



Chapter Title: Introduction and Context of the AFMC Reorganization

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1. Introduction and Context of the AFMC Reorganization

Introduction and Purpose of This Report

In 2011, Congress mandated budget reductions¹ that require the U.S. Department of Defense (DoD) to reduce its future spending by approximately \$487 billion over the next decade.² To realize one part of these reductions, the Office of the Secretary of Defense (OSD) called for all services to return to their fiscal year (FY) 2010 civilian staffing levels.³ That action required the Air Force to eliminate approximately 16,500 civilian manpower positions. Rather than distributing these cuts proportionally throughout the service, the Air Force sought specific initiatives that could achieve the necessary savings with minimal impact to missions. One initiative, a reorganization of the Air Force Materiel Command (AFMC), was undertaken to eliminate 1,051 of the approximately 16,500 positions and achieve an annual savings of about \$109 million in FY 2011 dollars.⁴

In the FY 2013 National Defense Authorization Act (NDAA), Congress mandated an assessment of this reorganization and a report to Congress.⁵ In summary, the report must assess the following five elements: (1) the effectiveness and efficiency of the reorganization; (2) whether synergies due to collocation among developmental test and evaluation (DT&E), science and technology (S&T), and acquisition can be replicated in the new organization; (3) how the reorganization has affected other commands' ability to meet their responsibilities for operational test and evaluation (OT&E) and follow-on test and evaluation (FOT&E); (4) whether the reorganization is in adherence with 10 U.S. Code (U.S.C.) Section 2687;⁶ and (5) the extent to which the Air Force coordinated the reorganization with OSD and if any concerns raised by OSD were addressed. This report fulfills these reporting requirements.

¹ Public Law 112-25, Budget Control Act of 2011.

² U.S. Department of Defense, *Defense Budget Priorities and Choices*, Washington, D.C., January 2012, p. 1.

³ OSD, *Resource Management Decision 703A2*, January 25, 2011 A Resource Management Decision (RMD) is a budget decision document issued by OSD to one of the services during the program budget review.

⁴ Robert S. Tripp, Kristin F. Lynch, Daniel M. Romano, William Shelton, John A. Ausink, Chelsea Kaihoi Duran, Robert G. DeFeo, David W. George, Raymond E. Conley, Bernard Fox, and Jerry M. Sollinger, *Air Force Materiel Command Reorganization Analysis: Final Report*, Santa Monica, Calif.: RAND Corporation, MG-1219-AF, Table 3.4, 2012, p. 22.

⁵ Public Law 112-339, National Defense Authorization Act for Fiscal Year 2013, Section 2814. The text in its entirety is provided in the appendix.

⁶ 10 U.S.C. Section 2687 is the statute regarding Base Realignment and Closure.

Background to the Reorganization

The FY 2012 AFMC reorganization was one of a number of complex responses to recent budgetary pressures. Other events taking place concurrent with the reorganization also affect the overall ability of the command to be effective and efficient and to properly fulfill all of its test and evaluation (T&E) responsibilities. The FY 2012 AFMC reorganization must be assessed in this broader context.

Prior to the Budget Control Act of 2011 that mandated the budget reductions, other OSD-directed initiatives shaped the environment in which the reorganization occurred. In April 2009, OSD issued RMD 802 to take effect in FY 2010. One of the initiatives in this directive required the services to reduce contractor funding by insourcing or converting some of the contractor workforce to the federal civilian workforce. The goal was to reduce the contractor workforce to FY 2000 levels over a five-year period.⁷ As a result, AFMC, along with the other major commands (MAJCOMs), shifted work from contractors to the civilian workforce, thereby increasing the Air Force civilian workforce by approximately 16,000 personnel. Further, the Joint Basing concept, implemented in the same time frame, increased the Air Force civilian workforce by approximately another 1,800 personnel. Also, in December 2009, OSD issued RMD 700, which directed efficiency initiatives, including reductions in support contracts. The goal was to save approximately \$1.7 billion across the Future Years Defense Program in tail-to-tooth efficiencies that would result in further contract workforce reductions.⁸ As a result, the Air Force as a whole, and AFMC in particular, grew more dependent on the civilian workforce to carry out its missions.

