

Memorandum

To: Senator Edward M. Kennedy
From: Aaron Belkin, Chair, Blue Ribbon Commission
Subject: Differing results of GAO and Blue Ribbon Commission studies
Date: September 25, 2006

In February 2006, a Blue Ribbon Commission that I chaired estimated the cost of implementing “don’t ask, don’t tell,” the Federal law requiring the military to fire gay and lesbian service members who disclose their sexual orientation. The Commission, which included a former Secretary of Defense, a former Assistant Secretary of Defense, a retired Admiral, two Naval Postgraduate School Professors, and other distinguished experts, estimated that the total cost for implementation was at least \$363.8 million for fiscal years 1994 through 2003.¹ The Commission’s research methods and findings were reviewed and vetted by a professor of accounting at a military university.

The Commission undertook this research project in response to a February 2005 study by the Government Accountability Office (GAO), which found that the cost of implementing “don’t ask, don’t tell” between fiscal years 1994 and 2003 was at least \$190.5 million.² The Commission found that errors in GAO’s methodology led to both over- and underestimates of the financial cost of implementing the policy. When GAO’s errors were corrected, the Commission found that the total cost during the policy’s first decade was at least \$363.8 million, or 91 percent more than originally reported by GAO.

After the Commission released its report, you wrote to GAO to ask why its figures differed from the Commission’s. In a July 13, 2006 response to you, GAO questioned the Commission’s methodology and declared that it continues to “stand behind” its original estimate. GAO noted that enlistee training costs accounted for most of the difference (over 90 percent) between the two estimates and that its approach to calculating enlistee training costs was superior to the Commission’s.

This memo explains two flaws in GAO’s July 13 defense of its methodology for calculating enlistee training costs: (1) GAO does not acknowledge the implications of its failure to obtain length-of-training data; and (2) GAO misrepresents its own training cost data. Taken together, these errors undermine GAO’s July 13 defense of its original report and, in turn, its critique of the Commission’s analysis.

Error I: Failure to review length-of-training data

In its July 13 response to you, GAO acknowledged that it did not obtain data describing the length of training completed by each service member fired for homosexuality, stating that, “we did not review separated servicemembers’ ...training histories.” As a result, GAO was unable to determine exactly how much training each service member completed before being fired for homosexuality.

By contrast, the Commission did obtain the training histories of all 9,359 enlisted service members fired under “don’t ask, don’t tell,” including the name of each training course that was completed and the length (in months) of each course. Because the Commission obtained the precise training history of each service member, it was possible to derive estimates of training costs based directly on the amount of training completed by each individual. If a service member was fired before completing any basic training (“boot camp”), the Commission did not assign any cost to the training of that individual. If, on the other hand, a service member completed some amount of basic or post-basic training before being fired, the Commission assigned training costs to that individual for each month of training completed.³

The differences between GAO’s and the Commission’s approaches are significant. For example, GAO noted in its July 13 response that for those service members in the occupational category “Not Occupationally Qualified, General” it simply assumed that such individuals did not complete *any* post-basic training. In such cases, GAO credited service members for completing basic training, but assumed that they were fired before starting post-basic training. If GAO had analyzed the training histories of the service members who were fired, as the Commission did, it would have discovered that the 1,750 individuals in the category “Not Occupationally Qualified, General” actually completed 506 months of post-basic training, conservatively valued at more than \$2 million.⁴

Two million dollars may seem like a small figure, but GAO’s failure to obtain actual length-of-training data undermined the plausibility of its other training cost estimates as well. For example, the Commission’s data show that the 3,280 enlisted Army personnel who were fired for homosexuality completed 6,172 months of basic training and 11,929 months of post-basic training, for a total of 18,101 months of training, valued conservatively at \$79.3 million. GAO, however, reported that the Army spent just \$29.7 million on enlistee training.⁵

Error II: Misrepresentation of GAO’s cost-of-training data

GAO argues in its July 13 response that the Commission inflated its estimates by using the figure of \$28,800 as the basis for deriving the average DOD-wide cost of one month of post-basic training. The Commission relied on the \$28,800 figure because it was consistent with other, published data and because GAO, in a 1998 study, reported that, “In fiscal year 1998, DOD estimates that the average cost of...training each enlistee...is \$28,800.”⁶

According to GAO’s July 13 defense, its earlier \$28,800 figure included both direct costs (such as salary) that are incurred during the training of each individual, as well as indirect/infrastructure costs (such as the maintenance of classroom buildings) that are constant across a wide range of activity. GAO claims that its revised 2005 per-person training cost estimates (\$6,400 for the Army, \$7,400 for the Air Force, and \$18,000 for the Navy) included just direct costs, and that it would have been inappropriate to include infrastructure costs in the 2005 estimates of training costs for service members fired under “don’t ask, don’t tell.”

