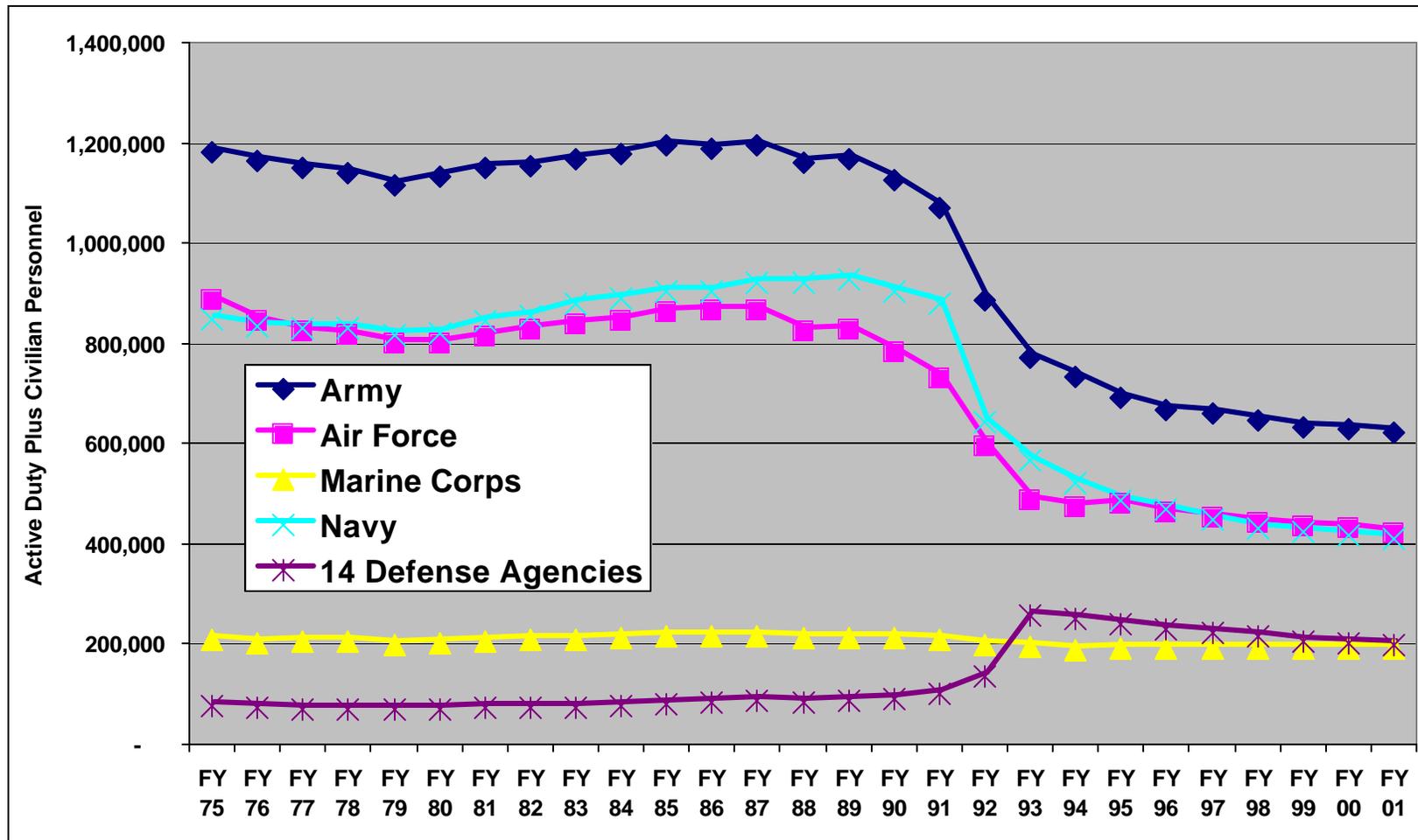
- 1990 consolidation of supply depots, 26,000 personnel
- 1991-95 consolidation of consumable item mgmt., 11,000 personnel.
- 1990 consolidation of contract mgmt. in DLA, 5,400 personnel
- 1996 printing consolidated in DLA, 6,500 personnel