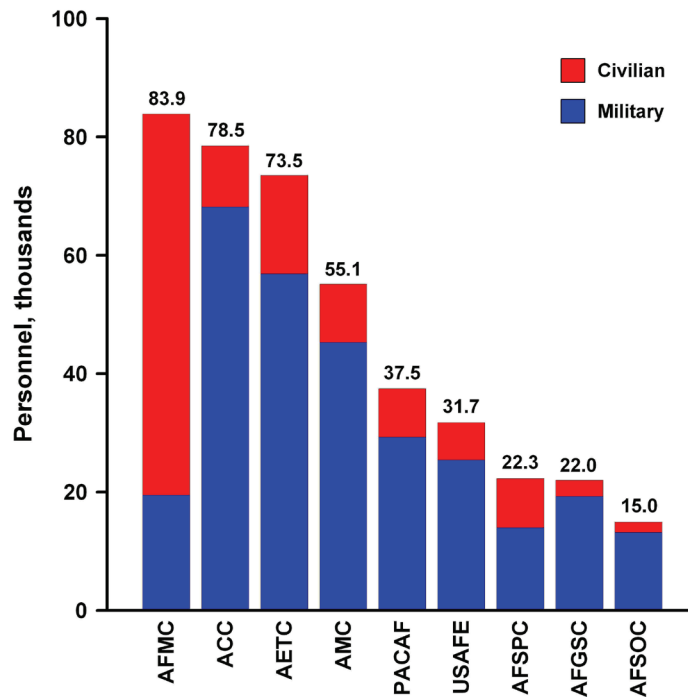
With the passage of the Budget Control Act of 2011, OSD released RMD 703A2, which called for all services to return to their FY 2010 civilian staffing levels. For the Air Force, this equated to an initial reduction of approximately 16,500 personnel. Of this number, approximately 15,500 were operation and maintenance (O&M)-funded personnel, a cut of approximately 13.6 percent to the FY 2012 President's Budget O&M United States Direct Hire civilian baseline.

Given the recent shift of workload from contractors to the civilian workforce, absorbing these cuts to the O&M-funded civilian manpower without negatively impacting mission performance was a challenge. For AFMC, the challenge was somewhat greater than for the other MAJCOMs for two reasons. First, AFMC relies more heavily on civilian employees than do other Air Force MAJCOMs. Figure 1.1 shows the active duty and civilian personnel by Air Force MAJCOM in the Air Force just prior to the reorganization (September 2011). Roughly 77 percent of the command was civilian, a much higher proportion than in the other MAJCOMs. Second, the preponderance of the cuts were to come from O&M accounts, but of the approximately 64,000

⁷ OSD, *Resource Management Decision 802*, April 8, 2009.

⁸ OSD, *Resource Management Decision 700*, December 23, 2009.

Figure 1.1. Active Duty and Civilian Personnel by Air Force MAJCOM



SOURCE: Data are from the Air Force Interactive Demographic Analysis System for personnel by owning MAJCOM for September 2011.

NOTE: ACC = Air Combat Command; AETC = Air Education and Training Command; AMC = Air Mobility Command; PACAF = Pacific Air Forces; USAFE = United States Air Forces in Europe - Air Forces Africa; AFGSC = Air Force Global Strike Command; AFSPC = Air Force Space Command; AFSOC = Air Force Special Operations Command.

civilian positions in AFMC, only approximately 22,000 are O&M-funded, placing a high burden of cuts on a concentrated segment of the civilian workforce.⁹ According to AFMC senior leaders, one priority that led to the structure of the reorganization was to absorb these civilian cuts with minimal, if any, impact to AFMC’s assigned missions by targeting staff and overhead administrative positions in the AFMC reorganization.

