Three factors—a short budget, rising costs overseas, and unusually high retention in 1986—leave the Air Force with a $478 million hole in its Military Personnel account.

The Manpower-Money Mismatch

BY LT. GEN. THOMAS J. HICKEY, USAF
DEPUTY CHIEF OF STAFF FOR PERSONNEL

No single resource has a greater impact on Air Force readiness and the capability to support national security objectives than our people.

Secretary of the Air Force Edward C. Aldridge, Jr., and Chief of Staff Gen. Larry D. Welch have both noted this fact in many public statements. They have also said that despite a recent history of success in recruiting and retention, the Air Force faces a considerable challenge in the future because of demographic trends in the recruiting population, attractions of employment opportunities outside the service, and dynamic changes in the number and types of Air Force missions.

In 1987, however, there is a more immediate concern—a problem with the potential to diminish our near-term capabilities. It will have an effect on recruiting patterns and retention. It has implications for the morale of our force. And it constitutes one of the most significant challenges to face Air Force leaders since the poor retention period of the late 1970s and early 1980s.

The current difficulty hinges on funding issues. For FY '87, Congress funded the Military Personnel Appropriation (MPA) below programmed requirements and also reduced appropriated funding support for morale, welfare, and recreation (MWR) programs. These actions and their implications will have long-term impact.

The MPA provides funding for officer and enlisted pay and allowances, which, in addition to the basic pay and allowances, includes subsistence, clothing, incentive pays, and bonuses. It also includes funding for PCS-related costs. Although Congress appropriated nearly $19.6 billion, that amount was some $478 million short of Air Force requirements. The impact of these cuts, driven by concern over the growing federal deficit, has been compounded by better-than-anticipated retention (which produced an end-of-the-year "overstrength") and the decline of the US dollar overseas, which has raised the cost of overseas station allowances.

In response, the Air Force has had to implement a variety of budget-cutting actions that, taken together, should help reduce the MPA requirement. These steps include reducing accessions and accelerating separations across both the officer and enlisted force. At the same time, we are aggressively seeking alternatives to preserve the quality-of-life programs in MWR without dramatically increasing individual costs to participate in those programs.

Three Factors

To appreciate fully the need and effect of each of these actions, it is important to begin with an understanding of the fiscal context created by the FY '87 appropriation. The deficit of more than $478 million in the Air Force's MPA for FY '87 is the result of three major influences: increasing overseas station allowance requirements, declining congressional funding of the President's budget, and the FY '86 overstrength carried into 1987.

As the dollar has declined, primarily against the German mark and the Japanese yen, overseas entitlements—cost of living allowances, overseas housing allow-
Although this scene of Officer Training School graduates celebrating their commissions will still happen, the graduating classes of the future will be much smaller. OTS is the Air Force's most flexible commissioning source, but the number of OTS candidates will be reduced to alleviate some of the current officer overstrength.

ances, and temporary lodging allowances—have increased. In February, our estimate was that overseas stations allowances would cost nearly $158 million more than programmed for this fiscal year.

The second part of the equation involves congressional decisions that reduced or denied funding for various programs. For example:

- Congress directed the services to absorb approximately seven percent of the cost of the three percent pay raise that went into effect this past January. The Air Force share is $26.6 million. With pay and allowances based on legislated entitlements that constitute more than ninety-five percent of the MPA, we have little flexibility in absorbing the cost. We must pay our people.

- Transferring funds from the permanent change of station account (approximately four percent of the MPA) offers no relief. Congressional cuts and Gramm-Rudman-Hollings reductions carried over into this year created a $95 million deficit that we've been working hard to resolve.

- Funds requested to support new programs or increase program levels, such as an increase of 398 in officer end strength, were denied.

The final contributing factor over which USAF has limited control is force attrition. In FY '86, officer and noncommissioned officer retirements and first-term airmen separations fell short of what historical trends and force-projection models had predicted. Consequently, even with an early separation program, the Air Force finished FY '86 above authorization by 459 officers and 1,202 enlisted personnel. Concurrently, Congress held the FY '87 end strength levels essentially at last year's levels. This overstrength must be reduced in order to stay within the budget appropriated.

Minimizing Impact on People

The actions we've initiated are designed to have the least possible impact on active-duty people. To this end, we concentrated our force-management efforts on reducing both officer and enlisted accessions.

For officers, we have reduced the number of OTS and Air Force ROTC accessions for this year. OTS is our most flexible commissioning source, and we can increase or decrease the number of officer candidates we put into the school, depending on our needs. This year, we will commission approximately 1,700, or about 800 fewer than last year.

