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MILITARY CONSTRUCTION AND VETERANS AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2009

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

ON

H.R. 6599/S. 3301

MAKING APPROPRIATIONS FOR MILITARY CONSTRUCTION, THE DEPARTMENT OF VETERANS AFFAIRS, AND RELATED AGENCIES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2009, AND FOR OTHER PURPOSES

Department of Defense
Department of Veterans Affairs

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MILITARY CONSTRUCTION AND VETERANS AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2009

THURSDAY, APRIL 10, 2008

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:08 p.m., in room SD–124, Dirksen Senate Office Building, Hon. Tim Johnson (chairman) presiding.

Present: Senators Johnson, Landrieu, Murray, Reed, Hutchison, Craig, and Allard.

DEPARTMENT OF VETERANS AFFAIRS

STATEMENT OF HON. JAMES B. PEAKE, M.D., SECRETARY

ACCOMPANIED BY:

PAUL HUTTER, GENERAL COUNSEL
ADMIRAL PAT DUNNE, ACTING ASSISTANT SECRETARY FOR BENEFITS
DR. MIKE KUSSMAN, UNDER SECRETARY FOR HEALTH
BOB HOWARD, ASSISTANT SECRETARY FOR INFORMATION TECHNOLOGY
WILLIAM TUERK, UNDER SECRETARY FOR MEMORIAL AFFAIRS
BOB HENKE, ASSISTANT SECRETARY FOR MANAGEMENT

OPENING STATEMENT OF SENATOR TIM JOHNSON

Senator JOHNSON. The hearing will come to order. Mr. Secretary, thank you for appearing before the subcommittee to discuss the President's 2009 budget request for the Department of Veterans Affairs.

We welcome you and your associates and we look forward to your testimony.

Over the past several years, Congress has provided the VA with substantial increases over the president's annual budget requests to address some of the most pressing unmet needs facing our country's vets. Last year, Congress provided $3.7 billion above the president's budget request for the department. The bulk of this funding was dedicated to the Veterans Health Administration to provide medical care to vets.

However, we also provided needed increases for hospital construction, benefits claims processors, and grants to correct deficiencies at State vet homes and cemeteries.

All of these increases were designed to put the VA on a glide path to providing not just high-quality services but high-quality

services in a timely manner and in facilities befitting those who have served this country.

This year, the president's discretionary budget request for the VA totals $44.8 billion. This is a $1.7 billion increase, a mere 3.8 percent over the 2008 enacted level.

While I understand that record budget deficits and a teetering economy are going to require belt tightening, I am nevertheless deeply concerned that this level of funding may not be sufficient to continue to modernize the VA system while providing timely services.

At a time when we should be increasing funding for research in complex combat-related injuries, the budget cuts funding for medical research. Additionally, the budget cuts over $788 million for the construction accounts. This is coming at a time when there is already a backlog of construction projects on the books and when many new construction projects are pending before the VA.

Mr. Secretary, I fear that we are seeing only the tip of the iceberg in terms of the challenges the VA will be facing in years to come. This subcommittee stands ready to help in every way we can to ensure that the VA meets those challenges.

I look forward to hearing the testimony and working with you as the process moves forward.

I will now turn to Senator Hutchison for her opening statement.

STATEMENT OF SENATOR KAY BAILEY HUTCHISON

Senator HUTCHISON. Thank you very much, Mr. Chairman, and I want to say how much I appreciate, Secretary Peake, your first official visit as the Secretary. I also want to say that I have been so pleased to work so closely with you already in such a short time. I have worked with both you and Secretary Kussman before and you have been so attentive to the questions that we've asked. I appreciate it.

Having been down to the Rio Grande Valley in Texas and looking at the facilities that are going to go in there, it has been a substantial improvement in veterans care, and I want to say that I wrote you a letter yesterday regarding the El Paso Veterans Center which, as you know, came in with the lowest grade given in the books of all the veterans facilities. You have already responded and I appreciate that you are now on top of that because not only do we have a number of veterans in El Paso, but we have a whole lot more who will be veterans in the future with the 30,000 plus-up that we're going to have at Fort Bliss.

I thank you for that.

I have just a couple of points and then I want to submit my full statement in the record.

There are two areas where the VA has responded and which we must continue to assure that it does respond. The first is in the injuries that we are seeing in this war, the present new veterans, and that would be the posttraumatic stress syndrome and the mental health disorders. That program has now under our leadership grown to nearly $4 billion and you now have PTSD specialists or treatment teams in every VA medical center, including an increasing number of programs for women veterans.

I'm very pleased with this priority. As you know, Senator Murray and I have just introduced a bill that would focus more on the unique women's needs in our veterans health care and you again, Secretary Peake, have already said that that will be a priority for you as well.

And I think that the other area, of course, is the traumatic brain injury treatment research—that we are committed to, that the Veterans Administration is also doing a great job of promoting as well as the gulf war syndrome research, which is still a lingering need—and the treatment for the loss of limbs and the rehab that is associated with that.

PREPARED STATEMENTS

So, we have a lot of priorities but I can't think of anything more important than doing it right and I know that the team that you are putting together is going to do that.

So, I want to thank you. As the former chairman and present ranking member, I know that the Veterans Administration has grown a lot in the health care field and we will work with you to continue that growth.

Thank you, Mr. Chairman.

[The statements follow:]

PREPARED STATEMENT OF SENATOR KAY BAILEY HUTCHISON

Thank you, Mr. Chairman. I am pleased to welcome Secretary Peake and our other witnesses and guests. Today, we will examine the President's budget request for the Department of Veterans Affairs, including funds for veterans' benefits, health care, and our national cemeteries.

Mr. Secretary, this subcommittee has always put our Nation's veterans first, and I can say with great assurance that we will do whatever it takes, in a bipartisan manner, to work with you to continue these efforts. From my experience as the recent Chair of this subcommittee and now as the ranking member, I respect the dedication and hard work of every member on this subcommittee and can assure you and our veterans of our support and cooperation.

There has certainly been a lot of public discussion lately about the ability of the Department of Veterans Affairs to deliver on its promises to America's veterans. This budget requests $91 billion to provide health care and benefits to the men and women whom we have asked to secure and protect our Nation. This is $46 billion in mandatory benefits and $45 billion for discretionary spending, which includes $39 billion for medical programs.

The Medical Services and Administration account request is $34.1 billion, a 4.5 percent increase over the fiscal year 2008 appropriated level, and the Medical Facilities request is $4.7 billion, a 14 percent increase over the fiscal year 2008 level. I know this growth is necessary to keep pace with the increasing costs of medical care and the heightened strain on our medical facilities.

As our brave men and women return from war, we want to be certain they receive the very best medical care our Nation can provide. I am pleased to see that your budget request keeps us on that track. I know it is difficult to anticipate every need, but this subcommittee will certainly make every effort to not only provide you the resources you need, but also to work with you so you can make adjustments as necessary to carry out your mission.

As more of our soldiers return home with delayed Post Traumatic Stress Disorder (PTSD), I am pleased to see the emphasis your budget places on mental health and rehabilitation. The VA's mental health program has grown to nearly $4 billion, and the department now has PTSD specialists or treatment teams in every VA Medical Center, including an increasing number of programs for women veterans. This subcommittee will continue to work with you to respond to the mental health needs of our returning veterans.

I am very appreciative of your recent visit to the Waco Center of Excellence in Mental Health. I am confident this facility is fast becoming a model for how consolidating personnel, training, collaboration and specialized resources produces world

class care in psychiatric rehabilitation and treatment. Their work includes close collaboration with the research facilities at Baylor University, Texas A&M University Medical School, Fort Hood Army Hospital, and the Mental Health Association from the State of Texas. It is one of the many great success stories of the VA.

I would also like to commend the VA for its research efforts. The VA has become the world's leader in traumatic brain injury treatment and research, and I am pleased with the collaborative efforts that have been put into investigating gulf war illness. I ask for your assurance that research into Gulf War illness will continue until we find a cure. We do not understand all of the factors that have caused serious health problems for our veterans who fought in the gulf region, but we are seeing the many effects. I am committed, as you are, to understanding and treating the service-connected illnesses of our gulf war veterans.

As more of our soldiers return home with multiple traumatic injuries, they must receive the very best health care our Nation can provide. The VA manages the only nationwide network to care for polytrauma patients and has become the world's leader in traumatic brain injury rehabilitation. I am extremely pleased with the VA's decision to build its fifth Level I polytrauma center in San Antonio. The San Antonio facility will assist veterans in rehabilitation, transitional living, and prosthetics, and based on the VA's experiences at the other four facilities, I am confident we can leverage that knowledge to make this new facility the VA's flagship for our Nation's most seriously wounded veterans.

New major construction projects like the one in San Antonio are vital to expand the VA's health infrastructure and handle its heightened workload. This has been an issue discussed many times on this subcommittee, but I note this year's major construction request is roughly half of last year's appropriation, despite the fact that there is more than $2.2 billion in ongoing projects that are not fully funded. I hope you will speak to this in your remarks, as I would like to hear more on the long-term capital plan of the VA.

I would also like to thank you again for your visit to Harlingen, Texas and the South Texas Valley and for your support of the health care needs of the veterans there. I believe the current plan for health care in this area could be a great model for VA health care in other parts of the Nation. I am most interested in your thoughts and vision on this particular model of health care for the future, and I hope you will address it in your remarks.

Mr. Secretary, I would also like to raise some concerns regarding the quality of veteran healthcare in El Paso, Texas. As you are aware, an internal Department of Veterans Affairs study on performance standards and healthcare delivery ranked the El Paso outpatient clinic well below the national average, and I find this most disturbing. I am committed to making sure that all of our veterans in Texas, and elsewhere in this country, receive the very best medical care this Nation can provide. I am very concerned about the veterans in El Paso experiencing unusually long waiting times for appointments, particularly specialty appointments, and having limited access to healthcare. I would like to know what the Department is doing to improve this situation and how I can be helpful to ensure that the veterans in the El Paso area receive the highest quality of healthcare.

On the subject of Electronic Health Records, it is the goal of everyone here today to have veterans seamlessly transition from the DOD to the VA. As I have done many times, I would like to commend the VA for taking the first step in that process by setting the "gold standard" for its use of electronic health care records. I hope you are able to convince the Department of Defense to build on your proven successes and not slow this effort down. Our veterans and our Nation's health care professionals need this innovative technology as soon as possible. The VA and DOD must be able to transfer medical information electronically and in both directions. I witnessed the value of this project first hand after the devastating hurricanes that damaged so much of our gulf coast in 2005, and I am very proud to say that no veteran went untreated, a fabulous achievement for the VA and the electronic health records program. As this program continues to be developed, I hope you can tell me when it will be completed and what the total cost will be.

Mr. Secretary, not only would a complete and interoperable electronic health care record system advance health care, it would speed up claims processing times, and we are very aware of the large backlog of claims. We are concerned that the average number of days to process benefits claims rose to 183 days in 2007 instead of dropping to 160 days, as initially estimated. We don't want our veterans waiting any longer than absolutely necessary to have their claims processed. We recognize that you have aggressively hired claims examiners over the past 2 years, but we are concerned that the IT management practices designed to help process claims are not what you or we would want them to be. This has become one of the major issues before this subcommittee. As we learned from the Dole-Shalala Commission it is

worth looking at the entire claims processing methodology to see if a new business process reengineering study is warranted. I welcome your comments on this issue as well.

Mr. Secretary, thank you for taking on this most challenging and critically important position of Secretary of the Department of Veterans Affairs and I am very confident that your accomplishments as a doctor and as a Surgeon General and your vision for health care in America make you the right person to lead our Nation's veterans today.

PREPARED STATEMENT OF SENATOR PATTY MURRAY

Chairman Johnson and Senator Hutchison, thank you for holding today's hearing to examine the President's proposed VA Budget for fiscal year 2009.

Senator Johnson, if I'm not mistaken, this is your first committee hearing as Chairman. Given your history of fighting for veterans, I know that you will do a fantastic job leading the committee.

Secretary Peake, it is good to see you again. Nearly 2 months ago, you testified in front of the Senate Veterans' Affairs Committee, of which I am a member, on the President's proposed fiscal year 2009 VA budget.

I told you then that many veterans—and many members of this committee—have placed a tremendous amount of faith in your ability to rise to the unprecedented challenges facing the VA today.

At that time, you had only been on the job for a month and a half. You have now been on the job for nearly 4 months. In the short time that you have served as VA Secretary, I am sure that you have gained a better perspective on the many challenges confronting the VA system.

That includes issues like:

—the increasing number of Iraq and Afghanistan veterans suffering from TBI and PTSD,

—the massive claims backlog,

—VA infrastructure upgrade needs,

—the growing number of women veterans using the system,

—and the unique challenges facing rural veterans, which you saw firsthand when you visited Walla Walla—in my home State of Washington—in February.

I believe that while that list is long, we can make progress.

However, I was very troubled to read the Associated Press report on Sunday, which found that VA employees had racked up hundreds of thousands of dollars on government credit cards at casinos, hotels and high-end retailers.

That report raises serious questions about spending oversight at the VA.

So I look forward to hearing your assessment of what happened—and I hope that steps have already been taken to ensure that waste and abuse can't happen in the future.

Mr. Secretary, you also know from our hearing in February that I have a number of problems with the President's proposed VA budget.

First and foremost, I am concerned that it closes the VA's door to thousands of our Nation's veterans by proposing new fees and increased co-pays that will discourage veterans from accessing the VA.

While the exact cost of these new taxes on veterans is not included in this year's budget, in previous budgets, the administration has estimated that these fees and co-pays would result in:

—nearly 200,000 veterans leaving the system,

—and more than 1 million veterans choosing not to enroll.

I'm also extremely disappointed that this budget continues to bar Priority 8 veterans from enrolling in the VA healthcare system.

I understand that you are conducting an in-depth review of this policy and I will have some questions for you about this issue later.

Second, I am concerned that this budget won't meet the real needs of veterans once medical inflation and other factors are considered.

The Independent Budget estimates that the true cost of VA medical care is actually $1.6 billion more than the President's request.

Along the same line, I'm also troubled that the President is proposing an 8 percent cut for VA medical and prosthetic research.

As we all know, one of the signature injuries of the war in Iraq is traumatic brain injury. But there is still a great deal we don't know about the condition.

Cutting funding for research seems like the wrong thing to do as we attempt to better understand the injuries our veterans are experiencing.

Third, I am incredibly concerned that the President's budget proposes cutting funding for major and minor construction by nearly 50 percent—at a time when the list of needed repairs and expanded facilities is stacking up.

The administration's own budget documents detail the numerous projects that won't receive funding this year, including projects in Seattle, American Lake and Walla Walla.

I continue to be absolutely shocked that at a time when thousands of new veterans are entering the VA system with serious medical needs as a result of the wars in Iraq and Afghanistan, the administration is underestimating the cost of medical care, and it is cutting funding for construction and medical and prosthetic research.

And at a time when older veterans are seeking care in record numbers, I am stunned that the President is proposing fees and co-pays that will shut the door to thousands of patients.

We know all too well what happens when the VA gets shortchanged. The men and women who have served us end up paying the biggest price.

Our veterans are our heroes, and they deserve the best we can give them. I believe we can do a lot better than this budget.

So, Secretary Peake, I have a number of questions for you, and I'm looking forward to your answers.

STATEMENT OF SENATOR LARRY CRAIG

Senator JOHNSON. Senator Craig.

Senator CRAIG. Mr. Chairman, thank you, and it's great to see you back chairing the committee.

Mr. Chairman and Ranking Member Hutchison, let me thank you for the hearing today, and Secretary Peake, it's good to see you again and thank you for being with us. It's also good to see Under Secretary Tuerk. Thank you for being here.

As many of you know, he served with me as chief counsel on the Veterans Affairs Committee when I chaired that a few years ago and did an exemplary job there and under his current service, I am sure that is the same.

I'm proud to be in the unique position to serve as an appropriator and an authorizer for veterans issues. I think all of us realize the challenges that our veterans are facing. It is difficult but it is also fluid. Modern day veterans are facing issues that a generation ago were either not recognized or simply not understood.