1991 DFAS established, 20,000 personnel transferred

- 1992 Defense Commissary Agency formed, \$1B transferred
- 1993 Defense Health Program established, \$18B transferred



# Manning





# DMR & DRI Initiatives

- DLA

- 54% personnel reduction since '90 while adding major missions
  - 1990 consolidation of supply depots, 26,000 personnel
  - 1991-95 consolidation of consumable item mgmt., 11,000 personnel.
  - 1990 consolidation of contract mgmt. in DLA, 5,400 personnel
  - 1996 printing consolidated in DLA, 6,500 personnel
- Distribution Depot Consolidation (30 =>21); 70% personnel reduction
- DLA lauded in CINC assessments
- Prime vendor program
- Strategic Distribution Management Initiative

- DFAS

- 30% personnel reduction since '95; additional 13% reduction already planned
- Consolidated finance systems (127=>15)
- Consolidated accounting systems (197=>53)
- Cut cost of civilian payroll 50% (\$6.50 per account per month in '91 => \$ 3.20 in '01.)
- A76 studies have cut costs; new process lauded by external critics (Business Executives for National Security).
- Introducing Activity Based Costing and benchmarking

- DISA

- 23% personnel reduction since '94
- Consolidation of DoD mainframe computing operations( 194 centers => 6 centers); costs down 70% since 1990; 947 billets returned to Services
- New Director's "500 Day Plan"
- CINC representatives assigned & positive CINC assessments
- Two-tier pricing

- DeCA

- 29% personnel reduction since '90
- Strategic management system and metrics

- DCAA

- 39% personnel reduction since '90
- Benchmarking: rates = 15% below commercial
- Strategic plan and metrics

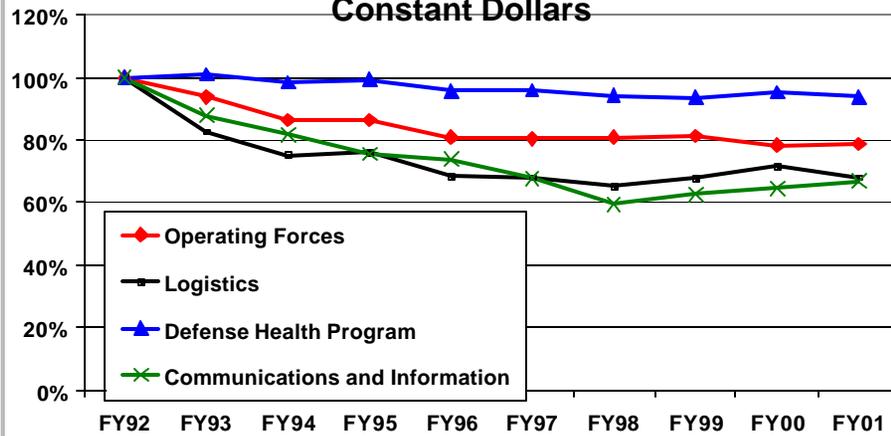
- DCMA

- 54% personnel reduction since 1990
- Consolidated districts (12=>3) and offices (1200=>67)
- Strong strategic management system and metrics in place
- Leads DoD's paperless Single Procurement System initiative