RMD 703A2, issued in January 2011, directed the reduction to FY 2010 civilian manpower levels. In February and March 2011, Air Force senior leaders met to decide how to distribute the necessary reductions across MAJCOMs and Service Core Functions.¹⁰ The civilian workforce is managed in terms of dollars rather than end strength, so the Air Force sought efficiencies and cost

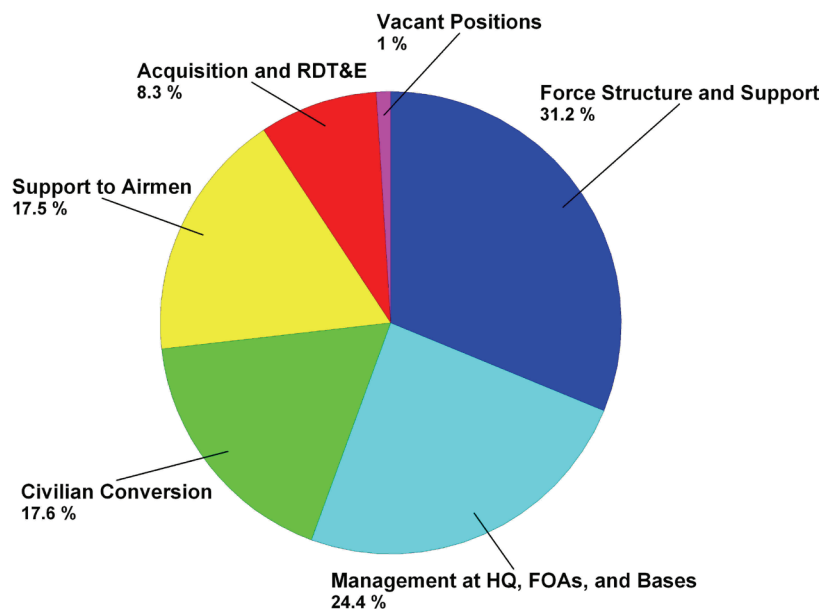
⁹ Many positions are funded under Working Capital Funds, Foreign Military Sales, and other accounts that were exempt from these cuts.

¹⁰ The Air Force has 13 Service Core Functions, each with a Core Function Lead Integrator (CFLI), selected from the MAJCOM commanders. The 13 are Nuclear Deterrence Operations; Air Superiority, Space Superiority; Cyberspace Superiority; Global Precision Attack; Rapid Global Mobility; Special Operations; Global Integrated Intelligence, Surveillance, and Reconnaissance; Command and Control; Personnel Recovery; Building Partnerships; Education and Training; and Agile Combat Support. The AFMC commander is the Core Function Lead Integrator for Agile Combat Support, per Air Force Mission Directive 4, *Air Force Materiel Command (AFMC)*, March 7, 2013.

reductions to reduce the civilian workforce to achieve the desired savings. From March through July 2011, MAJCOMs and CFLIs developed and presented proposals for reductions and savings to the Chief of Staff and the Secretary of the Air Force. There were several guiding principles used to develop these proposals, one of which was that the reductions would be strategically shaped rather than a coarse cut spread evenly across the Air Force. The goal was to retain as much mission capability as possible while divesting and cutting costs. Each MAJCOM and CFLI proposed initiatives to support this end.

Across the Air Force, reductions and savings initiatives fell into several categories. Authorizations that had been vacant for over a year were eliminated (for a cost avoidance of about 1 percent of the goal). Force structure reductions (in the MQ-9, RQ-4, KC-135, and HC-130 for the active duty)¹¹ as well as support reductions in logistics, maintenance, supply, civil engineering, communications, and law enforcement/security accounted for approximately 31 percent of the overall savings. Reductions and restructuring to management headquarters, field operating agencies (FOAs), and bases (including wing staff) accounted for another 24 percent. The AFMC reorganization was part of this tranche. Eliminating some positions that were slated for conversion from contractors to federal civilian workforce saved another 18 percent. Morale, welfare, and recreation as well as training and services were cut to save another 18 percent, and cuts to the acquisition and research, development, test, and evaluation (RDT&E)-funded workforce saved 8 percent. The categories of reduction and their proportions are shown in Figure 1.2.

Figure 1.2. Air Force RMD 703A2 Reductions



SOURCE: Data were provided by Headquarters U.S. Air Force, Deputy Chief of Staff, Manpower, Personnel & Services, Directorate of Manpower, Organization & Resources.

¹¹ The Air National Guard took force structure reductions in the KC-135, F-16, F-15, and F-22.