During a time of war, it is essential that the Government not turn a blind eye on the needs of veterans, and I think this Congress has provided unprecedented increases for our veterans to try to meet these demands. We should be proud as a Congress of the work we are doing and the work we've done.

But over the past few years, I've been making the case that a better VA doesn't simply mean a more expensive VA. I mentioned the unprecedented increases over the past 5 years, Mr. Chairman, 11 percent, 13 percent, 15 percent. Last year, I believe we topped a near 18 percent in increases for VA and there's a practical question to be asked.

Is that sustainable? Is that a figure that this Congress and with all of our budget constraints can sustain? I fully expect the President's budget request of $93.7 billion to reach upwards of a $100 billion before Congress gets through with it and through with the VA MILCON bill, Mr. Chairman.

This is an enormous figure and it begs the question as to whether the VA can effectively and efficiently spend that kind of money. Simple systems of bricks and mortar? Well, I have suggested that we adapt to current realities. In fact, I must say, Mr. Chairman, there were a group of veterans in my office yesterday from all parts

of Idaho, young men and women who had just served in Iraq and Vietnam, and one of them held up a credit card and said why can't I have a VA health card that allows me to enter any health care facility in my State and gain my benefits through this system instead of having to go to a specific location 400 miles from where I live to a specific hospital?

In other words, he was a contemporary man, a contemporary veteran talking about a contemporary idea, and while I know that is an anathema in the system of bricks and mortars and bureaucracies today, I suggested to him that he as a young veteran start a drumbeat with veterans service organizations and by the time he was as old as I am, he might realize the opportunity to change the system, to modernize it, and to make it so fluid and accessible to veterans in a way that, frankly, I think we have to go to in the future.

Having said that, that doesn't happen tomorrow and it certainly isn't going to happen in this budget, but flexibility in the system is growing and it should grow. We're going to open a new community outpatient—a CBOC, I got it right, in Lewiston, and that CBOC is going to contract with the local hospital for some of the services they cannot provide and we feel must be provided for the veterans. So already that type of thing has started.

Last, Mr. Chairman, I would like to mention a project that was started in my home State of Idaho by a former director of the Idaho Veterans Cemetery. It's called the Missing in America Project and I think it serves a very worthy case.

Mr. Chairman, I'd like to introduce into the record a letter I received from that former director of the Idaho Veterans Cemetery regarding this special program and the letter contains the information and five specific points I'd like the VA to answer and get back to me on.

LETTER FROM RICHARD CESLER

Honorable Senator Larry Craig,
U.S. Senator Washington, DC.

DEAR SENATOR: I appreciate your efforts concerning the "Missing In America Project" begun in Idaho in 2006 and resulting that year in the recovery of 21 veterans and one spouse from Funeral Homes. On November 9, 2007, 13 additional veterans and three spouses were given honor and placed in the Idaho State Veterans Cemetery.

Those abandoned veterans deserved that honorable placement in our State Veterans Cemetery.

First, however, let me thank you personally for your actions to remove the 2 year limitation for plot allowance claim from the Federal Code by the enacting of Public Law 110–157, December 26, 2007. This is one step towards addressing the issues of recovering our veteran heroes.

My estimation is that there are at least 1,000 or more still left for discovery in Idaho alone. There is no law established at this time to extract the information from those Funeral Homes that refuse to corporate or ignore repeated request to at least provide a list of their shelved cremains. This must happen to begin the process of identification.

I would like to pose several questions for the Veterans Affairs Secretary Dr. Peake and his staff Directors and Under Secretaries:

—Are you aware of the issue of abandoned veterans in Funeral Homes, coroner offices and other facilities around our nation.
—What steps has the VA taken to address the issue.
—Can the VA initiate authority to set up a new division/office to address this matter.

—Is the VA aware that several States have taken action through their legal process to help in this recovery. Please be aware that this is a slow and painful way to resolve what must truly be a Veterans Affairs matter.

—Will the VA take the steps necessary to begin discussion of this issue.

Thank you for allowing me to honor your achievements with regards to veterans during your tenure as my State Senator.

Best regards,

RICHARD CESLER.

Senator CRAIG. Essentially, this program works to find unclaimed veterans remains in coordination with funeral homes across the State, to identify and reinter veterans in State VA cemeteries. This seems like the kind of effort the VA should be taking a lead on and I hope that you will respond to this challenge.

Related to this subject, I am pleased that the language I worked out last year to assist States with the interment of unclaimed veterans was signed into law at the close of 2007. This law allows the VA to reimburse States, such as Idaho, which identify unclaimed remains and reinter them in the State VA cemeteries.

I'm very pleased that I was able to work on this legislation, not only to help Idaho but now to help the Nation with this kind of an opportunity.

So once again, gentlemen of the VA, thank you for being with us and, Mr. Chairman, thank you, look forward to working with you as we bring about the critical and necessary budget for our veterans.

Senator JOHNSON. There is a vote called, Floor votes.

Senator CRAIG. Just now?

Senator JOHNSON. Just now. Senator Allard, would you like to make a brief statement?

Senator ALLARD. Yes, I would like to, if I might, then be ready to line up with everybody else for the questioning period.

You're going to continue with questions after our votes, I assume?

Senator JOHNSON. Yes.

Senator ALLARD. Okay. Very good.

STATEMENT OF SENATOR WAYNE ALLARD

Senator ALLARD. Thank you, Mr. Chairman, for holding this important hearing today, and I appreciate all our witnesses appearing before the committee this afternoon.

You know, it's a very difficult time in our Nation's history. We have currently in the United States more than 23 million living veterans, 800,000 of which are veterans returning from Operation Enduring Freedom and Operation Iraqi Freedom operations.

As this war continues, the United States will be faced with an increasing need for veteran services. Our men and women returning from war deserve our utmost care and attention as does all our veterans who have so admirably served in the past.

We're dealing with a different kind of injury than what we had in conflicts in the past that we will have to continue to deal with throughout the life of the soldiers.

While it's vitally important to provide our veterans with the best service possible, it's also important that we watch our Federal spending and look to reduce our Federal debt wherever possible in the coming years.

That being said, it's important that we continue to prioritize programs and ensure efficient spending. I hope that we're able to answer the needs for all these men and women who have been called to serve their country and have done so courageously.

Mr. Secretary, I look forward to discussing these issues further this afternoon, and I'd like to again reiterate my thanks for appearing in front of us today and looking forward to your testimony.

Thank you, Mr. Chairman.

Senator JOHNSON. Yes.

Senator HUTCHISON. Mr. Chairman, were you going to recess the meeting until after all of the votes?

Senator JOHNSON. After all the votes.

Senator HUTCHISON. The five?

Senator JOHNSON. After the five votes. Mr. Secretary, I apologize, but we need to put this hearing into a short recess.

Senator HUTCHISON. Five votes, an hour and a half or so.

Senator JOHNSON. Yes.

Senator HUTCHISON. Sorry.

Senator JOHNSON. This hearing will come to order. I apologize for the delay.

STATEMENT OF JAMES B. PEAKE

Secretary PEAKE. With your permission, Mr. Chairman, I have a written statement that I would like to submit for the record.

Senator JOHNSON. That will be fine.

Secretary PEAKE. Mr. Chairman, ladies and gentlemen of the committee, I am honored to be here as the sixth Secretary of Veterans Affairs and now responsible for the care of our veterans. I appreciate the opportunity that the President has given to be able to make a difference.

With me today to present the President's 2009 budget proposal for VA is the leadership of our Department. On my far left are General Counsel Paul Hutter, Admiral Pat Dunne, our Acting Assistant Secretary for Benefits, Dr. Mike Kussman, Brigadier General Mike Kussman, our Under Secretary for Health. On my far right, Bob Howard, our Assistant Secretary for Information Technology, our Under Secretary for Memorial Affairs Bill Tuerk, and Mr. Bob Henke, Assistant Secretary for Management.

In my now nearly 3½ months at the VA, I have seen both the compassion and the professionalism of our employees. It is, frankly, just what I expected. The culture is one of deep respect for the men and women that we serve.

This group at the table and the VA at large understands that America is at war and it is not business as usual. I appreciate the importance of and I look forward to working with this committee to build on VA's past successes but also to look to the future to ensure veterans continue to receive timely, accessible delivery of high-quality benefits and services earned through their sacrifice and service and that we meet the needs of each segment of our veterans population.

The President's request totals nearly $93.7 billion, $46.4 billion for entitlement programs and $47.2 billion for discretionary programs. The total request is $3.4 billion above the funding level for

2008 and that funding level is the one that includes a $3.7 billion plus-up from the emergency funding.

This budget will allow the VA to address the areas critical to our mission; i.e., providing timely, accessible, high-quality health care to our highest-priority patients. We will advance our collaborative efforts with the Department of Defense to ensure the continued provision of worldclass health care and benefits to VA and DOD beneficiaries, including the progress toward development of secure interoperable electronic medical records systems.

We will improve the timeliness and accuracy of our claims processing and ensure the burial needs of veterans and their eligible family members are met and maintain veteran cemeteries as national shrines.

The young men and women in uniform who are returning from Iraq and Afghanistan and their families represent a new generation of veterans. Their transition and reintegration into our civilian society when they take off that uniform is a prime focus. Those seriously injured must be able to transition between the DOD and VA systems as they move on their journey of recovery.

This budget funds our polytrauma centers and sustains the network of polytrauma care that Dr. Kussman and his team have put in place. It funds the Federal recovery coordinators envisioned by the report of the Dole-Shalala Commission and sustains the ongoing case management at all levels of our system.

We know that our prostheses must keep pace with the newest generation of prostheses as our wounded warriors transition into the VA system and you will see a 10 percent increase in our budget for this.

In 2009, we expect about 333,000 OEF/OIF veterans, a 14 percent increase. With the potential of rising costs per patient, we have budgeted a 21 percent increase in our costs. That is nearly $1.3 billion to meet the needs of the OEF/OIF veterans that we expect will come to the VA for medical care.

This budget will sustain our outreach activities that range from more than 799,000 letters to the greater than 205,000 engagements that our vet center outreach personnel have made with returning National Guard and Reserve units as part of the Post Deployment Health Reassessment process. VBA alone conducted about 8,000 military briefings to nearly 300,000 service men and women. This is also part of seamless transition.

Now with the authority to provide care for 5 years of service-related issues, we can without bureaucracy offer the counseling, support and care that might be needed to avert or mitigate future problems. I highlight the outreach because we want these men and women to get those services.

Mental health, from PTSD to depression to substance abuse, are issues that I know are of concern to you and of great concern to us. This budget proposes $3.9 billion for mental health across the board, a 9 percent increase from 2008. It will allow us to sustain an access standard that says if you show up for mental health, you will be screened in 24 hours and within 14 days have a full mental health evaluation, if needed. It will keep expanding mental health access according to a uniform mental health package. Trained mental health professionals in each CBOC, and there are 51 new

CBOCs, by the way, planned for 2009, in addition to the 64 that are coming from 2008.

Our vet centers will bring on yet an additional hundred OIF/OEF counselors and Dr. Kussman is prepared, as needed, to identify and add additional vet centers.

We appreciate the issues of rural access in this arena and our vet centers are budgeted for 50 new vans to support remote access and this budget supports their operation as well as expanding telemental health to 25 locations.

But this budget and our mission is more than just about these most recently returning service men and women. We should remember that 20 percent of VA patients, who in general are older and with more comorbid conditions than the general population have a mental health diagnosis.

In fiscal year 2007, we saw 400,000 veterans of all eras with PTSD. This budget will sustain VA's internationally recognized network of more than 200 specialized programs for the treatment of posttraumatic stress disorder through our medical centers and clinics that serve all of our veterans.

We have a unique responsibility to serve those who have served before. We still have one World War I veteran in our fold. World War II and Korea veterans are recipients of our geriatric care and our efforts are aimed at improving long-term, not institutional, care where in this budget we have increased funding by 28 percent will make a huge difference in their quality of life.

We have currently 32,000 people served by home telehealth programs. This budget continues our work in this area and in the expansion of home-based primary care. Overall, the President's 2009 budget includes a total of $41.2 billion for VA medical care, an increase of $2.3 billion over the 2008 level and more than twice the funding available at the beginning of the administration.

With it, we will provide quality care, improve access, and expand special services to the 5,771,000 patients we expect to treat in 2009. That is 1.6 percent above our current 2008 estimate.

In April 2006, there were over 250,000 unique patients waiting more than 30 days for their desired appointment date. That's too many. As of January 1, 2008, we had reduced the waiting list to just over 69,000. At the end of March, it was down to 45,000. Our budget request for 2009 provides the resources to virtually eliminate the waiting list by the end of next year.

Information technology crosscuts the entire Department and this budget provides more than $2.4 billion for this vital function, 19 percent above our 2008 budget, and reflects the realignment of all IT operations and functions under the management control of our chief information officer.

A majority, $261 million, of that increase in IT funds will support VA's Medical Care Program, particularly VA's electronic health record system. I emphasize it here because it is so central to the care that we provide, touted in such publications as the book "Best Care Anywhere" as the key to our quality that is lauded worldwide.

This IT budget also includes all the infrastructure support, such as hardware, software, communications systems for those 51 CBOCs that I mentioned, and there is $93 million for cyber security, continuing us on the road to being the gold standard.

IT will also be key as we begin to move our claims model down the road to a paperless process. It is an investment we must make. This budget sustains the work in VetsNet that is giving us management data to really get after our claims processing and Virtual VA, our electronic data repository.

In addition to IT, this budget sustains a 2-year effort to hire and train 3,100 new staff to achieve our 145-day goal for processing comp and pension claims in 2009. This is a 38-day improvement in processing timeliness from 2007 and a 24-day or 14 percent reduction from this year.

This is important because the volume of claims receipts is projected to reach 872,000 in 2009, a 51 percent increase since 2000. The active, Reserve and National Guard returning from OIF and OEF have contributed to an increase in new claims and bring with them an increased number of issues with each claim.

If you look at the graph there, you see the claims going up in the bottom line. The issues, the number of individual pieces of that claim, number of individual issues growing significantly at a faster rate, and what our VBA has been able to do, even with that, as you see in the middle, the average number of days to complete has remained relatively stable and we intend to bring that down with these new people.

The President's 2009 budget includes seven legislative proposals totaling $42 million. One of these proposals expands legislative authority to cover payments for specialized residential care and rehab in VA-approved medical foster homes for OIF and OEF veterans with TBIs, as an example.

We again bring to you a request for enrollment fees for those who can afford to pay and for a raise in the co-pays. Again this does not affect our VA budget as the funds would return to the Treasury, that's $5.2 billion over 10 years, but it does reflect the matter of equity for those veterans who have spent a full career in the service and under TRICARE do pay an annual enrollment fee for life care.

The 442 million to support VA's Medical and Prosthetic Research Program, though less than what we have from the augmented 2008 budget, is actually 7.3 percent more than what we received in 2006 and about 7.5 percent more than what we actually asked for in 2007 and 2008.

It does contain $252 million devoted to research projects focused specifically on veterans returning from service in Afghanistan and Iraq, including projects on TBI and polytrauma and spinal code injury and prosthetics and burn injury and pain and postdeployment mental health. In fact, we anticipate with Federal and other grants a full research portfolio of about $1.85 billion.

This budget request includes just over a billion in capital funding for VA, with resources to continue five medical facility projects already underway in Denver, in Orlando, in Lee County, Florida, San Juan and St. Louis, and to begin three new medical facility projects at Bay Pines, Tampa, Palo Alto, two of which relate to the polytrauma rehabilitation centers and continue our priority for this specialized area of excellence.

And finally, we will perform 111,000 interments in 2009, 11 percent more than in 2007. The $181 million in this budget for the Na-

tional Cemetery Administration is 71 percent above the resources available to the Department's Burial Program when the President took office.

These resources will operationalize the six new national cemeteries that will open this year, providing a VA burial option to nearly 1 million previously unserved veteran families and will maintain our cemeteries as national shrines that will again earn the highest marks in the government or private sector for customer satisfaction.