To reduce Air Force ROTC production, we have offered cadets scheduled to graduate this year the opportunity to leave the program voluntarily. Specifically:

- Nonscholarship cadets were allowed to disenroll voluntarily, with no further obligation.
- Scholarship cadets were also allowed to disenroll, but only after agreeing to repay any scholarship money received for tuition, books, and fees.
- Cadets were allowed to apply for active Reserve or National Guard slots in any military service.

Even with reduced production, graduating ROTC cadets can expect delays of up to a year before entering active duty.

We are currently developing legislation that would allow the Air Force (and other services) to absorb
its ROTC graduate surplus in the civilian work force. This would provide a welcome source of talent for hard-to-fill civilian positions in engineering and the sciences as well as in some business occupations. While we can and do offer jobs now to surplus cadets, the legislation would allow Secretaries of the military departments to employ these cadets, who would then fulfill their service obligation through federal civilian service.

On the enlisted side, Air Force Recruiting Service is reducing FY '87 prior-service accessions from 1,500 to 1,000 and nonprior-service accessions from 62,000 to 57,000. Unfortunately, our force-management actions cannot be limited to accessions. Early separation of officers and enlisted members is also required.

Officer reduction is a difficult problem. The FY '87 National Defense Authorization Act requires the Defense Department to reduce its commissioned officer strength by one percent this year, an additional two percent in FY '88, and finally another three percent in FY '89, for a total of six percent. This congressionally directed reduction requires the Secretary of Defense to apportion the reduction among the services from the officer strength levels at the end of FY '86.

Early Outs Encouraged

This year's reduction requires the Air Force to cut its programmed commissioned officer strength by 1,698—in effect, no officer growth for FY '87, plus a reduction of 1,300 officers. This is the equivalent of deactivating a bomber/tanker wing, an airlift wing, a fighter wing, and two GLCM sites. While we will not take any action as severe as deactivation, we must recognize that reducing the number of officers affects our ability to perform such tasks as intelligence, security, maintenance, and space operations.

To meet this reduction target, we modified the voluntary release program. Based on historical data and the current level of disapprovals of voluntary separation requests, we believe an extra 500 voluntary losses will result from easing restrictions on applications. For example:

- The six-month lead time required to establish a date of separation for officers who have completed their active-duty service commitments or who apply under the miscellaneous rule will be waived in most cases.
- Officers with an active-duty service commitment based on tuition assistance for off-duty education or acceptance of an engineering bonus may separate on repayment of the unamortized portion of the costs.
- Officers can be released from as much as twelve months of the active-duty service commitment incurred by permanent change of station, training, or formal education.

It is crucial to realize, however, that if Congress holds to the FY '88-89 reductions and if the methodology used is the same as this year's, the Air Force's share would be approximately 2,700 in FY '88 and about 4,500 in FY '89. Such drastic reductions could jeopardize our ability to meet projected threats and to support the basic national objectives of deterring nuclear and conventional war. By FY '89, the total effect would be equivalent to deactivating three bomber/tanker wings, three airlift wings, two fighter wings, and three missile wings.

To minimize the operational im-

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Shaping Up to Ship Them Out

The Pentagon is still struggling with the PCS funding problem.

Last year, the Air Force had to delay the return from overseas of 27,000 people completing long tours, putting them into their new Stateside locations well after school had begun. Other permanent change of station (PCS) moves were also held up until the start of the new fiscal year in October. The main reason was budget cuts, driven by a need to reduce the federal deficit. A compounding factor, however, was the cost of increased travel and per diem benefits that Congress had authorized, but that it had not funded.

Despite its best efforts to juggle the budget and the reassignment of people from place to place, the Air Force went into this year facing a $95.8 million shortfall in PCS funds. It has taken numerous actions to reduce PCS moves. For example, it implemented the "shorten back" program, which requires single career people to serve the same length of long tour overseas that people accompanied by dependents do. The base-of-preference program has been cut back, and Stateside PCS moves are being subjected to greater scrutiny. There is a limited benefit to Stateside cutbacks, though, because it is the overseas moves that tap the budget most heavily.

"We approved new assignment policies that made overseas duty more attractive," says Lt. Gen. Thomas J. Hickey, DCS/Personnel. "The changes involve overseas rotation dates and were implemented this year. By changing the method used to rotate people from overseas, we provided people with greater flexibility for their next assignment."

