



# PRESS RELEASE

House National Security Committee  
Floyd D. Spence, Chairman

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## **Fiscal Year 1997**

# **National Defense Authorization Act**

### ***(Conference Report)***

## **Summary of Major Provisions**

**STATEMENT OF CHAIRMAN FLOYD D. SPENCE**  
**AT THE CONCLUSION OF THE CONFERENCE ON**  
**THE FISCAL YEAR 1997 NATIONAL DEFENSE AUTHORIZATION ACT**

*House National Security Chairman, Floyd D. Spence (R-SC), announced that House and Senate conferees reached an agreement on the conference report for the fiscal year 1997 defense authorization bill. Upon conclusion of the conference, Chairman Spence issued the following statement:*

“I am glad that we have quickly worked through the many differences between the House and Senate defense authorization bills and produced a conference report that continues our commitment to revitalizing our national defenses.

“As is always true in conference, a number of difficult decisions had to be made in order to craft a conference report that will not only pass in both the House and Senate but can also be signed into law by the President. I believe that this bill meets all three tests.

“Like the House-passed bill, the conference report takes a balanced approach toward addressing the numerous quality of life, readiness and modernization problems our military is facing today. This bill provides for military personnel and their families who represent the heart of the all-volunteer force; it enhances core military readiness by increasing funding for a number of underfunded key readiness and training programs; and, like last year’s bill, it once again makes great strides in addressing many of the serious problems plaguing the Administration’s inadequate modernization program to ensure that our troops of tomorrow maintain the technological edge they enjoy on the battlefield today.

“Almost two years ago a promise was made to begin revitalizing our national defenses following a decade of decline. The 104th Congress accepted this daunting challenge and has kept its promise. The job is far from complete, but we have made an impressive start.”

*Note: The conference committee used the fiscal year 1997 defense spending recommendation contained in the Concurrent Resolution on the Budget — approximately \$265.6 billion in budget authority — as its target funding level. A summary of major provisions of the FY 97 National Defense Authorization Conference Report is available on the National Security Committee Homepage at [www.house.gov/nsc/welcome.htm](http://www.house.gov/nsc/welcome.htm).*

# IMPROVING QUALITY OF LIFE

*America must provide a decent quality of life our military men and women — the same men and women who risk their lives to ensure our security. Over the past several years, those who voluntarily serve America have seen their living conditions decline to a point where even the Commandant of the Marine Corps, General Krulak, testified before Congress that he was “appalled” by the conditions in American military housing facilities.*

*Despite a decade of declining defense budgets and dramatic force structure cuts, the pace of military operations around the world has remained extraordinarily high. The military is being asked to do more with less, forcing our soldiers, sailors, airmen, and Marines to leave their families with increasing frequency and for longer periods of time. As the Clinton Administration continues to stretch U.S. military forces, our ability to take care of military personnel and to provide the most basic of needs — decent housing, adequate compensation, and quality health care — is in jeopardy.*

*Accordingly, this conference report builds on last year’s efforts to maintain a delicate balance between taking care of people and modernizing the force, with a particular focus on enhancing the quality of life of those who serve.*

**Basic Military Pay Increase.** As requested, the conferees provided a 3 percent military pay raise.

**Basic Allowance for Quarters (BAQ).** The conferees provided a 4.6 percent BAQ increase — a 50 percent increase over the President’s budget. Service members who are required to live in non-military housing receive BAQs, which are intended to compensate service members for off-base housing costs. The allowance has two rate schedules, one for members with dependents and one for members without dependents, and varies by pay grade.

**Minimum Variable Housing Allowance (VHA).** The conference report directs the Secretary of Defense to establish a minimum VHA rate and provides \$35 million to ensure that all service members are compensated at a sufficient level to acquire safe and adequate housing in those areas where housing costs are high. VHA is designed to help offset out-of-pocket housing expenses for service members who are required to live off-base in high cost areas. It varies according to the cost of living in the region where the service member is assigned.

**Dislocation Allowance (DLA) Increase.** The conferees agreed to increase the amount of dislocation allowance paid to service members to partially offset otherwise non-reimbursable costs incurred during permanent change of station moves from two months of basic allowance for quarters to two and one half months of basic allowance for quarters.

**Cost of Living Adjustment (COLA).** The conference report establishes January 1, 1998, as the fiscal year 1998 military retirement COLA date. (The COLA would have been paid on the date established for paying retiree COLA to Federal civilian employees — October 1, 1998.)

**New Parent Support Program (NPSP).** The conferees provided \$20 million (the budget request contained no funding) for NPSP, which addresses a range of life and coping skills necessary to help new families deal with the stresses of high optempo, new marriage, childbearing, and frequent changes of station.

**Impact Aid.** The conferees provided \$35 million for DOD to continue providing educational assistance to local education agencies to support the education of over 540,000 military children. While the conferees believe that assistance to local educational agencies is more properly funded through the Department of Education (DOE), they recognize that the level of Impact Aid funding has been eroded by both inflation and spending reductions. Therefore, the conferees strongly endorse DOD's recent efforts to more aggressively seek greater DOE support for the Impact Aid program.