PREPARED STATEMENT

This budget of nearly $93.7 billion, nearly double from 7 years ago, and with a health care component more than twice what it was 7 years ago, will allow us to make great progress in the care of all of our veterans and will keep us on this quality journey in health and the management of an extraordinary benefit and in ensuring the excellence of our final tribute to those who shall have borne the battle.

It's an honor to be with you today and I look forward to your questions.

[The statement follows:]

PREPARED STATEMENT OF JAMES B. PEAKE

Mr. Chairman and members of the committee, good afternoon. I am happy to be here and I am deeply honored that the President has given me the opportunity to serve as Secretary of Veterans Affairs. I look forward to working with you to build on VA's past successes to ensure veterans continue to receive timely, accessible delivery of high-quality benefits and services earned through their sacrifice and service in defense of freedom.

I am here today to present the President's 2009 budget proposal for VA. The request totals nearly $93.7 billion—$46.4 billion for entitlement programs and $47.2 billion for discretionary programs. The total request is $3.4 billion above the funding level for 2008. The President's ongoing commitment to those who have faithfully served this country in uniform is clearly demonstrated through this budget request for VA. Resources requested for discretionary programs in 2009 are more than double the funding level in effect when the President took office 7 years ago.

The President's request for 2009 will allow VA to achieve performance goals in four areas critical to the achievement of our mission:

—provide timely, accessible, and high-quality health care to our highest priority patients—veterans returning from service in Operation Enduring Freedom and Operation Iraqi Freedom, veterans with service-connected disabilities, those with lower incomes, and veterans with special health care needs;
—advance our collaborative efforts with the Department of Defense (DOD) to ensure the continued provision of world-class health care and benefits to VA and DOD beneficiaries, including progress towards the development of secure, interoperable electronic medical record systems;
—improve the timeliness and accuracy of claims processing; and
—ensure the burial needs of veterans and their eligible family members are met and maintain veterans' cemeteries as national shrines.

ENSURING A SEAMLESS TRANSITION FROM ACTIVE MILITARY SERVICE TO CIVILIAN LIFE

One of our highest priorities is to ensure that veterans returning from service in Operation Enduring Freedom and Operation Iraqi Freedom receive everything they need to make their transition back to civilian life as smooth and easy as possible. We will take all measures necessary to provide them with timely benefits and services, to give them complete information about the benefits they have earned through their courageous service, and to implement streamlined processes free of bureaucratic red tape.

We will provide timely, accessible, and high-quality medical care for those who bear the permanent physical scars of war as well as compassionate care for veterans who suffer from less visible but equally serious and debilitating mental health

issues, including traumatic brain injury (TBI) and post-traumatic stress disorder (PTSD). Our treatment of those with mental health conditions will include veterans' family members who play a critical role in the care and recovery of their loved ones. To help meet the increased need for mental health services, especially those returning from the Global War on Terror, VA is expanding its training program for psychologists. The best resource for VA recruitment of psychologists has been the Department's own training program. Nearly three-quarters of the psychologists hired in the last 2 years have had VA training.

The President's top legislative priority for VA is to implement the recommendations of the President's Commission on Care for America's Returning Wounded Warriors (Dole-Shalala Commission). The Commission's report provides a powerful blueprint to move forward with ensuring that service men and women injured during the Global War on Terror continue to receive the health care services and benefits necessary to allow them to return to full and productive lives as quickly as possible. VA has initiated studies to determine appropriate payment levels for quality of life, transition assistance, and loss of earnings. The next step is for Congress to pass the President's legislation, which will modernize the disability compensation system. VA is working closely with officials from DOD on the recommendations of the Dole-Shalala Commission that do not require legislation to help ensure veterans achieve a smooth transition from active military service to civilian life.

For example, VA and DOD signed an agreement in October 2007 to provide Federal recovery coordinators to ensure medical services and other benefits are provided to seriously-wounded, injured, and ill active duty service members and veterans. VA hired the first recovery coordinators, in coordination with DOD, and they are located at Walter Reed Army Medical Center, National Naval Medical Center, and Brooke Army Medical Center. They will coordinate services between VA and DOD and, if necessary, private-sector facilities, while serving as the ultimate resource for families with questions or concerns about VA, DOD, or other Federal benefits.

In November 2007, VA and DOD began a pilot disability evaluation system for wounded warriors at the major medical facilities in the Washington, DC area—Washington VA Medical Center, Walter Reed Army Medical Center, National Naval Medical Center, and Malcolm Grow Medical Center. This initiative is designed to eliminate the duplicative and often confusing elements of the current disability processes of the two departments. Key features of the disability evaluation system pilot include one medical examination and a single disability rating determined by VA. The single disability examination is another improvement resulting from the recommendations of the Dole-Shalala Commission and is aimed at simplifying benefits, health care, and rehabilitation for injured service members and veterans.

VA will continue to work with Congress, DOD, and other Federal agencies to aggressively move forward with implementing the Dole-Shalala Commission recommendations.

MEDICAL CARE

The President's 2009 request includes total budgetary resources of $41.2 billion for VA medical care, an increase of $2.3 billion over the 2008 level and more than twice the funding available at the beginning of the Bush administration. Our total medical care request is comprised of funding for medical services ($34.08 billion), medical facilities ($4.66 billion), and resources from medical care collections ($2.47 billion). We have included funds for medical administration as part of our request for medical services. Merging these two accounts will improve and simplify the execution of our budget and will make it easier for us to respond rapidly to unanticipated changes in the health care environment throughout the year. We appreciate Congress providing us with the authority to transfer funding between our medical care accounts. We will need to exercise this authority in 2008 to help ensure we operate a balanced medical program.

Information technology (IT) plays a vital role in direct support of our medical care program and VA is requesting a significant increase in IT funding in 2009, much of which will help ensure we continue to provide timely, safe, and high-quality health care services. The most critical component of our medical IT program is the continued operation and improvement of our electronic health record system, a Presidential priority which has been recognized nationally for increasing productivity, quality, and patient safety. We must continue the progress we have made with DOD to develop secure, interoperable electronic medical record systems which is a critical recommendation in the Dole-Shalala Commission report. The availability of medical data to support the care of patients shared by VA and DOD will enhance our ability to provide world-class care to veterans and active duty members, including our wounded warriors returning from Afghanistan and Iraq.

Workload

During 2009, we expect to treat about 5,771,000 patients. This total is nearly 90,000 (or 1.6 percent) above the 2008 estimate. Our highest priority patients (those in priorities 1–6) will comprise 67 percent of the total patient population in 2009, but they will account for 84 percent of our health care costs.

We expect to treat about 333,000 veterans in 2009 who served in Operation Enduring Freedom and Operation Iraqi Freedom. This is an increase of 40,000 (or 14 percent) above the number of veterans from these two campaigns that we anticipate will come to VA for health care in 2008, and 128,000 (or 62 percent) more than the total in 2007.

Funding for Major Health Care Initiatives

In 2009 we are requesting nearly $1.3 billion to meet the needs of the 333,000 veterans with service in Operation Enduring Freedom and Operation Iraqi Freedom whom we expect will come to VA for medical care. This is an increase of $216 million (or 21 percent) over our resource needs to care for these veterans in 2008.

The Department's resource request includes $3.9 billion in 2009 to continue our effort to improve access to mental health services across the country. This is an increase of $319 million, or 9 percent, above the 2008 level. These funds will help ensure VA continues to realize the aspirations of the President's New Freedom Commission Report, as embodied in VA's Mental Health Strategic Plan, to deliver exceptional, accessible mental health care. The Department will place particular emphasis on providing care to those suffering from PTSD as a result of their service in Operation Enduring Freedom and Operation Iraqi Freedom. An example of our firm commitment to provide the best treatment available to help veterans recover from these mental health conditions is our increased outreach to veterans of the Global War on Terror, as well as increased readjustment and PTSD services. Our strategy for improving access includes increasing mental health care staff and expanding our telemental health program that allows us to reach about 20,000 additional patients with mental health conditions each year.

Our 2009 request includes $762 million for non-institutional long-term care services, an increase of $165 million, or 28 percent, over 2008. By enhancing veterans' access to non-institutional long-term care, the Department can provide extended care services to veterans in a more clinically appropriate setting, closer to where they live, and in the comfort and familiar settings of their homes surrounded by their families. This includes adult day health care, home-based primary care, purchased skilled home health care, homemaker/home health aide services, home respite and hospice care, and community residential care. During 2009 we will increase the number of patients receiving non-institutional long-term care, as measured by the average daily census, to about 61,000. This represents a 38 percent increase above the level we expect to reach in 2008.

VA's medical care request includes nearly $1.5 billion to support the increasing workload associated with the purchase and repair of prosthetics and sensory aids to improve veterans' quality of life. This is $134 million, or 10 percent, above the funding level in 2008. This increase in resources for prosthetics and sensory aids will allow the Department to meet the needs of the growing number of injured veterans returning from combat in Afghanistan and Iraq.

Requested funding for the Civilian Health and Medical Program of the VA (CHAMPVA) totals just over $1 billion in 2009, an increase of $145 million (or 17 percent) over the 2008 resource level. Claims paid for CHAMPVA benefits are expected to grow by 9 percent (from 7.0 million to 7.6 million) between 2008 and 2009 and the cost of transaction fees required to process electronic claims is rising as well.

Our budget request contains $83 million for facility activations. This is $13 million, or 19 percent, above the resource level for activations in 2008. As VA completes projects within our Capital Asset Realignment for Enhanced Services (CARES) program, we will need increased funding to purchase equipment and supplies for newly constructed and leased buildings.

Quality of Care

The resources we are requesting for VA's medical care program will allow us to strengthen our position as the Nation's leader in providing high-quality health care. VA has received numerous accolades from external organizations documenting the Department's leadership position in providing world-class health care to veterans. For example, our record of success in health care delivery is substantiated by the results of the December 2007 American Customer Satisfaction Index (ACSI) survey. Conducted by the National Quality Research Center at the University of Michigan Business School and the Federal Consulting Group, the ACSI survey found that cus-

tomer satisfaction with VA's health care system was higher than the private sector for the eighth consecutive year. The data revealed that patients at VA medical centers recorded a satisfaction level of 83 out of a possible 100 points, or 6 points higher than the rating for care provided by the private-sector health care industry.

In December 2007 the Congressional Budget Office (CBO) issued a report highlighting the success of VA's health care system. In this report—The Health Care System for Veterans: An Interim Report—the CBO identified organizational restructuring and management systems, the use of performance measures to monitor key processes and health outcomes, and the application of health IT as three of the major driving forces leading to high-quality health care delivery in VA. In October 2007, the Institute of Medicine released a report—Treatment of PTSD: An Assessment of The Evidence—that states VA's use of exposure-based therapies for the treatment of PTSD is effective. This confirms the Department's own conclusions and bolsters our efforts to continue to effectively treat veterans of the Global War on Terror who are suffering from PTSD and other mental health conditions.

These external acknowledgments of the superior quality of VA health care reinforce the Department's own findings. We use two primary measures of health care quality—clinical practice guidelines index and prevention index. These measures focus on the degree to which VA follows nationally recognized guidelines and standards of care that the medical literature has proven to be directly linked to improved health outcomes for patients. Our performance on the clinical practice guidelines index, which focuses on high-prevalence and high-risk diseases that have a significant impact on veterans' overall health status, is expected to grow to 86 percent in 2009, or a 1 percentage point rise over the level we expect to achieve in 2008. As an indicator aimed at primary prevention and early detection recommendations dealing with immunizations and screenings, the prevention index will also grow by 1 percentage point above the estimated 2008 level, reaching 89 percent in 2009.

To deal with a nationwide shortage of nurses and to improve the quality of care for veterans, VA has created a travel nurse corps to enable nurses to travel and work throughout the Department's health care system. Beginning as a 3-year pilot, the travel nurse corps is based at the Phoenix VA Health Care System and will place as many as 75 nurses at VA medical centers around the country. Participating nurses may be temporarily assigned to distant medical centers and clinics to help nursing staffs that have vacancies, reduce wait times, or maintain high-skill services and procedures.

Access to Care

In April 2006 there were over 250,000 unique patients waiting more than 30 days for their desired appointment date for health care services. As of March 1, 2008, we had reduced the waiting list to fewer than 49,000. Our budget request for 2009 provides the resources necessary for the Department to virtually eliminate the waiting list by the end of next year. Improvements in access to health care will result in part from the opening of new community-based outpatient clinics during the next 2 years, bringing the total number to 846 by the end of 2009.

The Department will expand its telehealth program which is a critical component of VA's approach to improve access to health care for veterans living in rural and remote areas. Other strategies include increasing the number of community-based outpatient clinics and enhancing VA's participation in the National Rural Development Partnership that serves as a forum for identifying, discussing, and acting on issues affecting those residing in rural areas. In 2009 the Department's Office of Rural Health will conduct studies to evaluate VA's rural health programs and develop policies and additional programs to improve the delivery of health care to veterans living in rural and remote areas. In addition, VA created a Rural Health National Advisory Committee in February 2008 to advise the Department's senior leaders about health care issues affecting veterans in rural areas. The committee members will come from the Federal, State, and local sectors, as well as from academia and veterans service organizations.

Medical Collections

The Department expects to receive nearly $2.5 billion from medical collections in 2009, which is $126 million, or more than 5 percent, above our projected collections for 2008. About $8 of every $10 in additional collections will come from increased third-party insurance payments, with almost all of the remaining collections resulting from growing pharmacy workload. We will continue several initiatives to strengthen our collections processes, including expanded use of both the Consolidated Patient Account Center to increase collections and improve operational performance, and the Insurance Card Buffer system to improve third-party insurance verification. In addition, we will enhance the use of real-time outpatient pharmacy

claims processing to facilitate faster receipt of pharmacy payments from insurers and will expand our campaign to increase the number of payers accepting electronic coordination of benefits claims.

Legislative Proposals

The President's 2009 budget includes seven legislative proposals totaling $42 million. One of these proposals expands legislative authority to cover payment of specialized residential care and rehabilitation in VA-approved medical foster homes for veterans of Operation Enduring Freedom and Operation Iraqi Freedom who suffer from TBI. Another proposal would reduce existing barriers to the early diagnosis of human immunodeficiency virus (HIV) infection by removing requirements for separate written informed consent for HIV testing among veterans. This change would ensure that patients treated by VA receive the same standard of HIV care that is recommended to non-VA patients.

The 2009 budget also contains three legislative proposals which ask veterans with comparatively greater means and no compensable service-connected disabilities to assume a modest share of the cost of their health care. They are exactly the same as proposals submitted but not enacted in the 2008 budget. The first proposal would assess Priority 7 and 8 veterans with an annual enrollment fee based on their family income:

Family Income	Annual Enrollement Fee
Under $50,000	([1])
$50,0000–74,999	$250
$75,000–99,999	500
$100,000 and above	750

[1] None.

The second legislative proposal would increase the pharmacy co-payment for Priority 7 and 8 veterans from $8 to $15 for a 30-day supply of drugs. And the last provision would equalize co-payment treatment for veterans regardless of whether or not they have insurance.

These legislative proposals have been identified in VA's budget request for several years. The proposals are consistent with the priority system of health care established by Congress, a system which recognizes that priority consideration must be given to veterans with service-disabled conditions, those with lower incomes, and veterans with special health care needs.

These proposals have no impact on the resources we are requesting for VA medical care as they do not reduce the discretionary medical care resources we are seeking. Our budget request includes the total funding needed for the Department to continue to provide veterans with timely, accessible, and high-quality medical services that set the national standard of excellence in the health care industry. Instead, these three provisions, if enacted, would generate an estimated $2.3 billion in revenue from 2009 through 2013 that would be deposited into a mandatory account in the Treasury.

One of our highest legislative priorities is to establish the position of Assistant Secretary for Acquisition, Logistics, and Construction. The person occupying this new position would serve as VA's Chief Acquisition Officer, a position required by the Services Acquisition Reform Act of 2003. This will elevate the importance of these critical functions to the level necessary to coordinate their policy direction across the Department's programs and other government agencies. An Assistant Secretary with focused policy responsibility for acquisition, logistics, and construction would ensure these vital activities receive the visibility they need at the highest levels of VA. Legislation to accomplish this was introduced in the Senate on October 4, 2007, as S. 2138. We would appreciate Congress' support of this legislation.