Air Force members had the following options: return to the CONUS after completing the current prescribed tour; request another full tour at the same location; request a tour extension of less than a full tour, but at least twelve months; enter a contract (nonspecific or to be determined) return date with the understanding that a fixed date can be obtained upon request; or request a contract return date and at the same time be considered for a consecutive overseas tour to a specific base, country of preference, or overseas theater.

"These changes to longstanding overseas tenure policies did not force anyone to remain overseas beyond the normal tour length," General Hickey says. "Commanders retained the option to return certain members who have finished their prescribed tour and who should not remain overseas. In addition to changing overseas tour rotations, we also looked at maximum and two-year tour requirements within the CONUS. We found a one-year tour should be preceded or followed by an assignment at the same location when possible. We can no longer view any assignment as only a two-year PCS. In many cases, people will also be able to remain longer than the currently prescribed maximum tour length at a Stateside site."

The Air Force will further try to reduce Stateside moves by assigning "pipeline" people—those PCS is unavoidable—to any vacancies they can fill. "We look first at filling a CONUS requirement with a training-course graduate or overseas returnee and do not normally make a CONUS-to-CONUS move unless Manning is below ninety percent," General Hickey says.

As of this writing, a final decision had not been made on what will be necessary for the remainder of FY '87. The response to the voluntary actions taken so far has been very positive, although it may still be necessary to reduce the number of replacements sent overseas late in the fiscal year.
pact, we will have to reduce support forces, and that will have a direct impact on readiness. The Air Force will be required to reduce ROTC and OTS accessions further and encourage more voluntary separations. We will also have to implement an involuntary release program for reserve officers and selective early retirement of twice-deferred lieutenant colonels or colonels with at least four years in grade.

We implemented an early-out and early-reenlistment program to reduce the enlisted force. The early-out and early-reenlistment programs were for first-term airmen assigned within the CONUS and overseas. Those airmen eligible to reenlist who had a date of separation between April (May if overseas) and September 1987 were required to reenlist or separate in April and May. Also required to separate early were first-term and career airmen with fewer than sixteen years of service who were ineligible to reenlist.

Setting Priorities in MWR

These actions have had a marked impact on our FY '87 force-structure planning and personnel management. There could be continued substantial impact in FY '88–89. If we are to keep a ready force, it is essential to maintain the quality of life for the active-duty force. Unfortunately, while we were making decisions that affected the size and shape of the force, we were also wrestling with a reduction in MWR funding.

Recovering USAF's Civilians

Losses could be heavy between now and 1990.

In 1984, the Air Force identified potential high losses in civilian professional, scientific, and technical occupations. Twenty-five percent of the civilian work force is eligible for retirement by 1990. Historical trends predict an eight percent loss per year, but there could be additional losses because of the pay gap and benefits issues. To counter this, USAF has instituted three recruiting and retention programs.

Congress passed a new public law providing military spouses with employment hiring preference. Frequent military moves make it difficult for spouses of members to pursue careers. The new law provides employment preference for military spouses for both nonappropriated funds positions (UA-8 and below) and Civil Service positions (GS-5 and above). The provisions apply to jobs both overseas and in CONUS.

Second, the Air Force recognized a need to replenish the civilian scientific, technical, and managerial work force systematically. Consequently, a centrally funded and managed intern program called "Palace Acquire" began in FY '85. It provides for recruitment of high-quality college graduates, and the Air Force says it regards it as a source of accessions for civilians comparable to the Air Force Academy and ROTC for military people.

Finally, USAF has introduced a program for coordinated officer and civilian procurement, designed to respond with equity to expansion or contraction of the total force. The Coordinated Officer and Civilian Equivalent Procurement program provides an improved assessment of total force needs and a coordinated effort for marketing and advertising Air Force opportunities.

Congress reduced the FY '87 appropriated funding for the MWR programs by $21.5 million. Congress further eliminated appropriated fund support beginning in FY '88 for such revenue-generating activities as golf courses, bowling alleys, and clubs in major metropolitan areas in the fifty states. The
Promotions Are Slowing Down

Congressional actions to hold end strength to FY '86 levels, reduce the number of officers, and restrict growth in NCO grades—along with unusually high retention—have led to a slowdown in both officer and NCO promotions.