GAO's July 13 response misleads, however, by suggesting that infrastructure costs account for a substantial proportion of the \$28,800 figure. GAO provides no data to support this assertion, and other data published by GAO indicate that the \$28,800 figure is based primarily on direct costs, not infrastructure costs.

In a 1997 publication, for example, GAO defined and carefully distinguished DOD's direct ("variable") training costs from its indirect/infrastructure ("fixed") costs: "The military services' investment in their enlisted personnel is made up of both fixed and variable costs. The fixed costs can be thought of as overhead or infrastructure costs that are not easily or quickly changed and cannot be directly associated with a single enlistee...The variable costs are directly connected to each recruit."⁷ In that same publication, GAO reported that the Navy's direct or "variable" training costs included \$146 per day to pay, feed and house each sailor during basic training.⁸ For the sake of its analysis, GAO assumed that these direct costs were the same for each service.

Multiplying the average length of basic plus post-basic training required of individuals in each service by the \$146 daily direct cost of training yields the following estimates for the average, per-person, *direct* cost of training in 1997: \$27,968 for the Marines, \$24,776 for the Army, \$23,712 for the Navy and \$21,584 for the Air Force.⁹ These are conservative estimates because the \$146 figure was derived from basic training, and hence does not reflect housing cost increases that often result when service members transition from open bays to semi-private rooms at the start of post-basic training.¹⁰ Nor does it include health care, clothing, ammunition, and disposable training materials, all of which can entail direct ("variable") costs. In short, GAO's own figures indicate that the direct cost of training one service member was very close to \$28,800 during 1997, a year that was near the midpoint of the period which the Commission studied.

Moreover, GAO's rationale for excluding infrastructure costs from its 2005 estimates seems inconsistent with its own prior analyses. GAO says that "Our 1998 estimate [of \$28,800 to train each enlistee]...was intended to demonstrate the magnitude of the cost of training all recruits (hundreds of thousands each year) and the potential loss when attrition rates are high." By contrast, "Including total infrastructure costs was not appropriate for our 2005 estimate since individuals separated for homosexual conduct represent such a small proportion of the active force..."

The contexts surrounding the 1998 and 2005 estimates are not, however, as distinct as GAO suggests. A central theme of GAO's attrition studies was the savings that would be realized by reducing attrition rates by 4 to 10 percent per year, or roughly 26,000 to 64,000 service members per decade.¹¹ Given that approximately 9,500 individuals were fired for homosexuality during the first decade of "don't ask, don't tell," it seems apparent that while reducing attrition rates could involve the retention of more individuals than the elimination of the ban, the difference is not as stark as GAO implies.

Indeed, in justifying why infrastructure costs were included in its earlier training cost estimates, GAO noted that large dollar savings, "could be realized over time as the

services began to reduce the infrastructure associated with recruiting and training enlistees.”¹² If infrastructure costs could be saved over time by retaining 26,000 to 64,000 more service members per decade, it seems unclear why infrastructure costs could not be saved over time by retaining 9,500 more individuals per decade. By GAO’s own reasoning, it seems appropriate to include infrastructure in the cost estimate of training service members fired for homosexuality.

Related to this point, GAO suggests that the Commission’s estimates of the average cost of basic and post-basic training were inflated because many individuals fired for homosexuality did not complete their training: “over one-half of separated [gay] servicemembers had the rank of E2 or below and about one-third served in the military for 6 months or less, thereby limiting the amount of training completed.” As a result, GAO says that, “enlistee training cost averages for this finite group of individuals [gays]...were much lower than DOD-wide training cost averages for all enlistees.”