MEDICAL RESEARCH

VA is requesting $442 million to support VA's medical and prosthetic research program. Our request will fund nearly 2,000 high-priority research projects to expand knowledge in areas critical to veterans' health care needs, most notably research in the areas of mental illness ($53 million), aging ($45 million), health services delivery improvement ($39 million), cancer ($37 million), and heart disease ($33 million).

One of our highest priorities in 2009 will be to continue our aggressive research program aimed at improving the lives of veterans returning from service in Operation Enduring Freedom and Operation Iraqi Freedom. The President's budget re-

quest for VA contains $252 million devoted to research projects focused specifically on veterans returning from service in Afghanistan and Iraq. This includes research in TBI and polytrauma, spinal cord injury, prosthetics, burn injury, pain, and post-deployment mental health. Our research agenda includes cooperative projects with DOD to enhance veterans' seamless transition from military treatment facilities to VA medical facilities, particularly in the treatment of veterans suffering from TBI.

The President's request for research funding will help VA sustain its long track record of success in conducting research projects that lead to clinically useful interventions that improve the health and quality of life for veterans as well as the general population. Recent examples of VA research results that have direct application to improved clinical care include the use of a neuromotor prosthesis to help replace or restore lost movement in paralyzed patients, continued development of an artificial retina for those who have lost vision due to retinal damage, use of an inexpensive generic drug (prazosin) to improve sleep and reduce trauma nightmares for veterans with PTSD, and advancements in identifying a new therapy to prevent or slow the progression of Alzheimer's disease.

In addition to VA appropriations, the Department's researchers compete for and receive funds from other Federal and non-Federal sources. Funding from external sources is expected to continue to increase in 2009. Through a combination of VA resources and funds from outside sources, the total research budget in 2009 will be almost $1.85 billion.

GENERAL OPERATING EXPENSES

The Department's 2009 resource request for General Operating Expenses (GOE) is $1.7 billion. Within this total GOE funding request, nearly $1.4 billion is for the management of the following non-medical benefits administered by the Veterans Benefits Administration (VBA)—disability compensation; pensions; education; housing; vocational rehabilitation and employment; and insurance. The 2009 budget request provides VBA over two times the level of discretionary funding available when the President took office and underscores the priority this administration places on improving the timeliness and accuracy of claims processing. Our request for GOE funding also includes $328 million to support General Administration activities.

Compensation and Pensions Workload and Performance Management

A major challenge in improving the delivery of compensation and pension benefits is the steady and sizeable increase in workload. The volume of claims receipts is projected to reach 872,000 in 2009—a 51 percent increase since 2000.

The number of active duty service members as well as reservists and National Guard members who have been called to active duty to support Operation Enduring Freedom and Operation Iraqi Freedom is one of the key drivers of new claims activity. This has contributed to an increase in the number of new claims, and we expect this pattern to persist at least for the near term. An additional reason that the number of compensation and pension claims is climbing is the Department's commitment to increase outreach. We have an obligation to extend our reach as far as possible and to spread the word to veterans about the benefits and services VA stands ready to provide.

Disability compensation claims from veterans who have previously filed a claim comprise about 54 percent of the disability claims received by the Department each year. Many veterans now receiving compensation suffer from chronic and progressive conditions, such as diabetes, mental illness, cardiovascular disease, orthopedic problems, and hearing loss. As these veterans age and their conditions worsen, VA experiences additional claims for increased benefits.

The growing complexity of the claims being filed also contributes to our workload challenges. For example, the number of original compensation cases with eight or more disabilities claimed increased by 168 percent during the last 7 years, reaching over 58,500 claims in 2007. Over one-quarter of all original compensation claims received last year contained eight or more disability issues. In addition, we expect to continue to receive a growing number of complex disability claims resulting from PTSD, TBI, environmental and infectious risks, complex combat-related injuries, and complications resulting from diabetes. Claims now take more time and more resources to adjudicate. Additionally, as VA receives and adjudicates more claims, this results in a larger number of appeals from veterans and survivors, which also increases workload in other parts of the Department, including the Board of Veterans' Appeals and the Office of the General Counsel.

The Veterans Claims Assistance Act of 2000 has significantly increased both the length and complexity of claims development. VA's notification and development duties have grown, adding more steps to the claims process and lengthening the time

it takes to develop and decide a claim. Also, the Department is now required to review the claims at more points in the adjudication process.

VA will address its ever-growing workload challenges in several ways. For example, we will enhance our use of information technology tools to improve claims processing. In particular, our claims processors will have greater on-line access to DOD medical information as more categories of DOD's electronic records are made available through the Compensation and Pension Records Interchange project. We will also strengthen our investment in Virtual VA, which will reduce our reliance upon paper-based claims folders and enable accessing and transferring electronic images and data through a Web-based application. Virtual VA will also dramatically increase the security and privacy of veteran data. The Department will continue to move work among regional offices in order to maximize our resources and enhance our performance. Also, this year we will complete the consolidation of original pension claims processing to three pension maintenance centers which will relieve regional offices of their remaining pension work. In addition, we will further advance staff training and other efforts to improve the consistency and quality of claims processing across regional offices.

Using resources available in 2008, we are aggressively hiring additional staff. By the beginning of 2009, we expect to complete a 2-year effort to hire about 3,100 new staff. This increase in staffing is the centerpiece of our strategy to achieve our 145-day goal for processing compensation and pension claims in 2009. This represents a 38-day improvement (or 21 percent) in processing timeliness from 2007 and a 24-day (or 14 percent) reduction in the amount of time required to process claims this year.

In addition, we anticipate that our pending inventory of disability claims will fall to about 298,000 by the end of 2009, a reduction of more than 94,000 (or 24 percent) from the pending count at the close of 2007. At the same time we are improving timeliness, we will also increase the accuracy of the compensation claims we adjudicate, from 88 percent in 2007 to 92 percent in 2009.

Education and Vocational Rehabilitation and Employment Performance

With the resources provided in the President's 2009 budget request, key program performance will improve in both the education and vocational rehabilitation and employment programs. The timeliness of processing original education claims will improve by 13 days during the next 2 years, falling from 32 days in 2007 to 19 days in 2009. During this period, the average time it takes to process supplemental claims will improve from 13 days to just 10 days. These performance improvements will be achieved despite an increase in workload. The number of education claims we expect to receive will reach about 1,668,000 in 2009, or 9 percent higher than last year. In addition, the rehabilitation rate for the vocational rehabilitation and employment program will climb to 76 percent in 2009, a gain of 3 percentage points over the 2007 performance level. The number of program participants is projected to rise to 91,700 in 2009, or 5 percent higher than the number of participants in 2007.

Funding for Initiatives

Our 2009 request includes $10.8 million for initiatives to improve performance and operational processes throughout VBA. Of this total, $8.7 million will be used for a comprehensive training package covering almost all of our benefits programs. A little over one-half of the resources for this training initiative will be devoted to compensation and pension staff while nearly one-quarter of the training funds will be for staff in the vocational rehabilitation and employment program. These training programs include extensive instruction for new employees as well as additional training to raise the skill level of existing staff. Our robust training program is a vital component of our ongoing effort to improve the quality and consistency of our claims processing decisions and will enable us to be more flexible and responsive to changing workload demands.

NATIONAL CEMETERY ADMINISTRATION

Results from the December 2007 ACSI survey conducted by the National Quality Research Center at the University of Michigan and the Federal Consulting Group revealed that for the second consecutive time VA's national cemetery system received the highest rating in customer satisfaction for any Federal agency or private sector corporation surveyed. The Department's cemetery system earned a customer satisfaction rating of 95 out of a possible 100 points. These results highlight that VA's cemetery system is a model of excellence in providing timely, accessible, and high-quality services to veterans and their families.

The President's 2009 budget request for VA includes $181 million in operations and maintenance funding for the National Cemetery Administration (NCA), which is 71 percent above the resources available to the Department's burial program when the President took office. The resources requested for 2009 will allow us to meet the growing workload at existing cemeteries by increasing staffing and funding for contract maintenance, supplies, and equipment, open new national cemeteries, and maintain our cemeteries as national shrines. We will perform 111,000 interments in 2009, or 11 percent more than in 2007. The number of developed acres (7,990) that must be maintained in 2009 will be 8 percent greater than in 2007.

Our budget request includes an additional $5 million to continue daily operations and to begin interment operations at six new national cemeteries—Bakersfield, California; Birmingham, Alabama; Columbia-Greenville, South Carolina; Jacksonville, Florida; Sarasota, Florida; and southeastern Pennsylvania. Establishment of these six new national cemeteries is directed by the National Cemetery Expansion Act of 2003. We plan to open fast track burial sections at five of the six new cemeteries in late 2008 or early 2009, with the opening of the cemetery in southeastern Pennsylvania to follow in mid-2009.

The President's resource request for VA provides $9.1 million in cemetery operations and maintenance funding to address gravesite renovations as well as headstone and marker realignment. When combined with another $7.5 million in minor construction, VA is requesting a total of $16.6 million in 2009 to improve the appearance of our national cemeteries which will help us maintain cemeteries as shrines dedicated to preserving our Nation's history and honoring veterans' service and sacrifice.

With the resources requested to support NCA activities, we will expand access to our burial program by increasing the percent of veterans served by a burial option within 75 miles of their residence to 88 percent in 2009, which is 4.6 percentage points above our performance level at the close of 2007. In addition, we will continue to increase the percent of respondents who rate the quality of service provided by national cemeteries as excellent to 98 percent in 2009, or 4 percentage points higher than the level of performance we reached last year.

CAPITAL PROGRAMS (CONSTRUCTION AND GRANTS TO STATES)

The President's 2009 budget request includes just over $1 billion in capital funding for VA, $5 million of which will be derived from the sale of assets. Our request for appropriated funds includes $581.6 million for major construction projects, $329.4 million for minor construction, $85 million in grants for the construction of State extended care facilities, and $32 million in grants for the construction of State veterans cemeteries.

The 2009 request for construction funding for our health care programs is $750.0 million—$476.6 million for major construction and $273.4 million for minor construction. All of these resources will be devoted to continuation of the Capital Asset Realignment for Enhanced Services (CARES) program. CARES will renovate and modernize VA's health care infrastructure, provide greater access to high-quality care for more veterans, closer to where they live, and help resolve patient safety issues. Some of the construction funds in 2009 will be used to expand our polytrauma system of care for veterans and active duty personnel with lasting disabilities due to polytrauma and TBI. This system of care provides the highest quality of medical, rehabilitation, and support services.

Within our request for major construction are resources to continue five medical facility projects already underway:

—Denver, Colorado ($20.0 million)—replacement medical center near the University of Colorado Fitzsimons campus
—Lee County, Florida ($111.4 million)—new building for an ambulatory surgery/outpatient diagnostic support center
—Orlando, Florida ($120.0 million)—new medical center consisting of a hospital, medical clinic, nursing home, domiciliary, and full support services
—San Juan, Puerto Rico ($64.4 million)—seismic corrections to the main hospital building
—St. Louis, Missouri ($5.0 million)—medical facility improvements and cemetery expansion.

Major construction funding is also provided to begin three new medical facility projects:

—Bay Pines, Florida ($17.4 million)—inpatient and outpatient facility improvements
—Tampa, Florida ($21.1 million)—polytrauma expansion and bed tower upgrades

—Palo Alto, California ($38.3 million)—centers for ambulatory care and polytrauma rehabilitation center.

In addition, we are moving forward with plans to develop a fifth Polytrauma Rehabilitation Center in San Antonio, Texas with the $66 million in funding provided in the 2007 emergency supplemental.

Minor construction is an integral component of our overall capital program. In support of the medical care and medical research programs, minor construction funds permit VA to address space and functional changes to efficiently shift treatment of patients from hospital-based to outpatient care settings; realign critical services; improve management of space, including vacant and underutilized space; improve facility conditions; and undertake other actions critical to CARES implementation. Further, minor construction resources will be used to comply with the energy efficiency and sustainability design requirements mandated by the President.

We are requesting $130.0 million in construction funding to support the Department's burial program—$105.0 million for major construction and $25.0 million for minor construction. Within the funding we are requesting for major construction are resources for gravesite expansion and cemetery improvement projects at three national cemeteries—New York (Calverton, $29.0 million); Massachusetts ($20.5 million); and Puerto Rico ($33.9 million).

VA is requesting $5 million for a new land acquisition line item in the major construction account. These funds will be used to purchase land as it becomes available in order to quickly take advantage of opportunities to ensure the continuation of a national cemetery presence in areas currently being served. All land purchased from this account will be contiguous to an existing national cemetery, within an existing service area, or in a location that will serve the same veteran population center.

INFORMATION TECHNOLOGY

The President's 2009 budget provides more than $2.4 billion for the Department's IT program. This is $389 million, or 19 percent above our 2008 budget, and reflects the realignment of all IT operations and functions under the management control of the Chief Information Officer.

IT is critical to the timely, accessible delivery of high-quality benefits and services to veterans and their families. Our health care and benefits programs can only be successful when directly supported by a modern IT infrastructure and an aggressive program to develop improved IT systems that will meet new service delivery requirements. VA must modernize or replace existing systems that are no longer adequate in today's rapidly changing health care environment. It is vital that VA receives a significant infusion of new resources to implement the IT-related recommendations presented in the Dole-Shalala Commission report.

Within VA's total IT request of more than $2.4 billion, 70 percent (or $1.7 billion) will be for IT investment (non-payroll) costs while the remaining 30 percent (or $729 million) will go for payroll and administrative requirements. Of the $389 million increase we are seeking for IT, 86 percent will be devoted to IT investment. The overwhelming majority ($271 million) of the IT investment funds will support VA's medical care program, particularly VA's electronic health record system.

VA classifies its IT investment functions into two major categories—those that directly impact the delivery of benefits and services to veterans (i.e., veteran facing) and those that indirectly affect veterans through administrative and infrastructure support activities (i.e., internal facing). For 2009, our $1.7 billion request for IT investment is comprised of $1.3 billion in veteran facing activities and $418 million in internal facing IT functions. Within each of these two major categories, IT programs and initiatives are further differentiated between development functions and operations and maintenance activities.

The increase in this budget of 94 full-time equivalent staff will provide enhanced support in two critical areas—information protection and IT asset management. Additional positions are requested for information security: testing and deploying security measures; IT oversight and compliance; and privacy, underscoring our commitment to the protection of veteran and employee information. The increase in IT asset management positions will bring expertise to focus on three primary functions—inventory management, materiel coordination, and property accountability.

Our 2009 budget request contains $93 million in support of our cyber security program to continue our commitment to make VA the gold standard in data security within the Federal Government. We continue to take aggressive steps to ensure the safety of veterans' personal information, including training and educating our employees on the critical responsibility they have to protect personal and health information. We are progressing with the implementation of the Data Security—Assess-

ment and Strengthening of Controls Program established in May 2006. This program was established to provide focus to all activities related to data security.

As part of our continued operation and improvement of the Department's electronic health record system, VA is seeking $284 million in 2009 for development and implementation of the Veterans Health Information Systems and Technology Architecture (HealtheVet-VistA) program. This includes a health data repository, a patient scheduling system, and a reengineered pharmacy application. HealtheVet-VistA will equip our health care providers with the modern tools they need to improve safety and quality of care for veterans. The standardized health information from this system can be easily shared between facilities, making patients' electronic health records available to all those providing health care to veterans.

Until HealtheVet-VistA is operational, we need to maintain the VistA Legacy system. This system will remain operational as new applications are developed and implemented. This approach will mitigate transition and migration risks associated with the move to the new architecture. Our budget provides $99 million in 2009 for the VistA Legacy system.

In support of our benefits programs, we are requesting $23.8 million in 2009 for VETSNET. This will allow VA to complete the transition of compensation and pension payment processing off of the antiquated Benefits Delivery Network. This will enhance claims processing efficiency and accuracy, strengthen payment integrity and fraud prevention, and position VA to develop future claims processing efficiencies, such as our paperless claims processing strategy. To further our transition to paperless processing, we are seeking $17.4 million in 2009 for Virtual VA which will reduce our reliance on paper-based claims folders through expanded use of electronic images and data that can be accessed and transferred electronically through a Web-based platform.