**Military Construction.** The conferees authorized \$850 million more than the President's request for military construction. Approximately 60 percent of the increase is dedicated to quality of life enhancements. Specific military construction initiatives include:

- **Family Housing.** The conferees authorized an increase of \$137.6 million for new construction and \$128.6 million for improvements. Nearly 3,000 military families will benefit from the added funding;
- **Barracks Program.** The conferees authorized \$762.5 million (\$200.8 million more than the President's request) for 63 new barracks and dormitory construction projects within the United States and abroad;
- **Child Care Centers.** The conferees authorized \$36.6 million for 11 child care centers, \$30.4 million more than the President's request;
- **Housing and Barracks Privatization.** In an effort to accelerate privatization, wherever possible, of military family housing and housing for unaccompanied personnel, the conferees authorized \$25 million for the Family Housing Improvement Fund. The conferees also provided \$5 million for the Unaccompanied Housing Improvement Fund (the Administration did not request funds for the program), a high priority program of the Secretary of Defense which was established last year; and
- **National Guard and Reserve Construction.** The conferees authorized \$388.8 million for construction requirements to enhance the training and readiness of the National Guard and reserves (\$194.7 million more than the President's request).

**Healthcare.** The conferees took several key actions to ensure the availability of quality medical care for military beneficiaries:

- **Defense Health Fund Shortfall.** The conferees demonstrated their commitment to quality health care by restoring \$475 million to the Defense Health Program, which was underfunded in the President's fiscal year 1997 budget request. Such a shortfall, if left unaddressed, would unfairly limit space-available care in military treatment facilities for family members and military retirees;
- **Medicare Subvention Demonstration Program.** The conference report directs the Secretary of Defense and the Secretary of Health and Human Services to submit a plan to Congress and the President by September 6, 1996 outlining the details of a Medicare subvention demonstration program that would allow Medicare-eligible retirees to enroll in the managed care option of the TRICARE program. Under such a demonstration program, the Department of Health and Human Services would reimburse the Department of Defense for the care provided to these beneficiaries;
- **Health Care Nonavailability Statements.** The conference report eliminates the requirement for non-availability statements for outpatient services for military beneficiaries who choose the TRICARE Standard (fee-for-service) option. The conferees recognize that beneficiaries who decline enrollment in the HMO option of the TRICARE program do so in order to retain their choice of health care providers — generally at a much greater cost to themselves in the form of higher deductibles and/or copayments;
- **Dental Insurance Plan for Military Retirees.** The conference report directs the Secretary of Defense to establish a dental insurance plan for military retirees, their dependents, and certain surviving spouses. The insurance plan would be voluntary with eligible participants responsible for paying the plan's premiums;
- **Research Regarding Gulf War Syndrome.** The conferees directed the Secretary of Defense to arrange for independent research on possible causal relationships between Gulf War syndrome and combinations of various inoculations and investigational new drugs or possible exposure to chemical or other hazardous agents during Gulf War service. The conferees authorized \$10 million of the Defense Health Program funds to be used for this research; and
- **Plan for Health Care Coverage for Children with Medical Conditions Caused by Parental Exposure to Chemical Munitions.** The conference report directs the Secretary of Defense, in coordination with the Secretary of Veterans Affairs, to develop a plan to ensure medical care to any natural child of a member of the Armed Forces who has a congenital or catastrophic illness proven to have resulted from the parent's exposure to a chemical warfare agent or other hazardous material during active military service.

# SUSTAINING READINESS

*Maintaining the readiness of U.S. military forces is critical to ensuring our nation's ability to protect and promote U.S. national interests around the world. As the President's defense budget continues to decline at the same time that American participation in peacekeeping and humanitarian missions increases, the Administration ends up having to play a funding "shell-game" that pits readiness against modernization, quality of life, and force structure. The conferees believe, however, that the Administration's approach is dangerously flawed and that vigilance in regard to readiness must always remain a "first principle."*

*In order to build on last year's comprehensive approach to addressing both short- and long-term readiness problems, the conferees once again bolstered funding to key underfunded readiness accounts. Additionally, the conferees approved a number of initiatives to enhance the "total force" concept for utilizing and taking full advantage of the reserve components.*

**Operations and Maintenance (O&M) Funding.** The conferees added more than \$950 million to key underfunded areas of the President's readiness budget. In addition to fully funding the President's request for operations and training programs, the conferees added:

- \$550 million for real property maintenance (RPM) to address the growing maintenance backlog for facilities, including barracks, dormitories, critical health and safety deficiencies, and mission critical operational deficiencies;
- \$120 million for base operations, which the Administration continues to underfund;
- \$150 million for depot maintenance to reduce backlogs to fiscal year 1996 levels;
- \$60 million for mobility enhancements, including investment in runway ramps, storage/loading facilities and equipment, and other measures to help U.S. forces to deploy more rapidly and efficiently; and
- \$67 million for National Guard and Reserve readiness to address training budget shortfalls.

**Termination of the Defense Business Operating Fund (DBOF).** DBOF is a business and industrial revolving fund which operates industrial activities (e.g., government shipyards, air logistics centers) and supply activities. The fund was established in 1991 to raise the visibility of the full cost of business operations and the management of those costs through consolidating numerous industrial and stock accounts operated by each of the services and DOD. DBOF receives no appropriations and is financed by billing customers — operational commanders — for goods and services.

The conferees were concerned that the fund, which was primarily established to make the process more businesslike and efficient, is not serving its purpose. In fact, DBOF operating costs continue to grow and the accounting process remains inadequate and inaccurate. Accordingly, the conferees directed the Secretary of Defense to abolish DBOF effective October 1, 1999, unless Congress specifically acts to prevent the termination. In the interim, the committee directs the Secretary of Defense to submit to Congress by September 30, 1997, a comprehensive plan to improve the management and performance of all DBOF activities. This is intended to give Congress ample opportunity to review the plan and to act on any requisite legislation. The conferees also included a new annual reporting requirement for the Comptroller General of the United States on the adequacy of the basis of DOD's DBOF rates and charges.