The mandated officer reduction resulted in lower grade ceilings for colonels, lieutenant colonels, and majors in 1987. That, combined with fewer retirements than expected, decreased the monthly increments of those promoted from new selection lists. For example, promotions to colonel declined from seventy-eight in December 1986 to forty-one in January 1987, when the new list began. Promotions to major dropped from 334 in March 1987 to approximately 200 in April 1987. Lieutenant colonel increments are also projected to decline in June when promotions from the new list begin. This phasing allows the Air Force to exhaust selection lists it is currently promoting from on schedule and to finish the year within Defense Officer Personnel Management Act (DOPMA) grade ceilings. Promotion increments for FY '88 will be adjusted to reflect any changes in authorized grade levels and projected losses. Despite promotion slowdowns, USAF is maintaining the 1987 officer promotion schedule that it announced last year.

NCO promotions were also affected by grade ceiling limits and low attrition. The Air Force requested an increase of 6,500 staff, technical, and master sergeants in FY '87. An earlier increment of 6,000 had been funded in FY '86. Congress, however, attempted to limit end strength and grades to FY '86 levels and declined to fund the requested increase. But the Air Force, anticipating approval, had already selected people for promotion based on the expected increase.

Held to FY '86 NCO grade levels and experiencing fewer retirements, USAF is taking longer to exhaust its selection lists. And the grade ceilings, lower than programmed, will mean decreased selection rates in the following promotion cycles: FY '87B staff sergeant, FY '88A staff sergeant, FY '88 technical sergeant, and FY '88 master sergeant. After that, selection rates should return to a more normal pace. Even with the slowdown, promotion phase points in 1987 should be as good as they were in 1985 for most grades. They will not match 1986, but that was an extraordinarily good year.

Promotions Are Slowing Down

Chief of Staff directed a task force to review our complete MWR funding profile and determine how we can provide those essential programs within this framework. We believe the task force’s recommendations will increase the efficiency of the MWR activities, increase the local commanders’ flexibility, and ensure that these traditional programs continue to support the Air Force way of life.

The task force recommended a new sliding-scale funding policy to ensure clear support of appropriate programs. To do this, we organized base MWR activities into four categories, prioritized by value to the Air Force.

Certain mission-sustaining activities, such as gyms, parks, libraries, and motion pictures for isolated or deployed people, should have total appropriated fund support. Some basic community activities, such as swimming pools, recreation centers, youth activities, and child-development centers, require heavy support. Such desirable community activities as officer’s, noncommissioned officer’s, and airmen clubs, bowling alleys with fewer than twenty lanes, and base restaurants require a lower level of support. However, such business activities as Class VI stores, pay phones, slot machines, rod and gun clubs, aero clubs, snack bars, golf courses, bowling alleys, and marinas should receive only indirect operating appropriated fund support.

Eliminating appropriated fund support to the business activities means increasing fees, dues, and some prices. For example, officer’s and enlisted clubs will increase dues. Golf courses will raise fees to within seventy-five percent of off-base fees. Additionally, the task force suggested a comprehensive business approach to MWR, with emphasis on marketing, training, and incentive programs for the employees.

Additional management actions are recommended: using Air Force central procurement offices if they are less expensive to operate than local sources; using central contracts for liquor, food, furniture, and equipment procurement; developing generic liquor brands for Class VI stores and clubs; and consolidating financial services from the 126 nonappropriated funds financial management functions into fifteen regional ones. These actions are expected to save our scarce nonappropriated funds resources and permit us to make the adjustments sought by Congress without a wholesale disruption of the MWR program.

A lot of hard work remains. We have requested $140 million as a supplement to the FY '87 MPA. That amount, plus an estimated savings of $275 million achieved by changes to PCS policies, reduced accessions, enlisted early outs, and voluntary officer separations, will help offset the MPA shortfalls.

However, even if all the actions taken were to achieve anticipated savings and assuming approval of the supplemental appropriation, the Air Force still faces a shortfall of $63 million. Reprogramming of other Air Force dollars into the MPA will be required to avoid actions with drastic mission and personnel implications. We have a significant funding problem that poses a challenge to Air Force leadership at every level.

Lt. Gen. Thomas J. Hickey became Deputy Chief of Staff for Personnel at Hq. USAF last year. He had previously been Commander of Air Training Command’s Keesler Technical Training Center and before that served in various personnel and training assignments. He entered the Air Force in 1957, received his wings in 1958, and flew F-4s in 200 combat missions in Southeast Asia, sixty-three of them over North Vietnam. He is a graduate of the Air Command and Staff College and the Industrial College of the Armed Forces.

Average Years of Service at Promotion

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Promotions Are Slowing Down