We are requesting $42.5 million for the Financial and Logistics Integrated Technology Enterprise (FLITE) system. FLITE is being developed to address a longstanding internal control material weakness and will replace an outdated, non-compliant core accounting system that is no longer supported by industry. Our 2009 budget also includes $92.6 million for human resource management application investments, including the Human Resources Information System which will replace our current human resources and payroll system.

SUMMARY

Our 2009 budget request of nearly $93.7 billion will provide the resources necessary for VA to:

—provide timely, accessible, and high-quality health care to our highest priority patients—veterans returning from service in Operation Enduring Freedom and Operation Iraqi Freedom, veterans with service-connected disabilities, those with lower incomes, and veterans with special health care needs;

—advance our collaborative efforts with DOD to ensure the continued provision of world-class health care and benefits to VA and DOD beneficiaries, including progress towards the development of secure, interoperable electronic medical record systems;

—improve the timeliness and accuracy of claims processing; and

—ensure the burial needs of veterans and their eligible family members are met and maintain veterans' cemeteries as national shrines.

I look forward to working with the members of this committee to continue the Department's tradition of providing timely, accessible, and high-quality benefits and services to those who have helped defend and preserve liberty and freedom around the world.

Senator JOHNSON. Thank you, Secretary Peake. Before we begin with questions, I suggest we limit the time to 7 minutes per member. After each member has had their opportunity to ask questions, we can determine whether a second round is necessary.

Mr. Secretary, the VA's fiscal 2009 budget request proposes to cut $38 million for medical and prosthetic research. Your testimony states that the VA will allocate $53 million on research into mental illness. I will note that this is a $9.3 million cut into this designated research area.

Why is the VA cutting funding for research in the areas such as mental health at a time when more and more vets are being diagnosed with complex mental health disorders?

Secretary PEAKE. Sir, we do appreciate the importance and emphasize the importance of continuing research in the area of mental health, particularly in PTSD, given the current situation.

We have—we also work with DOD and bring in other grants to help support our efforts. We have mental health system centers that are in place to study PTSD and mental health issues of our service men and women. Some of that is actually supported also by Dr. Kussman's operational dollars, some $440 million, supports some of the people that actually work in those centers.

So, I think with—given the fact that we have $252 million really designated for the specific OIF/OEF kind of related research and the ability to bring in other dollars will allow us to keep our emphasis on this very important problem.

Senator JOHNSON. South Dakota is home to many Native Americans. What is the VA doing to address the needs of Native American veterans who live on reservations which can be hundreds of miles from a VA medical facility? How does this fit into the VA's plan to better serve those vets who live in rural areas?

Secretary PEAKE. Sir, I think the point that some of our Native American veterans have been some of our under served veterans is real and as a matter of fact, in some of my first trips, we went to Walla Walla, Washington, and Billings, Montana, Helena, Montana, and some of the town hall meetings made some of these points.

We have already put a video teleconferencing link in Montana to try to prove that point as an access point for people being able to understand their benefits. We have just recently established a Native American Council that we are putting together within the VA. It will actually be chaired by a Native American who is one of our hospital directors but to bring all the various pieces of the VA together around these issues.

We are working on a new memorandum with the Indian Health Service to find better ways to do partnerships with them and so we also recognize the importance and this was highlighted when I spoke with one of the large Native American organizations recently, that we really have to be able to work with 57 different sovereign nations and we absolutely understand that and are looking to ways to be able to do that more effectively.

Senator JOHNSON. Mr. Secretary, the ban on new priority 8 veterans that's been growing in the system has been in place for 5 years. This year, our vets with no service-connected disability and an annual salary as low as $28,430 would not be able to enroll in this system.

Have you considered raising the threshold to allow more priority 8 vets in?

Secretary PEAKE. Sir, we have. We are looking at what the impact of that might be, depending on different threshold levels. We want to make sure that we are able to meet the standards for those who are highest-priority patients, those with service-connected disabilities, those with special needs and those with truly significant income problems.

It is more than just a money issue. It is the facilities issue and we have already talked about trying to work down our backlog so that we do have the capacity to meet the needs of those who are

currently enrolled and are users and so we want to make sure that we can meet that priority first, but we are studying, just as you say, sir, looking at the level of it.

Senator JOHNSON. What is the timeline on the decisionmaking process? How soon will we know one way or the other about Category 8?

Secretary PEAKE. Well, sir, I don't know exactly when we will have that analysis back. I would expect to be able to get it back this year and be able to then work through what the right level would be, if indeed we would raise it.

Senator JOHNSON. The construction of medical facilities is of paramount importance. The backlog of urgently needed projects is growing.

Why has the VA not budgeted adequately to accelerate the pace of construction?

Secretary PEAKE. Well, sir, we've—$1 billion for construction is not an insignificant amount, but we have also been working on using leases, finding other ways of partnership to try to help. We have also been putting money, you may notice, into the repair and maintenance to try to eat away at the backlog, to maintain some of our buildings that we do have.

It is—and we are trying to understand the best way to partner with our, as an example, our academic partners, as we were talking about in Denver, to try to find ways to get the most bang for the buck.

Senator JOHNSON. $1 billion is an impressive amount of money on the one hand, but on the other hand, when you have a war costing $10 to $12 billion a month, it is not so much.

Senator Allard.

Senator ALLARD. Thank you, Mr. Chairman. Again, I'd like to welcome the Secretary, and as we discussed just before we reconvened here, you had been to Denver this last week and so I'm curious to just hear what your impressions are, address the progress that you've seen, and how you would evaluate the project from what you saw on this weekend's briefing and tour there of the new site that was set up in Denver.

Secretary PEAKE. Well, sir, on Sunday, I met with Senator Salazar and Congressman Pomodor and we walked and went around the site. I think I would just say that I'm enthused and optimistic about the opportunity to really be able to make a cornerstone of our integrated health care system for that region.

We understand that it is not Denver standalone as we look to our planning and when you look at the synergy that we can have with that wonderful medical center that has developed out there on the old Fitzsimmons campus, I think we have tremendous opportunity.

In fact, we will have a meeting Monday with the leadership. We had a meeting with the leadership also this last Monday in Denver and then we'll have a meeting in Washington with the leadership to really hammer out our road ahead. The site is coming together.

There's an issue about the swimming pool, just a legislative correction that's going to be needed to be able to give us the site, and then the UPI building, that paper is coming to my desk this week. So, I think that will give us the area to do the work in, and then

we need to figure exactly what work to do and we will be putting that together this next week.

Senator ALLARD. Now there's been some speculation about some comments you made about redesign of the project. You're not talking about a total comprehensive redesign, are you? You're talking about looking at maybe adjustments to perhaps the current design to make sure that you have the most modern facility is the way I understand without a complete overhaul.

I wonder if you could kind of clarify that.

Secretary PEAKE. Well, sir, what I—I think what we are looking to do is ensure that we can meet the needs of the veterans with the light rail coming in to the site, to be able to make sure we have the right-sized ambulatory environment, to make sure that we have the best mix with the university of the bedded requirement and we will have a bedded requirement for some time.

So, we may be able to leverage the university, give them the opportunity to build their bed tower earlier as we become a part of that, while we then optimize that particular location for the ambulatory piece. It is a redesign but it is—we're at a stage where that's not going to be a major—a slowdown or a setback. As a matter of fact, it probably will speed things up potentially.

Senator ALLARD. I mean that's good news to see it speeding up, and I think there was concern that if the design was too radical, it would slow down the project, meaning we'd have to start all over.

Secretary PEAKE. Working with the university, they could probably get it up quicker than we could.

Senator ALLARD. Yes. Well, that's all good news. Now, in this year's budget, 2008 budget, there's a $168.3 million allocated for the project, and this year in the president's budget, they had $20 million was requested.

Now do you believe the amount is sufficient to keep the project on track for a spring 2013 opening?

Secretary PEAKE. Sir, I do. I think, part of it is when you get the money that you can spend. So, I think we've got enough money to be able to complete the acquisition of the land and get moving on the design. We will need more money obviously in the 2010 budget. This is a project that we're going to move along.

Senator ALLARD. We actually have another partner in this thing. We've got the Veterans Administration, plus the CU Medical School, but then there's the city and county of Aurora.

Secretary PEAKE. And I met with the mayor, Mayor Tauer, as well.

Senator ALLARD. And they very much want to see things move forward.

Secretary PEAKE. His vision with the light rail has been very—I mean that really adds to the value of our proposal.

Senator ALLARD. Yes, I would think so, and we've encouraged him and we've pushed for the light rail in that particular part of the city in order to provide a number of transportation alternatives to the veterans that might want to go the CU Medical Center, including the veterans hospital that we anticipate having close by.

Okay. Let me move on to the cemetery needs for the State of Colorado, and I think, Bill, Mr. Tuerk, you have been out to Colorado and kind of understand our needs. Logan Cemetery, I've been told,

is—and we've discussed this, I think, with representatives from the—if not you, at least representatives from the Veterans Administration, that it's been projected that by 2020, it's going to be full.

Mr. TUERK. That's correct, Senator. I visited the cemetery last week to get a real lay of the land on the area that had not yet been buried out and we figure that space will be depleted in about 2020.

Senator ALLARD. So you would agree with those estimates then, and I guess it's hard, you know. We have had a lot of retired veterans move into Colorado, particularly the Colorado Springs area. I think they've got the second highest population of retired—I shouldn't say veterans, retired military in the country and so there is concern about, you know, space, particularly in the Colorado Springs area because of the rapid growth of retirees.

They get stationed there and then they decide they like Colorado and they want to come back there and retire, and I guess it's kind of hard to anticipate just what the retired military and veterans population would be in Colorado, but you're fairly comfortable with the 2020?

Mr. TUERK. Well, Senator, let me say this. I'm comfortable that 2020, give or take a year, maybe two, is a good solid estimate, based on current burial rates and current capacity at Fort Logan.

I'm also confident that the cities of Denver and Colorado Springs will have an ongoing need for VA burial services after Fort Logan is filled, and this budget request specifically is designed to start addressing the need in cities like the Denver-Colorado Springs area by asking for a separate land acquisition line item, so that we may start now to plan for the transition from a cemetery like Fort Logan that's going to have to close. We can't expand Fort Logan, we're landlocked at this point.

We're asking for that funding for the purpose of starting the transition to the successor cemetery to be built in anticipation of the closing of Fort Logan.

Senator ALLARD. We're filling up, yes. Now, is that under the construction initiative? Is that the $5 million that's in the——

Mr. TUERK. That is correct, sir.

Senator ALLARD. Okay. And so I wanted you to speak to that but you've already pretty well spoke to it.

You're comfortable with that money there to meet your current needs as far as cemetery expansion? Do we need any more money there?

Mr. TUERK. Well, I don't know yet, Senator, to be honest, because we don't have the authority to go scout for land yet and I don't yet have a sense of what it might cost for the acres that we might need.

It seems to me the ideal location for the successor cemetery would be somewhere between Denver and Colorado Springs, somewhere on the I–25 corridor, and I'm advised that land there is not going to be inexpensive, but I——

Senator ALLARD. You've got that right.

Mr. TUERK [continuing]. Have not yet gotten a sense of the precise quantum of funding we'll need to acquire a property.

Senator ALLARD. Yes, and I think the other thing, too, is water, if you get an area that's too rural there, water could be a problem. Even if you don't get one, the whole area in Douglas County, that

would be the area between Colorado Springs and Denver, there is some water issues, and I think when you're shopping for land, I hope that you will pay attention to the utilities and availability of water because you plant a lot of grass and in a State like Colorado, it's semi-arid, you'll use a fair amount of water.

So, I would just caution you to be careful about where you go. Just don't—you have to look at the value of the land obviously but you need to look at the water availability and utility availability.

Mr. TUERK. We'll be very conscious of the factors, Senator.

Senator ALLARD. That's a rapidly growing county and at one time it was the fastest-growing county in the country and I think they're among the fastest now, but still there's a lot of growth in that area and I wouldn't expect that the land values in there would depreciate much, if at all.

Mr. TUERK. I understand.

Senator ALLARD. More inclined to go up. So, the sooner you can get those purchases kind of nailed in, I think it would be better, frankly, because I don't see it being cheaper with time.

Okay. I just wanted to make sure that on those two projects for Colorado, that we were moving forward. They're projects that I've worked hard with the previous Secretary and the Secretary before that Secretary and I support your mission. I think it's vital that we provide good care.

I'm pleased with what has happened in Colorado where we had the closing of one VA hospital down on the Arkansas River there and we replaced it with clinics and so those clinics now with electronic records, I see where there was some opposition. The patients aren't much happier because they're much more available on a local basis and they don't like that and then they get referred to a now central facility in Denver. We want that to be a good facility. So, the electronic records, I was very pleased to see what you're doing in the electronic records. It brings accountability, brings some uniformity and helps you, I think, manage and set up goals and objectives to be able to measure results.

So, I'm pleased with your direction in that and I commend you for it and I do think that at one time veterans were hesitant to go to veterans facilities. They're looking at it as top-of-the-line now and looking forward to getting medical services from the VA and I compliment you on your efforts.

Senator JOHNSON. Senator Landrieu.

Senator LANDRIEU. Thank you, Mr. Chairman. Thank you, Mr. Secretary, and I appreciate the testimony.

I just have three questions. One of the major projects that we have ongoing in Louisiana, and I'm sure you are familiar with it, is the Veterans Hospital that we lost in the storms, it will be 3 years this August, and I want to first commend your staff there and the staff of the Veterans Administration for the excellent job they did in terms of evacuation and response.

I don't think we lost a single patient. The team there performed magnificently, and given the stress on many of the other hospitals, public and private, the veterans team is really to be commended.

In that regard, as you know, we have already appropriated $625 million for the replacement of the medical center. There have been some plans laid out, of course, and to rebuild that center. There's

some questions—or hospital. There's some questions about its size and et cetera, but my question is do you—is the regional planning commission downtown site still the preferred location for the new medical center, to your knowledge?

Secretary PEAKE. Yes, ma'am, and it's across the street from the LSU complex that they're looking at.

We think we have made some breakthroughs here. There was some question about whether we're going to have to do a full environmental study or not and what our folks have been down—actually, Mr. Hutter has been down there working and we have—we're going to resign the MOU with the city to allow them to go ahead and get moving on the land acquisition.

We think we have good support now from the historic people which was up in the air and we've got a game plan for 2012 opportunity to open.

Senator LANDRIEU. Well, I appreciate that because that was my next question.

The chairman is well aware of the struggle that we are going through to try to streamline this recovery process and one of the maddening requirements because we're using the community development block grant as we thought, we've learned since then, but initially we thought might be the quickest way to get money to locals has become a difficult way because of the requirement of the national environmental protection review, not because that's a problem but because FEMA also requires it and so for every project being built in the gulf coast, it's not one environmental review but two.

It's costly, it's expensive, it's a waste of time and money. So, I'm very pleased to see that you all have found a way legally through getting one that would be accepted by both Federal agencies, and is that what you're testifying to today, Mr. Hutter? Could I ask you?

Mr. HUTTER. Yes, Senator. We had a very successful meeting, two actually, in the last month with not only the city but the State and our Federal partners in this regard to move forward with one focused study with respect to the NEPA requirements and one focused study with respect to the historic preservation requirements, and we are—I'm glad to report that we are arm in arm with our partners in that regard.

Senator LANDRIEU. And I just want to show the chairman. This is the study that's been completed. As you can see, it's quite lengthy. I have not read it but intend to skim it, but this is a study and I'd like to show the staff, it's already been done and to require another study that basically is going to do the same thing just because of the, you know, technical part of having to use community development block grant, I think, is unnecessary. So, I'm very happy that progress has been made.

My second question relates actually to blind veterans. It's something that I've decided to try to concentrate on for a variety of reasons. I understand that there are 52,000 blind veterans enrolled in the VA Blind Services.

Currently, according to DOD, there have been 1,169 combat eye trauma injuries evacuated from OIF and OEF operations and about

16 percent of all wounded evacuated have eye injuries, plus there's some other indications that we should focus on this.