**Force Structure Review.** Since the collapse of the Soviet Union in 1991, DOD has undertaken two substantial force structure assessments that were designed to meet U.S. defense requirements. While both served an important purpose in focusing attention on the need to reevaluate the military posture of the U.S., the conferees believe that the pace of global change necessitates a new, comprehensive assessment of the Armed Forces that is designed to meet the threats of the 21st century. Accordingly, the conference report directs the Secretary of Defense to conduct a Quadrennial Defense Review in fiscal year 1997. This review, which was recommended by the Commission on Roles and Missions, will thoroughly assess defense active and reserve force structure, modernization plans, infrastructure, and other elements of the defense program and policies in order to determine defense strategy through the year 2005. Additionally, the conference report directs the Secretary of Defense to establish a non-partisan, independent "National Defense Panel" by December 1, 1996 to assess the work and recommendations of the Quadrennial Review.

**Active Duty Endstrengths.** The conferees mandated active duty endstrength levels as follows:

Fiscal Year 97 ENDSTRENGTH - ACTIVE FORCES					
Service	FY 1996	FY 1997		Change from	
	Authorization	Request	Recommendation	FY 1997 Request	1996 Authorization
Army	495,000	495,000	495,000	0	0
Navy	428,340	406,900	407,318	418	-21,022
Marine Corps	174,000	174,000	174,000	0	0
Air Force	388,200	381,100	381,100	0	-7,100
Total	1,485,540	1,457,000	1,457,418	418	-24,282

**Restrictions on Endstrength Levels.** The conferees were disturbed to learn that the Secretary of Defense was planning to reduce active duty force levels below the Bottom-Up Review (BUR) "floors" established by Congress in last year's defense authorization bill. These force structure reductions would fall below even DOD's stated requirements in support of its own national military strategy — to be able to fight and win two nearly simultaneous major regional conflicts. In an effort to provide Congress an opportunity to examine the assessment and recommendations of the Quadrennial Review, the conferees require the Secretary of Defense to include in the annual budget request, funding sufficient to maintain the minimum active endstrengths prescribed in this conference report. However, in order to prevent the services from taking short-term management actions that may adversely affect service members solely to meet the assigned endstrengths at the end of the fiscal year, the conferees authorized a one percent flexibility in endstrength levels. The mandated end strength levels were enacted in the fiscal year 1996 defense authorization bill.

**Air National Guard Fighter Aircraft.** The conferees increased the Air National Guard personnel endstrength authorizations by 576 part-time personnel, 249 active guard/reserves, and 343 military technicians above the budget request and increased the personnel authorization by \$8.5 million to provide Air National Guard fighter squadrons with 15 primary authorized aircraft (PAA) per squadron (the President requested 12 PAAs per squadron). The additional aircraft will enable these squadrons to better manage optempo when deployed.

**Army Military Personnel Account Shortfall.** For the second year in a row, the Administration seriously underfunded Army personnel accounts, forcing the Army to reduce funding for a range of quality of life and recruiting initiatives, as well as causing reduced readiness in a number of active duty divisions due to an inability to promote enough non-commissioned officers. Moreover, the Army chose to accelerate officer reductions and slow the pace of promotions, thereby exacerbating officer manning shortages that the committee identified as being as high as 30 percent across the Army during fiscal year 1996. Therefore, the conferees increased the President's budget request by \$50 million.

**Army Reserve Full Time Manning Increase.** Recognizing the expanded role of the Army Reserve in early-deploying contingency forces and the chronically low levels of full time support within the Army Reserve, the conferees expanded the Active Guard and Reserve (AGR) by 254 personnel and recommended an increase of \$8 million above the President's request for reserves on active duty to support the reserves. The conferees believe that this augmentation will enable the Army Reserve to better support increased operations tempo and readiness requirements.

**Navy Maritime Patrol Aircraft.** The conference report authorizes the Secretary of the Navy to increase the number of Navy P-3C maritime patrol aircraft squadrons by two (one active squadron and one reserve squadron) above the 12 active and eight reserve squadrons requested in the President's budget. As a consequence, the conferees authorized increases in the Navy active personnel accounts (End Strength: 418 personnel, and \$7 million) and the Naval Reserve personnel accounts (End Strength: 97 Training and Administration of the Reserves (TAR) personnel, 266 part-time personnel, and \$4 million).

**Reserve Component Individual Training Funds.** The conferees believe that Reserve component individual training remains significantly underfunded in the President's budget request. To address these funding shortfalls, the conferees increased funding for the Army National Guard personnel account by \$7.5 million over the President's budget request to provide for schools and special training for military occupational skill training, new equipment training for the Multiple Launch Rocket System (MLRS) and Bradley Fighting Vehicle training, as well as NCO professional development. The conferees also directed increases of \$7.5 million for the Army Reserve personnel account to provide troop program unit professional development training, as well as individual skills training.



**Reserve Forces Revitalization Act.** The conferees approved a number of provisions intended to address many of the administrative and organizational inefficiencies that have developed in the reserve programs including:

- establishment of separate reserve commands and commanders for the Army, Navy, Marine Corps, and Air Force reserves; and
- comprehensive review of the existing statutory reserve and active general and flag officer authorizations.