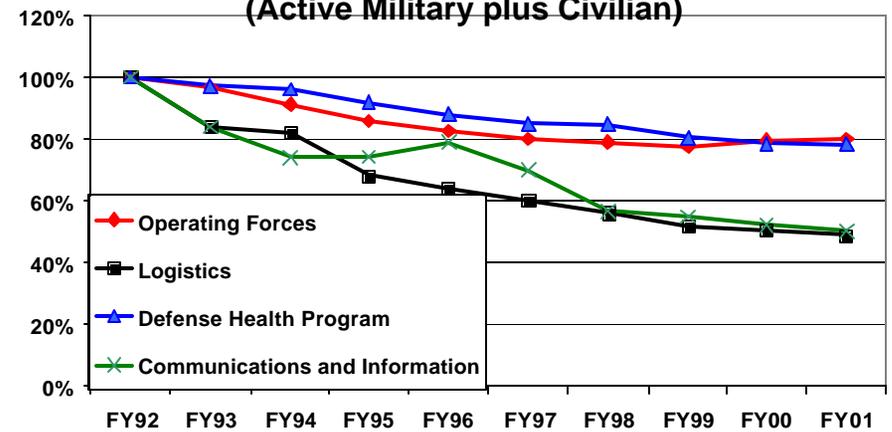


# DoD-Wide Support Costs

### Funding Levels Relative to FY 1992 Constant Dollars



### Personnel Levels Relative to FY 1992 (Active Military plus Civilian)





## Next Steps Proposed for the QDR

### Address Long-Standing Management Concerns

- Strengthen DoD-wide supervisory and investment mechanisms
- Accelerate high payoff end-to-end process initiatives
- Strengthen performance contracts, with improved metrics & benchmarking -- link them to program reviews
- Institute DLA & DISA pricing reforms
- Create privatization and outsourcing strategy--link to process initiatives



## Additional Information



## Potential for Privatization/Outsourcing\*

**Table: Commercial and Inherently Governmental Activities**

Defense Agency	Civilian and Military Positions FY99				A-76 Competitions	
	Total	Inherently Governmental	Excluded from A-76	Eligible for A-76	Planned	In
					Studies FY97-07	Process by FY99
DLA	27456	8416	6425	12615	9867	3978
DCMA	13260	10813	119	2328	0	0
DISA	8566	7699	829	38	0	0
DFAS	20926	2866	1914	16146	7207	1803
DCAA	4279	3763	0	516	0	0
DSS	2447	631	11	1805	0	0
DARPA	179	159	20	0	0	0
DTRA	1067	701	366	0	0	0
BMDO	538	433	87	18	0	0
TMA	362	333	3	26	0	0
DODEA	13482	613	9217	3652	0	0
DECA	17736	2562	4773	10401	1942	619
DSCA	337	337	0	0	0	0
DLSA	95	95	0	0	0	0
<b>Total</b>	<b>110730</b>	<b>39421</b>	<b>23764</b>	<b>47545</b>	<b>19016</b>	<b>6400</b>

\* Source: Center for Naval Analyses



## Agencies Represent Major Management Responsibilities

Their Scale Parallels that of Major Defense Contractors--

Agency	Funding**	Company	Revenue**
Defense Health Program/Tricare Management Activity	17.42	Boeing	59.99
Defense Logistics Agency	16.52	Lockheed-Martin	25.53
Defense Commissary Agency	6.04	Raytheon	19.84
Defense Information Systems Agency	4.06	TRW	16.97
Ballistic Missile Defense Organization	3.88	Northrop-Grumman	9.00
Defense Finance and Accounting Service	1.97	General Dynamics	8.96
Defense Threat Reduction Agency	1.95	Rockwell	7.15
Defense Advanced Projects Research Agency	1.91	SAIC	5.28
DoD Education Agency	1.50	Litton	4.82
Defense Contract Management Agency	1.12		
Defense Security Service	0.47		
Defense Contract Audit Agency	0.35		
Defense Security Cooperation Agency	0.14		
Defense Legal Services Agency	0.01		
<b>14 Agency Total</b>	<b>57.34</b>		

\* Includes Defense Working Capital Fund and non-defense business, billions of dollars

\*\* Sources: DoD Budget Estimate Submissions, FY2002; Fortune 500 Listing.