Last year or January, Secretary Nicholson announced plans for a 3-year commitment to this continuum of care and I'm sure, Mr. Secretary, you're aware of this.

My question is, is the VA continuing this program? Can you provide an update about where we are in implementing this program to the visually impaired?

Secretary PEAKE. Yes, ma'am. We are continuing the program. I was just out at Hines looking at our new center and it's really spectacular.

In terms of the—we have the inpatient centers as well as the network that's reaching out to allow more ambulatory care which is kind of the direction we are going in generally to allow people to stay near their homes and be able to get the kind of care that they need.

I think we'll reach out and get more people actually availing themselves of our services rather than having to make them come to just the inpatient centers, but we have those programs still.

I was at our blind center at West Palm not too long ago and they had actually shortened down some of the time that people come and spend with us because it made it more available to them. So, I think we are—there have been about 58, I think, OIF/OEF folks admitted to our inpatient blind rehab programs, but as you point out, there are others with optical injuries that have the opportunity to come and see us. So, I think we are well prepared to continue that.

Senator LANDRIEU. You know, and all injuries are, you know, heart-wrenching, but the plight sometimes of these individuals who are otherwise relatively healthy but have just lost their sight, with the right kind of training and opportunities, can re-engage in a very significant way, either, you know, operating within the military or continuing to, you know, be very, very productive, and I'm happy that you said that we're trying to be creative with using outpatient services because you can see here on the map that the inhouse places are really one in Puerto Rico, Birmingham, Alabama, Georgia, Connecticut.

There are very few in the West, and although I don't represent a Western State, it does concern me that we really don't have enough sites in the Western part of the country, so we might want to think about that as we develop this network, and then most importantly and cost effectively, using some university-based centers that might be effective in sort of a partnership.

The reason I raise this, and I'll finish with this in a moment, is I helped to create such a center not for veterans but for Louisiana citizens, a combination of the National Conference of Blind with the University Tech in one of our cities in North Louisiana and it's become a real sort of model for rehabilitation of individuals.

So, I'm going to pursue that with you later, and my final question is, I was rereading the Critical Health Care Mission of Veterans Affairs, Mr. Chairman, and, of course, one of them is Health Care to Veterans, obviously, to educate and train health care professionals, to conduct medical research, but the fourth was interesting.

It says, "To serve as a back-up to DOD health system in war or in other emergencies and support to communities following domestic terrorist incidents and other major disasters."

And again based on the experience that Louisiana, Mississippi just went through with this, my question is, have you not requested a special line item to meet the directions of this fourth stated mission, and if so, where is it, and if not, what could we do to maybe plus up this particular aspect of your agency?

Secretary PEAKE. We have an Assistant Secretary for Emergency Preparedness and Operations. If you really think about it and you look at Dr. Kussman's integrated health system, we are forward deployed all across this country and so the day to day operations of those extraordinary facilities, as you described the work that went on down there in Louisiana, and I agree with you about the credit that is due to them for that extraordinary effort, is available really everywhere.

As a senior medical Army guy for Hurricane Andrew relief, I integrated with the VA Medical Center down there very early on because they had the infrastructure to support other things that we were bringing in. So, it is an extremely important part of our readiness, but I'm not sure that it is all captured in a single line item that is part of our day to day operations.

Senator LANDRIEU. Well, I'd like to pursue that with you. My time is up, but I do see that—and I know you've got many missions to accomplish and this is not, you know, your primary, but I think an important secondary mission to be models of, you know, top-level evacuation and disaster response and it's a culture within, of course, the military that I think could be very helpful to local communities and so your budget, I know, is very tight, but as a member of the Homeland Security Committee and now a veteran of this recovery effort myself, I look forward to working with you all to see what I can do to be helpful to that part of your mission because I think it's critical in the event that we have another major disaster or a major terrorist attack, note that the one we had in New York was quite major, but something that really displaces millions of people.

It gets to be very hairy, as you know, in what happens at home. So, I thank you very much and I'll wait for additional time for my second round of questions.

Senator JOHNSON. Senator Reed, thank you so much for substituting for me during recent months.

I now recognize Senator Reed.

Senator REED. Thanks very much, Mr. Chairman, and let me just tell you the most electrifying sight of recent days to me is to see you sitting in that chair and presiding. So, I want to thank you for being the chairman of this committee and for your participation. It was a pleasure to work with you, Mr. Chairman, as you were there, both inspirationally and very, very practically. Thank you so much, sir. Thank you.

General Peake, good to see you onboard, sir. You are probably the best qualified person in a long time for the position, combat veteran of Vietnam, a general officer, somebody who understands your department's missions in every dimension. So, thank you very much. Gentlemen, thank you all, too, for what you do.

We are all concerned and I think you will second this concern about the mental health of our soldiers. This is something that is becoming one of the signature injuries of these conflicts, both TBI and also mental health stress, and there are lots of reasons for it. We don't have to go into them.

But we have a particular problem in the VA system, I believe, because these veterans are qualified to some health benefits, but their spouses and their children are also subject to these stresses. Regular forces, uniformed forces, their dependents are eligible for mental health care. They're on bases typically. They can go to the clinics. They can get the support. That's not the case too often with the veterans populations you're dealing with and just a for instance, our National Guard troops deploy from Rhode Island. They're in the middle of the fight.

I just visited last January the 69th MP Company that are training the Iraqi Highway Patrol in Ramadi. Their families, their children, their spouses back home in Rhode Island, the only place they can go to in proximity is a VA system.

So, the bottom line question is, what are you trying to do to reach that population? Do you need authority? Do you need resources? What can you tell us, sir?

Secretary PEAKE. Sir, first of all, those soldiers that are in Iraq or Afghanistan or on active duty, their families do have TriCare. They do have that opportunity.

The real issue for us, and you hit on something that we're concerned about, is when they come back, get separated and they're not medically retired, you know, the Reserve is back, they can avail themselves for 5 years of our services. They can come in and we can see them for service-connected issues, even without having to go through the adjudication process, and we can give counseling to their family members if it's part of the counseling of the soldier, of the veteran, in many cases a reservist, and what we can't do is write a prescription legally. You know, you can do it on the side and then you're medically legally liable yourself.

So, there are some issues that we are interested in exploring about how to better take care of the family because, frankly, the health any more is not just about the veteran, it's veterancentric, so that means we need a healthy family around it, and we agree with you that's an issue that we need to deal with.

Senator REED. I would very much like to work with you, sir, because I think also you're right, because when I've talked—you have an excellent VA facility in Rhode Island. Mr. Ing is the director there and his staff, down to the men and women that clean the facility, are impressive and they've impressed me tremendously.

But sometimes they have to stretch a bit to make it when it comes to the family because of counseling the soldier. That's something else I think we should work on with them. I want to work with you on this. This, I think, is a critical issue going forward.

I'm going to change the subject slightly. You're undertaking a major development, the HealtheVet System Information Technology. Staff has gone through and they looked at your budget. It's not clear what the total cost is, not clear if you've got a scheduled deployment over time with costs associated, and so let me just say

do you have a total cost figure? Do you have a deployment schedule, something that we can look at?

Secretary PEAKE. Well, sir, we are working very vigorously right now to get that all laid out in a programmatic kind of Palm fashion here and, you know, we have got ballparks that, you know, we can—this is a very, very big project. It is one that is essential to our future.

As Senator Allard said, this medical record piece is more than—it's really just more than the medical record. It's really the whole system of care integrated and it will be—I think it will take us right now till 2018 probably to get it all done with maybe somewhere in the $10 billion range to be able to really effect it and so we're going to need to be able to come back to you with really good plans and good costing because I know that's a lot of money, but it is a very critical thing for our future.

Senator REED. Thank you, General, very much, and this is a topic, I think, related to the first line of treating these current veterans.

What we see and what you see, too, is that you've got a soldier or a marine or a sailor, Air Force man or woman who comes through the system, they're up at Walter Reed, they're discharged, they're separated, now they're back home, miles away from the VA center, you know. They've been briefed about their benefits, but for 18–20 or even 50-year-olds, they want to go home after an injury, the briefing is sort of not retained sometimes.

What are you doing to reach out to identify all these reservists and Guardsmen, tracking them down, making sure in good faith that they know what they deserve and they're consciously saying I don't need it?

Secretary PEAKE. Well, sir, you're right. You want to hit them at the teachable moment and that teachable moment may be after they've gone and so we do a number of things already. We reach out with letters and follow-up letters from both the Secretary and the VBA and those folks, but those sometimes wind up in File 13 just like lots of other things.

We are working hard with our vet centers to do outreach so that there's somebody physically. We are hiring additional OIF/OEF people to be a part of that outreach so they have somebody they can recognize and hook up with.

We are expanding our community-based outreach centers, 64 this year, 51 in the 2009 budget, and then the other thing that we are doing which will start in May is to reach out telephonically. You know, if you think about it, sir, there are a 1.5 million people deployed, about 800,000 have separated, about half of those are active, half of them are Reserve and Guard. About 300,000 have already touched us at the VHA health system.

When they come and they touch us, they get mental health screening, TBI screening, suicide kinds of screening, but that's 500,000 out there that haven't, and so we're going to be telephoning. We're setting up the call centers to try to make those contacts, to find out if they need case management. It's really refreshing the relationship that the VA has maybe at the time when it is the teachable moment. So, we are enabled now by the fact that for 5 years, we're able to see them because of the NDAA and we want

to make sure that they're aware of that. So, we're reaching out in a marketing connection and actually teaching and I think that that will go a long way to achieving what you're talking about.

Senator REED. And I presume you'll be prepared to brief us periodically about how successful and you're going to develop the metrics to——

Secretary PEAKE. Yes, sir.

Senator REED [continuing]. What percent of the population you're contacting?

Secretary PEAKE. Exactly.

Senator REED. Thank you, sir. Just a final question because my time is rapidly expiring.

You've mentioned that the extension from 2 to 5 years now for OEF/OIF veterans to come into the system virtually without any questions or qualifications, just come on in, that, together with the normal flow of patients.

Have you recast your projections about the number of patients who come to see you and are they reflected in the budgets that you're looking at, not just this year but going out 5 years?

Secretary PEAKE. Well, sir, it's reflected in the budget for this year. We're anticipating about 14 percent. We budgeted 21 percent. So, yes, I think we've got it covered for this year and we will assess ourselves and as we build our budget for next year, we will then try to accommodate for what we believe is a reasonable number.

Senator REED. Thank you, sir. One of the things that—and again, because of Chairman Johnson's insistence and also the effort of Senator Hutchison, who is the ranking member, and the whole—on a bipartisan basis, we have significantly increased resources. I suspect we're going to do it again.

My fear is 5 years from now, when the memories fade but the veterans are still here, we won't be as responsive. So, I would hope everything you do now points the way and lets us know that 5 years from now we're going to need this much money and more and I will appreciate that.

Secretary PEAKE. Thank you, sir. We do appreciate this window of interest.

Senator REED. Thank you very much, sir. Gentlemen, thank you.

Senator JOHNSON. Mr. Secretary, thank you for appearing before the subcommittee today.

We all look forward to working with you this year as the 2009 budget process moves forward.

ADDITIONAL COMMITTEE QUESTIONS

For the information of the subcommittee members, if you have questions for the record that you would like to submit, please do so by the close of business on April 15, 2008.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

Question. The fiscal year 2008 Milcon/VA bill provided additional funding which allowed the VA to raise the travel reimbursement rate. On February 1, 2008, the VA increased the rate to 28.5 cents per mile from 11 cents per mile. Additionally the bill directed the VA to study the feasibility of establishing a transportation pilot

program aimed at improving access to medical facilities. Veterans residing in rural areas have voiced serious concern over the ability to get transportation to medical facilities.

In South Dakota, the Rural Transit Authority is recognized by the Center for Medicare and Medicaid Services and the transit authority can bill them for travel expenses that they provide. In the VA's evaluation of transportation programs, have you considered implementing a similar program?

Answer. While VA does not have all the details about the arrangement between the Rural Transit Authority and the Centers for Medicare and Medicaid Services, VA's existing statutory authority (38 U.S.C. 111) does not authorize VA to recognize a transit entity to directly bill VA for services provided to veterans.

VA currently has authority to provide a mileage reimbursement benefit or fund special mode transport (when medically indicated) to certain eligible veterans, including those living in rural areas, when traveling to VA or VA authorized health care. Mileage reimbursement provides an offset for a veteran's necessary travel expenses, while VA's special mode authority (e.g. ambulance, wheelchair van) allows arrangement of medically required travel at VA expense.

In addition, most Veterans Health Administration (VHA) Veterans Integrated Service Networks (VISNs) have established travel networks that provide transportation to and from their facilities. While these do not guarantee transportation for all veterans, they have increased accessibility for many.

The Disabled American Veterans (DAV) Veteran Service Organization also provides transportation for veterans, including rural veterans in some areas who do not otherwise have means of travel. This volunteer system has increased accessibility to veteran health care.

Finally, in response to Executive Order 13330, Human Service Transportation, that established the Federal Interagency Transportation Coordinating Council on Access and Mobility (CCAM), VA has been working with the CCAM to enhance transportation services for veterans. In response to a 2006 policy issued by the CCAM on March 2, 2007, VHA issued Under Secretary for Health Information Letter (IL) 10–2007–006, Human Service Transportation Coordination. The purpose of the IL was to provide medical centers appropriate guidance for implementation of "Human Transportation Services Coordination."

The IL strongly recommended that each facility take the following steps to comply with Executive Order 13330:

—Evaluate transportation services offered within the facility.
—Participate in any coordinated transportation planning processes in the local community.
—Consider offering any excess capacity in VA transportation services to other Federal agencies under agreements that provide for reimbursement to VA.
—Consider the feasibility of using any excess capacity in the transportation service of another Federal agency under an agreement that provides for reimbursement to that agency.
—Consider informing veterans of the transportation services of other government agencies that might be available to them.

Question. Also, given skyrocketing gasoline costs, does the VA plan to raise the beneficiary travel reimbursement rate higher in fiscal year 2009?

Answer. In accordance with Title 38 USC Section 111(g)(1), which requires the Department to undertake an evaluation of mileage rates when GSA changes employee travel reimbursement rates, VA will continue to evaluate the reimbursement rate taking into consideration veterans travel costs, including the rising cost of gasoline, and resources available for delivery of health care benefits for all eligible veterans.

QUESTIONS SUBMITTED BY SENATOR DANIEL K. INOUYE

Question. The State of Hawaii and the U.S. territories in the Pacific region have a high number of veterans. This remote geographic location makes it difficult for these veterans to travel the great distances that may be required to treat their conditions or to address their needs. What kind of plan does VA have in mind to address the needs of veterans located in Hawaii and U.S. territories in the Pacific region in the next 5 years, and what is being done to implement some of these goals?

Answer. The VA Pacific Island Health Care System (VAPIHCS) was established to meet the needs of veterans located in Hawaii and U.S. territories in the Pacific region. The VAPIHCS is an integrated healthcare system consisting of Community Based outpatient Clinics, outreach clinics and other programs tailored to provide quality healthcare to veterans in outlying and rural areas.

VAPIHCS has six CBOCs located on Kauai, Maui, Hawaii (Hilo and Kona), Guam, and American Samoa. A VA physician visits the two VA outreach clinics located on Lanai monthly. Traveling providers also include affiliate faculty specialist physicians who travel to Hawaiian neighboring islands to provide face to face consultations. Veterans on Molokai have access to contracted providers for healthcare, including mental healthcare. VA expends approximately $3.5 million on veteran beneficiary travel related to their medical care referrals.

We also employ a range of service delivery methods administered at the local level to address rural and highly rural veterans' access to care. For example, VA's Telehealth program provides a variety of medical specialty consultations and mental health services to all VA CBOCs. VA has also increased CBOCs, mail-order pharmacy, My-HealtheVet, and specialty programs—such as Home Based Primary Care and Mental Health Intensive Care Management programs.

Question. Could you please provide an update regarding the VA's plan to achieve the Congressional mandate in section 1635 of the 2008 National Defense Authorization Act for developing and implementing a fully interoperable and capable electronic health record system by September 2009?