Additionally, the conferees directed the Secretary of Defense to submit a report on measures taken or planned that are designed to improve the timeliness, adequacy, and effectiveness of reserve component responses to domestic emergencies.

**Increase in the Annual Limit of Days of Inactive Duty.** The conference report increases the amount of retirement points that a reservist can earn as a result of inactive duty training from 60 to 75 per year. A 1988 review of military compensation determined that at least 95 percent of the members of the Selective Reserve lose at least three points per year because of the current limit.

# MODERNIZATION

*The 1991 Persian Gulf War clearly demonstrated that maintaining technological superiority on the battlefield depends upon a steady investment in research, development, and procurement of weapons and equipment. Unfortunately, the Clinton Administration's defense budgets have cut modernization to post-World War II lows and have consequently put the long-term effectiveness and safety of our troops at risk. The President's fiscal year 1997 procurement budget request was \$5 billion less than his own 1996 projection for fiscal year 1997 spending, clearly indicating the Administration's willingness to sacrifice modernization to pay for shortfalls elsewhere in the budget.*

*In response, this conference report recognizes that modernization remains a cornerstone of U.S. military superiority and is central to the safety and welfare of America's military personnel well into the 21st century.*

**Ballistic Missile Defense (BMD).** The conferees again expressed their strong support for an accelerated U.S. ballistic missile defense (BMD) program aimed at fielding effective modern theater and national missile defenses to counter extant and emerging ballistic missile threats. The conferees added a total of \$914.2 million to the \$2,798.7 million budget request for the Ballistic Missile Defense Organization (BMDO). Specific program authorizations include:

- \$858.4 million for National Missile Defense (NMD) research and development (\$350 million above the President's request);
- \$621.8 million for THAAD program research and development (\$140 million above the President's request);
- \$304.2 million for Navy Upper Tier research and development (\$246 million above the President's request);
- \$310.7 million for research, development, and procurement of Navy Lower Tier (approving the President's request);
- \$596.9 million for research, development, and procurement of Patriot Advanced Capability-3 (PAC-3) (approving the President's request); and
- \$56.2 million for Corps SAM/MEADS (approving the President's request).

The conferees also added \$134 million to the Air Force request of \$120.1 million for the Space and Missile Tracking System (SMTS, formerly “Brilliant Eyes”) — a space-based sensor system that will improve the performance and capabilities of U.S. theater and national missile defense systems.

Conferees agreed to drop the House and Senate provisions on Theater Missile Defense (TMD) Demarcation and Anti-Ballistic Missile (ABM) Treaty Multilateralization. In doing so, they reaffirmed that the recently-concluded agreements in the Standing Consultative Commission on TMD Demarcation and ABM Treaty Multilateralization constitute substantive modifications to the ABM Treaty, thus requiring Senate advice and consent. Furthermore, current law already requires that any substantive changes specifically with respect to the ABM Treaty be submitted to the Senate for advice and consent (Section 232 of the FY 1995 National Defense Authorization Act (*P.L. 103-337*)).

**National Intelligence Estimate/Ballistic Missile Threat Review.** Based on concerns over recent intelligence findings that appear to downgrade the ballistic missile threat to the United States, the conferees directed the Director of Central Intelligence (DCI) to convene a panel of independent, non-government experts to review the underlying assumptions and conclusions of the controversial November 1995 National Intelligence Estimate (NIE) on “Emerging Missile Threats to North America During the Next 15 Years”. Additionally, the conferees directed the DCI to establish a “Team B” commission, which would be modeled after the 1970s “Team B” exercise, to assess the existing and emerging ballistic missile threat to the United States.

**Fighter/Attack Aircraft.** In determining which aircraft to authorize, the conferees gave the highest priority to the services’ underfunded requirements lists that were provided for the record as a part of the fiscal year 1997 defense authorization hearing process. Accordingly, the conferees authorized:

- \$256.5 million for six Air Force F-15Es (two more than the President’s request);
- \$154.9 million for six Air Force F-16C/Ds (two more than the President’s request);
- \$234 million for six F/A-18C/Ds (no funds were requested);
- \$372.9 million for 12 remanufactured, Marine Corps AV-8Bs (two more than the President’s request); and
- \$201.6 million for modifications and capability upgrades to Navy EA-6Bs (\$101 million more than the President’s request).

The conferees also approved the President’s \$2,154.7 million request for 12 F/A-18E/Fs.

**Joint Strike Fighter (JSF).** The conferees authorized \$602 million (\$13 million more than the President's request, intended for a competitive engine project) for Joint Strike Fighter research and development. However, because of major concerns regarding the affordability and composition of the Pentagon's tactical fighter modernization program, the conferees supported the House's provision requiring a major study of these issues.

**C-17 Globemaster.** The conferees authorized the Air Force to exercise its option to convert the current seven-year multiyear contract for 80 C-17 aircraft to a more cost effective six-year contract and authorized \$2,376.8 million for nine or more additional aircraft in fiscal year 1997. This one-year change will provide over \$300 million in additional savings over the life of the contract.

**V-22 Osprey.** In order to increase production rates so that the V-22 can be fielded more rapidly, the conferees authorized \$860.6 million for six V-22 aircraft in 1997 and advance procurement of seven additional aircraft (for a total of 12 aircraft) in 1998. In addition, the conferees authorized \$613.8 million for research and development of the Osprey, including \$37 million for a fifth test aircraft for the CV-22 special operations variant and for risk reduction.