The initiatives were assessed by August 2011, and by late 2011 many initiatives were being implemented. For example, Air Mobility Command stood down a communications squadron and the Air and Space Operations Center (AOC) for 17th Air Force was consolidated with the 3rd Air Force AOC in Europe. The Air Force Civil Engineering Support Agency was redesignated the Air Force Civil Engineering Center (AFCEC), and two field operating agencies were inactivated and merged with AFCEC—the Air Force Real Property Agency and the Air Force Center for Engineering and the Environment.¹² Further, the Global Base Support concept was implemented Air Force-wide.¹³

Any military positions saved as a result of the initiatives were re-allocated to other mission areas. For example, military positions cut as a result of standing down 17th Air Force were repurposed to the F-35 maintenance and intelligence, surveillance, and reconnaissance missions. Likewise, military positions that were eliminated from Headquarters Air Staff and MAJCOMs were repurposed to fill other military shortfalls. Thus, civilian personnel were not replaced with military personnel.

During this same time, the Program Executive Officer (PEO)¹⁴ portfolios were realigned. In November 2011, there were 19 PEOs in the Air Force. Of the three PEOs that were dual-hatted with product center commands within AFMC, two were eliminated (PEO Aircraft and PEO C2 and CS) and their portfolios were redistributed. The PEO for Weapons remains (as a PEO only, not a center commander). At the same time, one additional PEO was created (PEO C3I&N) and two others had their portfolios realigned (PEO C2ISR and PEO ECSS) for a current total of 16 Air Force PEOs. This initiative was independent of the AFMC reorganization but was implemented along with the reorganization and affected the selection of directorate structure in the newly created Air Force Life Cycle Management Center.

Also during this time, the Air Force offered three rounds of early retirement. By incentivizing personnel to retire early, more civilian slots became vacant. These slots were either eliminated or filled by repurposed military personnel whose positions were eliminated. And, during FY 2013, the budget sequestration mechanism of the Budget Control Act of 2011 (Public Law 112-25) was activated, which led to numerous constraints on operations within AFMC and the Air Force as a whole (e.g., civilian hiring freezes, travel restrictions, and starting on July 12, 2013, for AFMC, civilian furloughs).

¹² Other changes to FOAs were the inactivation of the Air Force Logistics Management Agency and the inactivation and merger of the Air Force Manpower Agency and the Air Force Services Agency into the Air Force Personnel Center.

¹³ The Global Base Concept includes such concepts as standardizing levels of base services across the Air Force, consolidating and regionalizing some functions and services to reduce overhead, and partnering with the community to reduce or eliminate services on base when comparable services are available within the community.

¹⁴ A Program Executive Officer is a military or civilian person who has responsibility for multiple major defense acquisition programs or occasionally one very large program.

The AFMC reorganization that was announced on November 2, 2011, was just one of the many initiatives listed above aimed at responding to budgetary constraints and mitigating the mission impacts of those constraints. The remainder of this report focuses on the changes associated with the AFMC reorganization and their impacts, always separating as much as possible the assessments of impacts that are due to the reorganization alone.

Structure of This Report

The remainder of this report is organized as follows:

- Chapter Two explains the changes in the AFMC organizational structure in some detail and furnishes the background for the remaining chapters of the report. This description is based on the final Organization Change Request (OCR) for the reorganization and analysis of Unit Manpower Document (UMD) data from before and after the reorganization.
- Chapter Three discusses the principles of organizational theory and, based on this theory, presents the methodology we use for assessing the effectiveness and efficiency of the AFMC reorganization.
- Chapter Four assesses the effectiveness and efficiency of the reorganization. It is based on the methodology in Chapter Three and leverages extensive meetings RAND conducted with numerous individuals and organizations in the Air Force and OSD. Together, Chapters Three and Four respond to Element 1 of the Section 2814 language.
- Chapter Five describes the Air Force T&E missions and discusses the impact of the reorganization on (1) the synergies among DT&E, S&T, and acquisition; (2) the synergies between DT&E and OT&E; and (3) other commands' ability to carry out their OT&E and FOT&E missions. This chapter responds to Elements 2 and 3 of the Section 2814 language.
- Chapter Six assesses whether the reorganization is in adherence with 10 U.S.C. Section 2687 and responds to Element 4 of the Section 2814 language.
- Chapter Seven describes the coordination between the Air Force and OSD regarding the reorganization and responds to Element 5 of the Section 2814 language.
- The appendix reproduces the Section 2814 language of the FY 2013 NDAA.