Answer. VA is working closely with DOD to implement the provisions of Section 1635 of the 2008 National Defense Authorization Act (NDAA). On April 29, 2008, VA and DOD delivered a joint NDAA Implementation plan to Congress (Implementation Plan). The Implementation Plan includes a detailed schedule for electronic health record (EHR) requirements development, acquisition and testing activities, and implementation milestones to achieve the interoperable EHR by September 2009.

The Implementation Plan provides that by September 2009, VA and DOD will have implemented improvements and enhancements to the currently planned and existing bidirectional exchange of viewable electronic health information. For example, VA and DOD providers already exchange electronic pharmacy data, allergy data, theater clinical data, provider notes, problem lists, and procedures. VA and DOD exchange also inpatient information, such as consultations and discharge summaries, where available, from key military treatment facilities such as Landstuhl Regional Medical Center, Pre- and Post-Deployment Health Assessments and Post-Deployment Health Reassessments. By the end of 2008, VA and DOD will add the capability to share more data, such as vital signs, history information and questionnaires.

To validate that existing and planned data exchanges are supporting essential capabilities, and to move beyond the planned 2008 data exchange, VA and DOD established a Joint Clinical Information Board (JCIB). The JCIB is a joint board of clinician experts and treating physicians that has been given the lead to define the requirements for the interoperable EHR. This work includes defining what information must be shared and how that information must be shared. The JCIB will close the gap between what we are now sharing in viewable format, and what we must share in viewable and other formats, such as computable to achieve full interoperable capability.

The JCIB has already defined and validated EHR requirements, and those requirements are now in coordination for approval. Upon approval of the JCIB's EHR requirements and funding, the Departments plan to proceed with acquisition and development activities, testing, and implementation of interoperable electronic health record capabilities. VA is confident that it will achieve the target of fully interoperable electronic health record capability with DOD by September 2009.

In addition to having formed the JCIB, on April 17, 2008, VA and DOD formed the Interagency Program Office (IPO) as required by the law. On that date, the Departments appointed an acting director from DOD and an acting deputy director from VA. The IPO will be responsible for coordinating management oversight of VA and DOD projects supporting an interoperable electronic health record.

Question. How does VA intend to provide effective case management to the thousands of veterans who have sustained serious wounds since September 11, 2001, with six Federal Recovery Coordinators in place? At this time, it appears the resources dedicated to addressing this issue does not come close to meeting the need.

Answer. VA has a fully integrated case management team approach to assist veterans with access to care and in applying for benefits. On October 30, 2007, VA and DOD signed a Memorandum of Understanding for the joint oversight of the Federal Recovery Coordination Program (FRCP). The FRCP provides an integrated patient centered approach to care management and access to severely wounded, ill and injured service members, families, and veterans.

Federal Recovery Coordinators (FRC) provide oversight, management, and implement the Federal Individualized Recovery Plan (FIRP). The FIRP describes the objectives and resources necessary to assist the severely wounded, ill and injured serv-

ice member, family, and veteran. This enables this group to achieve their life long needs and goals through the recovery, rehabilitation, and reintegration phases of care. In addition to the FRCP director and supervisor, VA has been actively recruiting for additional staff to join the FRCP. This effort has yielded the recruitment of an additional five FRC staff members who will be joining the program by mid June. The additional five FRCs will be located in the following locations: National Naval Medical Center, Balboa Naval Medical Center, Brooks Army Medical Center, Providence Rhode Island VA Medical Center, and Houston VA Medical Center. Unfortunately, due to personal reasons one existing FRC staff member located at Walter Reed Army Medical Center will be leaving the program the first of June; however, with the five additional staff members now joining the FRCP, a total staff of 10 FRCs will be in place by mid June.

Phase One of the FRCP, scheduled to be completed in May 2008, targeted those catastrophically wounded, ill or injured arriving from theatre to the military treatment facility (MTF). Phase Two, which will begin immediately after phase one is completed, will expand FRCP's scope to include those service members and veterans who were discharged from an MTF prior to January 2008.

In support of the second phase, as well as ongoing activities of the FRCP, VA is recruiting a registered nurse (RN) case reviewer. The RN case reviewer, located at VA Central Office, will conduct patient interviews to determine if the patient would benefit from an FRC or any other care management program.

VA is also advertising for three additional FRC positions, beyond the initial 10 FRCs, who will be located at VA Medical Centers to assist patients who have already been through the MTF and are now in the community. These individuals will in turn become part of the FRC staff and should be in place by July 2008. Contact with these patients will be via televised (V-tel) meetings, phone and eventually secure email.

While the FRCP provides for the severely wounded, ill and injured service members, families, and veterans, other VA employees are stationed at eleven of the major military treatment facilities receiving casualties from Iraq and Afghanistan. VA staff brief service members about VA benefits, including healthcare, disability compensation, vocational rehabilitation, and employment. VA registers these veterans into the VA system and begins the process for applying for service connected compensation benefits. Beginning these processes prior to discharge from military service helps eliminate any gaps in services or benefits. VA social workers and nurses facilitate the transfer of veterans from these major MTFs to the VA polytrauma center or medical center closest to their home of record, whichever is most appropriate for the specialized services their medical condition requires.

Additionally, each VA Medical Center has an OEF/OIF case management team in place. Members of the team include: a program manager, clinical case managers, VBA Veterans Service Representatives, and Transition Patient Advocates (TPA). The program manager, who is either a nurse or social worker, has overall administrative and clinical responsibility for the team. The program manager must ensure that all OEF/OIF veterans are screened for case management. Severely injured OEF/OIF veterans are provided with a case manager and any other OEF/OIF veteran screened may be assigned a case manager upon request. Clinical case managers, who are either nurses or social workers, coordinate patient care activities and ensure that all VHA clinicians providing care to the patient are doing so in a cohesive and integrated manner. VBA team members assist veterans by educating them about VA benefits and assisting with the benefit application process. The TPAs serve as liaisons between the VISN, the VA Medical Centers, VBA and the patients. As the liaison, the TPA acts as a communicator, facilitator and problem solver.

QUESTIONS SUBMITTED BY SENATOR PATTY MURRAY

Question. Secretary Peake, earlier this week the AP reported on $2.6 billion in credit card charges by VA employees. Most of the charges were routine, but as you know, some charges raised red flags among government auditors. I understand that the VA Inspector General and the GAO are now investigating the charges, but this report raises serious questions about spending controls at the VA.

Can you share with the committee what you know about the charges and what you are doing to prevent any similar problems from happening in the future?

Answer. During November 2007, VA provided the Associated Press (AP) with a summary of the purchases made with VA purchase cards in response to their Freedom of Information Act request. The data included the amounts of the purchases and merchant/vendor information. It did not include specific details about each purchase. The AP reported VA employees spent specific amounts at certain merchants

which were deemed questionable, but because the AP did not have specific purchase details, their implications of inappropriate use were not based on fact.

What's noteworthy is the AP reported the purchase card data provided revealed "few outward signs of questionable spending, with hundreds of purchases at prosthetic, orthopedic and other medical supply stores."

The AP reported purchases were made at casinos and luxury hotels in Las Vegas. VA, like many public and private groups, hosts conferences and meetings in Las Vegas due to the ease of participant travel, the capacity of the facilities, and the overall cost associated with hosting a large conference. Our investigation of the purchases made at these locations has shown that all charges were related to securing conference and meeting room space. The AP reported VA employees were using the card at casinos and luxury hotels and gave the false impression that VA employees used the card for personal use and or gain, which is not the case.

The AP also reported the card was used at movie theaters. Once again, this report creates a false impression. The Veterans Health Administration participates in various forms of outpatient recreational therapy for patients. Hosting supervised outpatient therapy treatments in a controlled setting such as a movie theater is often used to provide patients with an opportunity to spend a small amount of time away from a hospital setting, socializing them in the community, as they progress in their care. Card usage for such events is appropriate. In this case, the AP reported erroneous conclusions about particular purchases and created the false impression of misconduct. However, if we do find evidence of fraud, waste, or abuse in a program such as this, appropriate disciplinary action will be taken.

With respect to what VA is doing to prevent misuse of these cards, internal controls are established to prevent such misuse. VA has recently developed online training for cardholders and requires that cardholders and approving officials complete the training. This new training platform allows VA to monitor completion of training nationally and at the facility level via electronic reports, rather than file folders of training certificates. The platform is automatically set to require cardholders and approving officials to take refresher training every 2 years. Cardholders who do not complete the training within the allotted timeframe will have their cards cancelled.

Also cardholders are required to reconcile their accounts monthly and each cardholder has an approving official, typically the supervisor. The approving official is responsible for reviewing the purchases made by the cardholder, approving them for payment and ensuring cardholders are held responsible for inappropriate charges.

Since the release of the 2004 Inspector General and Government Accountability Office (GAO) reports, VA has focused on actively monitoring the more than 4 million annual purchase card transactions totaling over $2 billion. VA currently performs three audit processes in the review of purchase card transactions: a random audit of all transactions (selection criteria provides a 95 percent confidence level), a quarterly data mining audit, and on-site facility reviews.

During the quarterly process, all transactions are tested against specific rules in an effort to identify fraud, waste, and abuse. The transactions identified in this process are sent to the facility responsible for the purchase. The facility is required to provide supporting documentation. Less than 0.0008 percent of total transactions show potential fraud, waste, or abuse. Of these, the majority involved compromised card numbers. These are reported immediately and active measures are put in place to prevent future reoccurrence.

These audit processes also identify VA employee missteps. Annually about 0.002 percent of the 4 million transactions, or about $300,000 in purchases, involve procedural missteps usually where a cardholder exceeded his or her warrant or limit. These actions are ratified or corrected by local facility management, usually within 30 days. Since 2004, the number of these procedural missteps has significantly decreased from 419 to 95.

GAO conducted a forensic audit of government charge card programs at the request of the U.S. Senate Permanent Subcommittee on Investigations, Committee on Governmental Affairs. The auditors selected transactions randomly and used data mining techniques to identify questionable transactions. VA responded to multiple inquiries from December 2006 through April 2007.

The majority of the transactions were for equipment purchases; however, transactions for hotels, training, services, and awards were also selected. In the recently released report from GAO pertaining to this audit, VA was not specifically identified as being noncompliant with current regulations. More than 50 transactions were researched with a total dollar value in excess of $300,000. In conclusion, the vast majority of VA employees have a demonstrative record of appropriate purchase card use.

Question. Secretary Peake, at the Senate Veterans' Affairs Committee hearing in February, you said that you were willing to work with the committee to consider modifying the policy, adopted in 2003, that prohibits middle-income veterans, also known as Priority 8 veterans, from enrolling in the VA health care system. I understand that the VA is now developing actuarial modeling and will soon be conducting in-depth analysis to assess the timeline needed to build capacity for such a policy change.

Can you share with the committee where those studies stand and when they will be complete?

Answer. VA recently conducted an in-depth study to evaluate the impacts on the VA health care system under current enrollment policy and full enrollment entitled Analysis of the Requirements to Reopen Enrollment of Priority 8 Veterans. The analysis identified significant challenges with regard to building capacity, both in terms of infrastructure and staffing, required to reopen enrollment to Priority 8 veterans in the near term without severely disrupting VA's ability to provide timely, high quality care to currently eligible veterans.

Demand for VA health care services is projected to continue to grow under the current enrollment policy due to new enrollment of veterans in Priorities 1 through 7 and the aging of the enrolled population. While VA expects to virtually eliminate waiting lists by the end of next year, we need to continue to build capacity to meet the projected growth in demand for health care from currently eligible veterans

Currently, VA is developing actuarial estimates to assess the impact of reopening enrollment based on various income levels above the current VA Means Test and Geographic Means Test thresholds.

Question. Secretary Peake, as you know, it is projected that the number of female veterans who use the VA system will double in the next 5 years, assuming current enrollment rates stay the same, making female veterans one of the fastest growing subgroups of veterans. Last week, I introduced legislation with Senator Hutchison and other members to help the VA better care for the growing number of women veterans who will be entering the VA system.

Have you had a chance to review our bill—the Women Veterans Healthcare Improvement Act of 2008 (S.2799)—and if so, do you have a position on it?

Answer. VA provided its views on S.2799, the Women Veterans Health Care Improvement Act of 2008, in testimony before the Senate Committee on Veterans' Affairs on May 21, 2008. This testimony also provides information about current efforts by VA to respond to the needs of women veterans. An excerpt from the testimony is noted below. On May 2, VA began reaching out to nearly 570,000 combat veterans of the Global War on Terror to ensure they know about VA medical services and other benefits. The Department will reach out and touch every veteran of the war to let them know it is here for them. This is an example of VA acting proactively, and it enhances our ability to make women veterans aware of the many services and benefits VA provides.

EXCERPT FROM MAY 21, 2008 SENATE COMMITTEE ON VETERANS' AFFAIRS

In general, title I of S. 2799 would require VA to conduct a number of studies related to health care benefits for women veterans. Section 101 would require VA, in collaboration with VHA's War-Related Injury and Illness Study Centers, to contract for an epidemiologic cohort (longitudinal) study on the health consequences of combat service of women veterans who served in OEF/OIF. The study would need to include information on their general, mental, and reproductive health and mortality and include the provision of physical examinations and diagnostic testing to a representative sample of the cohort.

The bill would require VA to use a sufficiently large cohort of women veterans and require a minimum follow-up period of 10 years. The bill also would require VA to enter into arrangements with the Department of Defense (DOD) for purposes of carrying out this study. For its part, DOD would be required to provide VA with relevant health care data, including pre-deployment health and health risk assessments, and to provide VA access to the cohort while they are serving in the Armed Forces.

We do not support section 101. It is not needed. A longitudinal study is already underway. In 2007, VA initiated its own 10-year study, the "Longitudinal Epidemiologic Surveillance on the Mortality and Morbidity of OIF/OEF Veterans including Women Veterans." Several portions of the study mandated by section 101 are already incorporated into this project and planning for the actual conduct of the study is underway. The study has already been approved to include 12,000 women veterans. However, section 101 would require us to expand our study to include women active duty service members. We estimate the additional cost of including these in-

dividuals in the study sample to be $1 million each year and $3 million over a 10-year period.

Section 102 would require VA to conduct a comprehensive assessment of the barriers to the receipt of comprehensive VA health care faced by women veterans, particularly those experienced by veterans of OEF/OIF. The study would have to research the effects of 9 specified factors set forth in the bill that could prove to be barriers to access to care, such as the availability of child care and women veterans' perception of personal safety and comfort provided in VA facilities.

Neither do we support section 102. It is not necessary because a similar comprehensive study is already underway. VA contracted for a "National Survey of Women veterans in fiscal year 2007–2008," which is a structured survey based on a pilot survey conducted in VISN 21. This study is examining barriers to care (including access) and includes women veterans of all eras of service. Additionally, it includes women veterans who never used VA for their care and those who no longer continue to use VA for their health care needs. We estimate no additional costs for section 102 because VA's own comparable study is underway, with $975,000 in funding committed for fiscal years 2007 and 2008.

Section 103 would require VA to conduct, either directly or by contract, a comprehensive assessment of all VA programs intended to address the health of women veterans, including those related to PTSD, homelessness, substance abuse and mental health, and pregnancy care. As part of the study, the Secretary would have to determine whether the following programs are readily available and easily accessed by women veterans: health promotion programs, disease prevention programs, reproductive health programs, and such other programs the Secretary specifies. VA would also have to identify the frequency such services are provided; the demographics of the women veteran population seeking such services; the sites where the services are provided; and whether waiting lists, geographic distance, and other factors obstructed their receipt of any of these services.

In response to the comprehensive assessment, section 103 would further require VA to develop a program to improve the provision of health care services to women veterans and to project their future health care needs. In so doing, VA would have to identify the services available under each program at each VA medical center and the projected resource and staffing requirements needed to meet the projected workload demands.