**Helicopters.** The conferees authorized funding for continued production and accelerated development of the following helicopter programs:

- \$199.1 million for 24 OH-58D Armed Kiowa Warriors (\$190 million above the President's request) to continue addressing the Army's shortage of scout/reconnaissance helicopters caused in part by delays in the fielding of the RAH-66 Comanche; and
- \$338.6 million (\$50 million more than the President's request) to accelerate one or more of the six experimental operational capability (EOC) RAH-66 Comanche helicopters to evaluate its potential operational warfighting capabilities and value before consideration of a full acceleration of the program.

**CH-47D Modifications.** The conferees authorized \$59.8 million (\$52 million more than the President's request) to initiate CH-47D engine upgrades in order to increase the aircraft's payload-carrying capability by up to 3,900 pounds. The Army listed the upgrade as one of its highest aviation priorities.

**AH-64D Longbow Apache..** The conferees authorized \$432.4 million (\$53 million more than the

President's request) for conversion of AH-64As to AH-64Ds.

**Precision-Guided Munitions (PGMs).** Recognizing the importance of PGMs to the warfighting capability of today's downsized military, the conferees added over \$118 million for the service chiefs' underfunded requirements for the following PGMs:

- \$40 million for 100 AGM-130 powered GBU-15 laser guided bombs (none were requested); and
- \$15 million to modify 100 Conventional Air Launched Cruise Missiles (CALCM) that were converted from the Air Force's existing inventory of AGM-86B nuclear cruise missiles (none were requested).

The conferees also added funds for munitions that were underfunded in the president's budget:

- \$152.7 million for 500 Sensor Fuzed Weapons (\$21.6 million more than the President's request);
- \$20 million for 25 Navy SLAMs (none were requested);
- \$174.9 million for 300 AMRAAMs for the Navy and Air Force (\$22.5 million more than requested); and
- \$244.2 million for 1588 Javelin for the Army and Marine Corps (\$53.9 million more than the President's request).

Finally, the conferees recommended the following authorizations for upgrades to equip the existing bomber force with PGMs and other conventional capability enhancements:

- \$166.4 million to procure B-1B modifications (\$82 million more than the President's request); and
- \$212 million for the B-2 fleet (none was requested).

**Anti-Satellite Weapon (ASAT).** Recognizing that continued proliferation of space-based imagery systems can threaten U.S. and coalition military forces, the conferees authorized \$75 million for development of the Army's ground-based kinetic energy ASAT program. Although this program was funded at \$30 million in fiscal year 1996, the President's budget request did not include funds for this program.

**Arleigh Burke Class Guided Missile Destroyers (DDG-51).** The conferees authorized \$3,374.7 million for the procurement of four DDG-51s and \$534.4 million for advance procurement of three more DDG-51s in fiscal year 1998. Additionally, the conferees authorized a multiyear procurement of

12 DDG-51s over the four-year period 1998-2001.

**SSN-23.** The conferees approved the requested \$699.1 million to continue production of a third and final Seawolf class nuclear-powered attack submarine.

**Next Generation Nuclear Attack Submarine.** The conferees authorized funding for a number of provisions designed to ensure that the Navy's next generation of attack submarines will be more capable than current and next-generation Russian submarines and more affordable than the Navy's New Attack Submarine (NAS) program, including:

- \$296.2 million for advance procurement of the first of four transition submarines that will lead to procurement of the first ship in the next-generation submarine class in 2002. The first transition submarine will be constructed by Electric Boat beginning in fiscal year 1998;
- \$701 million for advance procurement of the second transition submarine, which will be built by Newport News beginning in fiscal year 1999;
- \$487.6 million for continuing detail design of the first transition submarine;
- \$98 million for research and development of mature advanced submarine technologies for inclusion in the transition submarines and/or the next generation submarine class; and
- transfer of \$50 million in fiscal year 1996 funds from the Defense Advanced Research Projects Agency (DARPA) to the Navy for hydrodynamic and hydroacoustic research on large scale test vehicles.

**National Guard and Reserve Equipment.** The conferees authorized \$780 million for unfunded National Guard and Reserve Component modernization programs. In addition, the conferees authorized the following modernization programs for the National Guard funded elsewhere in the bill:

- \$64.2 million for the production of one battalion set of Paladin and Field Artillery Ammunition Support Vehicle (FAASV).
- \$71.9 million to purchase 93 Avenger fire units (no funds were requested).
- \$66.2 million to complete fielding of the Multiple Launch Rocket System (MLRS) to Army National Guard units — \$36.3 million to rebuild 36 MLRS launchers and \$29.9 million for training

equipment.