If GAO had analyzed the training histories of the service members who were fired, as the Commission did, it would have discovered that individuals fired for homosexuality completed 51,352 months, or an average of 5.5 months per person, of basic and post-basic training. Given that, according to GAO, the average DOD-wide length of basic plus initial skill training is about five months, it is clear that GAO is incorrect in asserting that the Commission’s training cost estimates were inflated because those fired under “don’t ask, don’t tell” completed less training than everyone else.

Conclusion

During a recent conversation with an analyst who monitors a wide range of personnel and budgeting issues for the Undersecretary of Defense for Personnel and Readiness, I asked, “when you are doing back-of-the-envelope calculations, what number do you use to approximate the average DOD-wide cost to train one enlisted service member?” The analyst responded, “\$70,000.” This year, GAO reported that the Army spends as much as \$40,500 to train one applicant, just through basic training.¹³

It is fair to point out that these figures refer to points in time that are beyond the 1994-2003 period studied by GAO and the Commission. That said, it is unreasonable for GAO to continue to stand behind the validity of its original estimates of the per-person cost of training (\$6,400 for the Army, \$7,400 for the Air Force, and \$18,000 for the Navy) given the amount of basic and post-basic training (5.5 months per person) actually completed by individuals fired for homosexuality.

The Blue Ribbon Commission used conservative assumptions to guide its research, and its analysis was vetted by an accounting professor at a military university. After correcting for GAO’s over- and underestimations, the Commission found that the total cost of implementing “don’t ask, don’t tell” during the policy’s first decade was at least \$363.8 million, or 91 percent more than originally reported by GAO. GAO’s July 13 response does not present any evidence or analysis that would call the Commission’s findings into question.

¹ Blue Ribbon Commission, *Financial Analysis of “Don’t Ask, Don’t Tell”: How Much Does The Gay Ban Cost?*, February 1995. This report subsequently will be referred to as Blue Ribbon.

² GAO 05-299, *Financial Costs And Loss Of Critical Skills Due to DOD’s Homosexual Conduct Policy Cannot Be Completely Estimated*, February 2005. This report subsequently will be referred to as GAO 2005.

³ Post-basic training refers to initial skill training, which commences just after basic training, and mid-career training, which includes all subsequent training courses completed during a service member’s career.

⁴ GAO reported in 1997 that the direct cost to pay, house, and feed one service member for one day was \$146, or \$4,380 per month. See GAO/NSIAD-97-39 *Military Attrition: DOD Could Save Millions by Better Screening Enlisted Personnel*, January, 1997, p. 21. This report subsequently will be referred to as GAO 1997. As discussed in greater detail below, \$146 is a conservative estimate of direct training costs.

⁵ GAO 2005, p. 4.

⁶ GAO 98-213 *Military Attrition Data, Coupled With Policy Changes, Could Help the Service Reduce Early Separations*, September, 1998, pp. 27-28. This report subsequently will be referred to as GAO 1998.

⁷ GAO 1997, p. 19.

⁸ GAO 1997, p. 21.

⁹ The figures have been converted from 1996 to 1998 dollars so as to provide a direct comparison with GAO’s \$28,800 estimate of the DOD-wide average training cost, which was reported in 1998 dollars. The length of basic training was 84 days for the Marines, 63 days for the Army, 56 days for the Navy, and 42 days for the Air Force, and the length of initial skill training is assumed to be 100 days. Post-basic training in this case only refers to initial skill training, not mid-career training. See GAO 1998, p. 17.

¹⁰ Housing arrangements during basic and initial skill training can differ by service and occupational specialty.

¹¹ See, for example, GAO 1997, p. 18. The 26,000 and 64,000 figures were derived by multiplying annual attrition reduction targets of 4 and 10 percent by average annual attrition losses in the 1990’s by 10 years.

¹² GAO 1997, p. 18.

¹³ The original Blue Ribbon report noted that according to a senior level military operations research analyst at U.S. Army Accessions Command, the average cost of training a new Army recruit in 2004 was \$56,400 for the completion of basic training and advanced individual training, or \$45,600 for one station unit training. See Blue Ribbon, p. 13. GAO reported this year that the Army spends as much as \$57,500 for recruiting and training one person, but that \$17,000 of this total is for recruiting. See GAO 06-846, *Military Recruiting: DOD and Services Need Better Data to Enhance Visibility over Recruiter Irregularities*, August 2006, pp. 25-26.