## A SMARTER PENTAGON

*Despite declining budgets and shrinking forces, the Pentagon has maintained unnecessarily high overhead, antiquated training and organizational techniques, and outdated business practices. In an ongoing effort to address these problems, the conference report builds on the reforms mandated in last year's defense authorization bill. These reforms are not only intended to save taxpayer dollars, but to maximize the return on every defense dollar — an increasingly important issue in today's fiscally constrained environment.*

**Structural Reforms.** The conference report picks up where the conferees left off last year by requiring the Pentagon to significantly cut back administrative overhead and headquarters staff and to reorganize the intelligence establishment:

- **Acquisition Workforce Reductions.** Last year's defense authorization bill mandated a 20 percent reduction in the defense acquisition workforce as well as a one-time personnel cut of 15,000. It also required DOD to conduct a comprehensive review of management and organizational options to reduce personnel, bureaucracy, and organizations. Unfortunately, DOD never submitted the results of such a review to Congress. The conference report directs the Pentagon to cut another 15,000 acquisition positions by the end of fiscal year 1997;
- **Military Department Headquarters.** Despite several years of reduced defense budgets, the organizational structure of each military department's headquarters remains oversized and inefficient. The conferees directed the Secretary of Defense to review each military department's military headquarters organization (both uniformed and civilian staff) and to report to Congress on consolidation, streamlining, and downsizing options; and
- **National Imagery and Mapping Agency (NIMA).** The conference report establishes this new organization, which will provide a single agency focus for imagery and geospatial information within the U.S. government. The consolidation of these functions will allow DOD to harness, leverage, and focus rapid technological developments to serve imagery, imagery intelligence, and geospatial information customers.

**Acquisition Reforms.** Building on two years of sweeping statutory reform of the federal acquisition process, the conferees this year chose to pursue minor adjustments to the law as Congress shifts emphasis in this area to encouraging aggressive implementation of recently passed legislative reforms:

- **Operational Simplified Acquisition Threshold Expansion.** The conferees approved a provision that will double the existing Simplified Acquisition Threshold (SAT) for overseas non-combat operations. The current SAT, below which purchases enjoy expedited and less burdensome procedures, is \$100,000;

- **Defense Acquisition Pilot Programs.** Aware of the initial results realized through the streamlined acquisition procedures utilized for those programs designated under the defense acquisition pilot program, the conferees granted expanded authorities to waive or modify certain acquisition laws in executing programs designated under the defense acquisition pilot program;
- **Expansion of Prototyping Authority.** The conferees extended the streamlined acquisition and prototyping authority currently available to DARPA to the military services. This authority has been essential in permitting DARPA to rapidly and successfully develop promising technologies rapidly with maximum return on investment;
- **Elimination and Modification of Defense “Plant Closings” Laws.** The conferees adopted an Administration proposal to eliminate or modify the various defense-unique “plant closings” notification laws enacted in the early 1990s. These requirements have proven to be costly, burdensome, and of little utility in providing additional information to communities and employees affected by defense cutbacks;
- **Elimination of Government Audit Duplication.** In order to reduce administrative burdens and duplication of efforts by different governmental entities, the conferees expanded current statutory authorities by extending audit reciprocity considerations to post-award audit to expedite the contract close out process and the issuance of final contract payments and requiring the Office of Management and Budget to issue guidance to ensure that state and local entities accept cognizant federal agency audits in order to minimize duplication of effort and reduce cost for contractors engaged in contracting at various levels of government;
- **Executive Compensation.** As an interim step toward the development and consideration of a permanent limit on this allowability of executive salaries, the conferees approved a one year limit on senior management contractor personnel salaries of \$250,000. In addition, the conferees directed the Office of Management and Budget (OMB), in consultation with the Secretary of Defense, to provide to Congress by March 1, 1997, a legislative proposal that will address the limitation of reimbursement of individual compensation under government contracts; and
- **Effectiveness of Defense Mergers and Acquisitions.** In response to increased concern over the Department’s policy of encouraging defense mergers and acquisitions, the conferees directed the Secretary of Defense to conduct a study on the effectiveness of the current policy. The report will address the success of the policy in eliminating excess capacity within the defense industry, the degree of change in the dependence by defense contractors on defense related Federal contracts after mergers, the effect on competition for defense contracts, and the effect on defense industry employment resulting from defense mergers and acquisitions.

**Military Technology and Doctrine Innovation.** The conferees encouraged the military services to pursue innovative concepts and technologies that will ensure American superiority in an uncertain



world of rapidly changing global security. They endorsed a variety of initiatives to accelerate the pace of technology, doctrine, and organizational development in an effort to better position the U.S. armed forces to face new challenges. These new technologies and concepts are not substitutes for traditional military doctrines and tactics, they are an opportunity to magnify the effectiveness and adaptability of U.S. military forces in the next century.

The conferees decided to invest in two areas which will help determine the capabilities and applications of these new technologies. The first area — the technologies themselves, particularly those that allow for rapid collection, processing, and dissemination of information and intelligence throughout the operational battlefield — will make current military systems and organizations dramatically more effective. The second area — a set of experiments designed to explore the operational and organizational implications of new technology on the battlefield — will give service members an opportunity to use new technologies and develop new tactics and doctrines in a hands-on setting:

- **Army Force XXI.** The conferees approved a total of \$222.8 million, \$87 million more than the budget request, for Army Force XXI. This is the cornerstone of the Army’s modernization program, intended to bring instant situation awareness to the battlefield by integrating information age-shared knowledge technologies into combat vehicles to allow cohesive combat operations and decisive power projection. This total includes \$75 million for a new program element to rapidly move those compelling technologies needed by the Army and demonstrated in the Army’s Advanced Warfighting Experiments (AWE) into acquisition mode. The conferees also provided an additional \$12 million to support participation and digitization efforts in the Force XXI AWEs;
- **Commandant’s Warfighting Laboratory.** The conferees authorized \$40 million to establish this Marine Corps program, a new initiative, which is similar to the Army Force XXI program. This increase to the budget request will support the Marine Corps “Sea Dragon” initiative, a series of advanced warfighting experiments to evaluate the impact of new technologies and develop new operational concepts for the future battlefield;
- **Arsenal Ship.** The conference report authorizes the Navy’s budget request of \$25 million to initiate the program, but places the funds in a new advanced development program which stipulates that the Arsenal Ship be in an early conceptual stage and that a number of questions about the program must be answered in development. The conference report also authorizes the budget request for \$16.3 million for the Defense Advance Research Projects Agency (DARPA) portion of the program. The conferees commended the Navy’s leadership, development community, and participating Defense agencies for the innovative manner in which the Arsenal Ship concept has been developed. The conferees also agreed that the projected cost of the program indicates that the Arsenal Ship will be a major defense acquisition program; and
- **Link 16.** The conference report authorizes a total of \$143.8 million, \$19.8 million more than the budget request, to accelerate integration of the “Link 16” tactical data link into F-16, F-15, B-1, and B-2 aircraft and Aegis ships. This standard data link will be a key element of the future “tactical internet,” which will allow key platforms and weapons systems to share targeting and intelligence information — allowing the services to conduct highly synchronized joint operations.

- **Unmanned Aerial Vehicles (UAVs).** These reconnaissance systems, now operating in Bosnia with great success, provide accurate, real-time intelligence to tactical commanders. The conference report funds the following UAVs:
  - \$113.8 million for procurement, research, and development of the “Predator” Tier II UAV (\$50 million more than the President’s request);
  - \$40.6 million for procurement of the “Pioneer” UAV (\$30 million more than the President’s request);
  - \$34.9 million for research and development of the “Darkstar” UAV, (\$28.5 million more than the President’s request);
  - \$71.2 million for research and development of the “Global Hawk” UAV (\$10 million less than the President’s request); and
  - \$33.5 million for research and development of the “Outrider” Joint Tactical UAV (\$18 million less than the President’s request).

**Other Reforms.** The conferees approved the following two additional reforms:

- **Federal Employee Travel Reform.** The conferees approved sweeping, government-wide reforms that will eliminate unnecessary paperwork requirements and red tape associated with processing travel claims. By incorporating the best travel practices of both the public and private sectors, these reforms are expected to result in an estimated \$800 million in savings to the taxpayer each year by offering alternative methods of reimbursement for house-hunting, subsistence, and housing transaction expenses. Specifically, the conference report authorizes, wherever cost effective to do so, payment for property management services, transportation of an employee’s privately owned vehicle within the continental U.S., and home marketing incentives. The conferees also authorized payment for limited relocation allowances to an employee who is performing an extended assignment and repealed the long-distance telephone call certification requirement. The conferees also directed the General Accounting Office (GAO) to report on the cost savings resulting from statutory and regulatory changes provided by this legislation; and

## OTHER INITIATIVES

**Cooperative Threat Reduction (Nunn-Lugar).** Based on concerns regarding the potential threat from “loose nukes” in the former Soviet Union and the possible acquisition and use of weapons of mass destruction by terrorists, the conferees authorized funds in addition to the Administration’s request for the following activities and programs. Specifically, the report authorizes an additional:

- \$37 million for Cooperative Threat Reduction activities in the former Soviet Union;
- \$57 million for Department of Energy nonproliferation and arms control activities in the former Soviet Union;
- \$10 million for counterproliferation research and development;
- \$30 million for U.S. and international border security programs; and
- \$65 million for domestic emergency response programs and training.

**Counter-Drug Activities.** According to the National Household Survey on Drug Abuse, the number of 12-17 year olds who claim to have used marijuana within the past year has risen 123 percent since 1992, while the number of 14-15 year olds using marijuana has jumped 200 percent in the same period of time. Furthermore, emergency room reports of cocaine-related episodes were at their highest level in history in 1994. These trends are extremely alarming, particularly in light of Administration cuts to “War on Drugs” programs which resulted in the loss of 1,000 military drug interdiction positions, 83 percent of Office of National Drug Policy staff, 150 positions from the Organized Crime and Drug Enforcement Task Force, 20 percent of Customs Service interdiction spending, and the reduction of Coast Guard interdiction spending from 21 percent of their budget in 1992 to eight percent in 1996.

These cuts have made military drug interdiction efforts all the more important in today’s high-tech drug war. Although drug smugglers stretch the limits of U.S. Customs manpower and technology, and are able to exploit its weaknesses to avoid detection, military technology and know-how often represents the quantum leap in sophistication that is able to make significant headway into stemming the flow of drugs into the United States. To ensure that DOD’s contribution to this important national priority is not diminished, the conferees authorized \$936 million (\$153.8 million more than the President’s request) for DOD counter-drug activities. Specific increases include an additional:

- \$98 million to retrofit P-3B aircraft with airborne radars to increase the U.S. Customs Service detection and monitoring capability;
- \$15 million to refurbish and install the TPS-70 radar system to counter airborne drug smugglers;

- \$8 million to support cooperative anti-narcotic efforts of DOD and the Mexican government;
- \$8 million for Operation Laser Strike, a counter-drug effort which will utilize sustained levels of U.S. detection, monitoring, tracking, assessment, and training resources to support expanded interdiction and law enforcement efforts by the governments of drug-source nations;
- \$6 million to install non-intrusive inspection devices at major ports of entry along the southwest border;
- \$5 million to ensure that the San Diego-Tijuana border fence project continues without interruption; and
- \$2.5 million to purchase signal intelligence equipment for communications interception activities along the southwest border.

**Payment to Vietnamese Commandos.** The conference report directs the Secretary of Defense to pay up to \$50,000 to persons captured while participating in special operations in North Vietnam, Laos, or along the Lao-Vietnam border and incarcerated by the Democratic Republic of Vietnam.

**Medal of Honor for World War II African-American Soldiers.** The conferees included a provision that would authorize the Secretary of the Army to award the Medal of Honor to African-American former service members who the Secretary of the Army finds to have distinguished themselves by gallantry above and beyond the call of duty while serving in the United States Army during World War II.

**Human Relations.** The conference report directs the Secretary of Defense to require human relations training in each of the military services to increase sensitivity to “hate group” activity.

### **Environmental Provisions.**

- **Department of Energy (DOE) Funding Levels.** The conferees authorized \$5.5 billion for the Department’s Environmental Restoration and Waste Management Program. The authorization includes a number of provisions to enhance the management and operation of DOE’s environmental management programs and to grant greater fiscal and management authority to facility site managers. In addition, the report requires performance-based contracts, faster deployment of innovative technologies, and reduced administrative requirements, which will further the conferees’ goal of spending more on clean-up and less on administrative costs. The conferees also agreed to establish a fund for accelerating the closure of contaminated sites. The conferees believe that a number of sites within the DOE complex can be remediated in a much shorter period than originally envisioned. With support surveillance and maintenance costs often exceeding “remediation”

costs, the conferees believe that this program will save the taxpayers billions of dollars in the next ten years.

- **Department of Defense (DOD) Funding Levels.** The conferees fully funded the President’s budget \$4.7 billion request for environmental programs. Included within the requested total figure, the committee approves \$1.33 billion for the Defense Environmental Restoration Account (DERA), and approves the Administration’s proposal for devolvement of the DERA account to the individual military services. Other environmental initiatives include an amendment to the Act to Prevent Pollution from Ships that would allow the Navy to install pulpers and shredders for shipboard solid waste disposal on its entire surface fleet and the establishment of a program to allow the Department to centrally manage conservation related activities that cut across service lines or that are regional or national in scope.
- **Comprehensive Environmental Response Compensation and Liability Act (CERCLA).** The conferees agreed to three amendments to CERCLA, more commonly referred to as “Superfund”. The proposed amendments will:
  - grant the Environmental Protection Agency (EPA) the authority to withhold listing federal facility sites on the National Priorities List (NPL) if a cleanup action is already under way;
  - provide the authority to transfer federal property undergoing the clean-up process as long as all remedial clean-up actions are taken subsequent to transfer of the property; and
  - change an existing definition of uncontaminated parcels so that property where hazardous substances have been stored would not be deemed to be contaminated so long as there has been no release of contaminants from the parcel.

**Action on Major Programs  
In the FY 1997 National Defense Authorization Act  
(Dollars in Millions)**

	FY'97 Budget Request			Conference Report				
	R&D	Qty.	Proc.	Total	R&D	Qty.	Proc.	Total
1. BMD*	2,534.2		263.2	2,797.4	3,448.4		263.2	3,711.6
2. SSN 23	110.9		699.1	810.0	110.9		699.1	810.0
3. Next Generation Submarine	487.6		296.2	783.8	585.6		997.2	1,582.8
4. DDG-51**	89.3	4	3,384.1	3,473.4	103.3	4	3,909.1	4,012.4
5. JASSM	198.6			198.6	198.6			198.6
6. Joint SFA RS**	207.3	2	528.9	736.2	207.3	3	738.9	946.2
7. B-2(a)	528.5		105.1	633.6	740.5		105.1	845.6
8. F-15E**	143.1	4	185.4	328.5	158.1	6	256.5	414.6
9. F-16C/D**	142.2	4	105.5	247.7	132.2	6	154.9	287.1
10. Joint Advanced Strike Tech	589.0			589.0	602.0			602.0
11. F/A 18 E/F**	425.3	12	2,154.8	2,580.1	423.1	12	2,154.7	2,577.8
12. F-22	2,003.0			2,003.0	2,003.0			2,003.0
13. AV-8B remanufacture**	16.9	10	304.9	321.8	16.9	12	372.9	389.8
14. C-17**	87.5	8	2,142.8	2,230.3	87.5	***	2,376.8	2,464.3
15. E-2C**	65.0		148.5	213.5	65.0		287.5	352.5
16. V-22**	576.8	4	558.6	1,135.4	613.8	6	860.6	1,474.4
17. AH-64D Longbow**	5.9		379.4	385.3	10.9		432.4	443.3
18. OH-58D Kiowa Warrior	1.2		9.1	10.3	1.2	24	199.1	200.3
19. RAH-66 Comanche	288.6			288.6	338.6			338.6
20. M1A2 Abrams Tank Upgrade**	197.8		464.4	662.2	225.7		464.5	690.1
21. Nat. Guard & Reserve Equipment				0.0			780.0	780.0
22. JA VELIN (2)	6.1	1,168	190.3	196.4	10.6	1,588	244.2	254.8
23. Ammunition (All Services)	221.0		1,164.3	1,385.3	229.3		1,423.5	1,652.8
24. B-1 (including mods.)			84.4	84.4			166.4	166.4
25. Crusader	258.8			258.8	233.8			233.8

\* Total excludes \$1.4 million in Milcon \*\* Includes Advanced Procurement \*\*\* Quantity may include nine or more aircraft  
(a) Conference report provides additional R&D funding to equip B-2s with conventional precision guided munitions.

(b) Army & Marine Corps