Section 103 would require a very complex and costly study. While we maintain data on veteran populations receiving VA health care services that account for the types of clinical services offered by gender, VA's Strategic Health Care Group for Women Veterans already studies and uses available data and analyses to assess and project the needs of women veterans for the Under Secretary for Health. Furthermore, we lack current resources to carry out such a comprehensive study within the 18-month time-frame. We would therefore have to contract for such a study with an entity having, among other things, significant expertise in evaluating large health care systems. This is not to say that further assessment is not needed. We recognize there may well be gaps in services for women veterans, especially given that VA designed its clinics and services based on data when women comprised a much smaller percentage of those serving in the Armed Forces. However, the study required by section 103 would unacceptably divert significant funding from direct medical care. Section 103 would have a cost of $4,354,000 in fiscal year 2008.

Section 104 would require VA to contract with the Institute of Medicine (IOM) for a study on the health consequences of women veterans' service in OEF/OIF. The study would need to include a review and analysis of the relevant scientific literature to ascertain environmental and occupational exposure experienced by women who served on active duty in OEF/OIF. It would then have to address whether any associations exist between those environmental and occupational exposures and the women veterans' general health, mental health, or reproductive health.

We do not object to section 104. We suggest the language be modified to allow VA to decide which organization is best situated to carry out this study (taking into account the best contract bid). While IOM has done similar studies in the past, this provision would unnecessarily foreclose the possibility of using other organizations. We estimate the one-time cost of section 104 to be $1,250,000, which can be funded from existing resources.

Section 201 would authorize VA to furnish care to a newborn child of a woman veteran who is receiving VA maternity care for up to 30 days after the birth of the child in a VA facility or a facility under contract for the delivery services. We can support this provision with modifications. As drafted, the provision is too broadly worded. We believe this section should be modified so that it applies only to cases where a covered newborn requires neonatal care services immediately after delivery.

The bill language should also make clear that this authority would not extend to routine well-baby services.

We are currently unable to estimate the costs associated with section 201 without data on projected health care workload demands and future utilization requirements. We have contracted for that data and we will forward the estimated costs for this section as soon as they are available.

Section 202 would require the Secretary to establish a program for education, training, certification and continuing medical education for VA mental health professionals furnishing care and counseling services for military sexual trauma (MST). VA would also be required to determine the minimum qualifications necessary for mental health professionals certified under the program to provide evidence-based treatment. The provision would establish extremely detailed reporting requirements. VA would also have to establish education, training, certification, and staffing standards for VA health care facilities for full-time equivalent employees who are trained to provide MST services.

We do not support the training-related requirements of section 202 because they are duplicative of existing programs. In fiscal year 2007, VA funded a Military Sexual Trauma Support Team, whose mission is, in part, to enhance and expand MST-related training and education opportunities nationwide. VA also hosts an annual 4-day long training session for 30 clinicians in conjunction with the National Center for PTSD, which focuses on treatment of the after-effects of MST. VA also conducts training through monthly teleconferences that attract 130 to 170 attendees each month. VA has recently unveiled the MST Resource Homepage, a webpage that serves as a clearinghouse for MST-related resources such as patient education materials, sample power point trainings, provider educational opportunities, reports of MST screening rates by facility, and descriptions of VA policies and benefits related to MST. It also hosts discussion forums for providers. In addition, VA primary care providers screen their veteran-patients, particularly recently returning veterans, for MST, using a screening tool developed by the Department. We are currently revising our training program to further underscore the importance of effective screening by primary care providers who provide clinical care for MST within primary care settings.

We object strongly to the requirement for staffing standards. Staffing-related determinations must be made at the local level based on the identified needs of the facility's patient population, workload, staffing, and other capacity issues. Retaining this flexibility is essential to permit VA and individual facilities to respond to changing needs and available resources. Imposition of national staffing standards would be an utterly inefficient and ineffective way to manage a health care system that is dynamic and experiences continual changes in workload, utilization rates, etc.

Section 203 would require the Secretary to establish, through the National Center for PTSD, a similar education, training, and certification program for health care professionals providing evidence-based treatment of PTSD and other co-morbid conditions associated with MST to women veterans. It would require VA to provide these professionals with continuing medical education, regular competency evaluations, and mentoring.

VA does not support section 203 because it is duplicative of, and would divert resources from, activities already underway by the Department. VA is strongly committed to making state-of-the-art, evidence-based psychological treatments widely available to veterans and this is a key component of VA's Mental Health Strategic Plan. We are currently working to disseminate evidence-based psychotherapies for a variety of mental health conditions throughout our health care system. There are also two programs underway to provide clinical training to VA mental health staff in the delivery of certain therapies shown to be effective for PTSD, which are also recommended in the VA/DOD Clinical Practice Guidelines for PTSD. Each training program includes a component to train the professional who will train others in this area, to promote wider dissemination and sustainability over time.

Section 204 would require the Secretary, commencing not later than 6 months after the date of enactment, to carry out a 2-year pilot program, at no fewer than three VISN sites, to pay veterans the costs of child care they incur to travel to and from VA facilities for regular mental health services, intensive mental health services, or other intensive health care services specified by the Secretary. The provision is gender-neutral. Any veteran who is a child's primary caretaker and who is receiving covered health care services would be eligible to participate in the pilot program. VA does not support this provision. Although the inability to secure child care may be a barrier to access to care for some veterans, funding such care would divert those funds from direct patient care. We estimate the cost of section 204 to be $3 million.

Section 205 would require VA, not later than 6 months after the date of enactment, to conduct a pilot program to evaluate the feasibility of providing reintegration and readjustment services in a group retreat setting to women veterans recently separated from service after a prolonged deployment. Participation in the pilot would be at the election of the veteran. Services provided under the pilot would include, for instance, traditional VA readjustment counseling services, financial counseling, information on stress reduction, and information and counseling on conflict resolution.

VA has no objection to section 205; however, we are unclear as to the purpose of and need for the bill. We note the term "group retreat setting" is not defined. We would not interpret that term to include a VA medical facility, as we do not believe that would meet the intent of the bill. We also assume this term would not include Vet Centers as we could not limit Vet Center access to any one group of veterans. Moreover, many Vet Centers, such as the one in Alexandria, Virginia, are already well designed to meet the individual and group needs of women veterans. Section 205 would have no costs.

Section 206 would require the Secretary to ensure there is at least one full-time employee at each VA medical center serving as a women veterans program manager. We strongly support this provision. The position of the women veterans program manager has evolved from an overseer of local programs to ensure access to care for women veterans to a position requiring sophisticated management and administrative skills necessary to execute comprehensive planning for women's health issues and to ensure these veterans receive quality care as evidenced, in part, by performance measures and outcome measurements. The duties of this position will only continue to grow as we strive to expand services to women veterans. Thus, we believe there is support for the dedication of a full-time employee equivalent at every VA medical center. We estimate section 206 would result in additional costs of $7,131,975 for fiscal year 2010 and $86,025,382 over a 10-year period.

Next, section 207 would require the Department's Advisory Committee on Women Veterans, created by statute, to include women veterans who are recently separated veterans. It would also require the Department's Advisory Committee on Minority Veterans to include recently separated veterans who are minority group members. These requirements would apply to committee appointments made on or after the bill's enactment. We support section 207. Given the expanded role of women and minority veterans serving in the Armed Forces, the committees should address the needs of these cohorts in carrying out their reviews and making their recommendations to the Secretary. Having their perspective may help project both immediate and future needs.

Question. What VA is doing with regard to the increasing numbers of women veterans coming to the system and how is VA ensuring that their needs are being met?

Answer. In fiscal year 2007–08 VA funded a telephone-based survey of 3500 women veterans (both users and non-users of VA) to assess access to care, barriers to care and their specific healthcare needs. We have just completed an educational needs assessment of primary care providers and have planned a series of five "mini residencies" in fiscal year 2008, each training 40 providers, to update skills in women's health. We are also offering a national conference for primary care providers in summer, 2008.

In fiscal year 2007, women comprised 5.19 percent of all veteran users. However, the number of women using VA health care will continue to rise dramatically, and is projected to be 8.11 percent of all veteran users by fiscal year 2011. Since 2002, almost 39 percent of those women who have been deployed in OEF/OIF and discharged from active duty have enrolled in VA health care. We are very committed to not only addressing the current health needs of these returning women veterans but of keeping them healthy for life. We are creating new prevention programs directed to this young, relatively fit and healthy population.

The average age of all women seen by VA in fiscal year 2007 is 48.8 years old. This means that fully half of the women veterans seen in VA are of child-bearing age. Of the OEF/OIF women veterans, 86 percent are under age 40. This presents challenges for VA to address the reproductive health needs of our women veterans and to design and implement programs which address inadvertent exposure to medications which carry an increased risk of birth defects.

While we are focusing on our young returning women veterans, we are committed to not losing sight of the health needs of aging women veterans. We have addressed this population through:

—Cardiac risk intervention proposed initiative: American Heart Association Guidelines

—Cancer prevention proposed initiative: implementing tracking processes to address breast, cervical and colorectal cancer screenings in women

—Updating and improving our ongoing programs in gender specific care such as cervical cancer screening (pap Smears) and management of menopausal symptoms.

Question. Secretary Peake, when you were in front of the VA Committee in February, you mentioned that the average age of VA infrastructure is 57 years. All across the country there VA facilities in need of major repair. Yet, the President's budget cuts funding for major and minor construction programs by nearly 50 percent. In my home State of Washington, that means four major construction projects on the VA's priority list won't receive funding. In Seattle, I have two construction projects that are ranked at number 4 and number 5 on the fiscal year 2009 list that won't receive any funding. I also have important projects at the American Lake and Walla Walla VA Medical Centers that score well on this year's priority list, but do not receive funding under this budget.

Why is the administration cutting the VA construction budget by nearly half when, all across the country, VA facilities are in desperate need of repair?

Answer. VA deeply appreciates the support of Congress in providing funds for maintaining and improving its capital infrastructure. VA capital needs are evaluated, along with other Department needs on annual basis, and all funding decisions are reflected in the President's Budget submission. The Department is requesting $800 million for non-recurring maintenance projects which is a $227 million increase over what was originally requested in fiscal year 2008. This account is used to maintain and repair VA medical facilities. Additionally, as reflected in the fiscal year 2009 VA budget submission, (Construction and 5-Year Capital Plan, Volume 4—pages 7–200 and 7–201) there are currently 40 ongoing VA major medical facility projects. Congress has appropriated $3.7 billion to date for projects and other related medical major construction line items since fiscal year 2004.

Question. (VHA) DE Mr. Secretary, you recently sent me a response for the record to my earlier question stating that the VA has no intention of exercising the transfer authority we provided you for fiscal year 2008 that would assist the VA in building a training pipeline for psychologists skilled in treating PTSD, TBI and other post deployment issues. The Graduate Psychology Education Program at HHS has been up and running for 7 years and could easily be augmented to address VA concerns in setting up training sites.

With at least a third of returning Iraq and Afghanistan veterans suffering with mental health challenges, don't you think there is benefit—certainly there is available funding to find $5 million—for the VA to institute multiple approaches to building up a pipeline of specialists for the next several decades?

Answer. No—VA believes there would be limited benefits to increasing the pipeline of psychologists at the level proposed. Currently, there is an oversupply of psychology doctoral students relative to the number of available internship positions nationally. Each year, 20 percent or more students coming out of doctoral programs and seeking internships fail to match with an internship program because there is an oversupply of graduate students relative to the numbers of internship positions available. For the current year, 743 of 3492 applicants failed to match an internship position.

Instead of creating more doctoral students in psychology and enlarging the imbalance, VA believes that the pipeline would be better enhanced by creating additional internship positions. Through its Psychology Education Enhancement Initiative, VA in fact has committed an additional $5.3 million annually to increasing its psychology training positions nationally. About 60 of these are for Internship positions, while 100 are for Postdoctoral Fellowship positions.

It is not clear, as stated in the question, that augmenting the HHS Graduate Psychology Education program would facilitate VA training opportunities or the care of veteran patients. It is our understanding that the Graduate Psychology Education program does not have provisions for VA service commitments, through which graduates would be obligated to come to VA or to treat veteran patients.

Question. Secretary Peake, when Congress passed the Wounded Warrior bill as part of the of the Defense Authorization bill last year, we authorized the creation of three military centers of excellence—for TBI, PTSD, and Eye Trauma. The language of this Bill stated that these Centers would be a collaboration between the VA and the DOD, promoting the free exchange of information and ultimately benefitting our wounded warriors with these devastating injuries. The Pentagon is moving forward with Centers of Excellence for TBI and Mental Health. However, it is my understanding that the Pentagon is not going to establish the Military Eye Trauma Center called for in the Wounded Warrior bill, despite there having been approximately 1,400 combat eye wounded evacuated from Iraq and Afghanistan.

Can you tell me where things stand and why this has not been implemented?

Answer. VA and DOD are collaborating to develop the Center of Excellence in Eye Trauma pursuant to the National Defense Authorization Act. The Departments have held several planning meetings. One option under consideration is to use the existing TBI Center of Excellence as a model. The Center of Excellence in Eye Trauma is anticipated to be completed in fiscal year 2009.

Question. Once again, the President has proposed to send the money generated by the new veterans' healthcare user fees and increased co-pays directly to the Treasury. These new taxes on veterans have been rejected by Congress each and every year President Bush has proposed them. Yet, here we are again, having to fight the same old budget gimmick. Moreover, the President's proposed tax on veterans would be used to balance his budget—including to finance tax cuts for the wealthy.

Can you tell the veterans across the country why you think the President's proposed tax on them is necessary and should be used to balance the budget?

Answer. The 2009 budget contains three legislative proposals that ask veterans with comparatively greater means and no compensable service-connected disabilities to assume a modest share of the cost of their health care. The first proposal would assess Priority 7 and 8 veterans with an annual enrollment fee based on their family income:

Family Income	Annual Enrollment Fee
Under $50,000	([1])
$50,000—74,999	$250
$75,000—99,999	500
$100,000 and above	750

[1] None.

The second proposal would increase the pharmacy co-payment for Priority 7 and 8 veterans from $8 to $15 for a 30-day supply of drugs. And the third proposal would eliminate the practice of offsetting or reducing VA first-party co-payment debts with collection recoveries from third-party health plans.

The three proposals are consistent with the priority system of health care established by Congress, a system which recognizes that priority consideration must be given to veterans with service-connected disabilities, those with lower incomes, and veterans with special health care needs.

These proposals have no impact on the resources we are requesting for VA medical care as they do not reduce the discretionary medical care resources we are seeking. Our budget request includes the total funding needed for the Department to continue to provide veterans with timely, accessible, and high-quality medical services that set the national standard of excellence in the health care industry. Instead, these three provisions, if enacted, would generate an estimated $2.3 billion in revenue from 2009 through 2013 that would be deposited into a mandatory account in the Treasury.

Question. Dr. Peake, the administration's budget proposes a $4 million cut to the office of the VA Inspector General. As you know, the VA IG regularly conducts assessments at each and every VA health care facility across the country, and has played a constructive role in identifying issues relating to wait times, traumatic brain injury, and cases of waste, fraud and abuse.

At a time when the VA is taking on more responsibilities and an increasing workload, how does the administration justify a cut to the IG?

Answer. While the 2009 IG budget request does support fewer positions for the Office of Inspector General (OIG) in fiscal year 2009, the resource level is sufficient to meet its mandated obligations and to respond to the most urgent issues raised by Congress and the VA. OIG will continue to assess and prioritize its workload to maximize productivity and ensure the greatest impact possible. This level of funding will allow OIG to continue to address the challenges and growing demand for VA services.

Question. Secretary Peake, according to the Independent Budget for fiscal year 2009, in the past, population-based surveys have demonstrated that veterans report higher rates of alcohol abuse than nonveterans and are more likely to meet criteria for alcohol abuse and dependence. Recent studies have demonstrated no reduction in overall veteran need for substance abuse services and an increase in alcohol concerns by OEF/OIF veterans.

What should the VA be doing to address the increasing incidence of substance abuse problems?

Answer. VA is involved in a variety of initiatives to better address substance abuse. This includes enhancing substance abuse services integrated with primary care and as a component of general mental health services as well as substance abuse specialty services. Services in these three settings are necessary to address the needs of patients with distinct clinical profiles differing in terms of the severity of the substance use problem and the extent to which it coexists with other conditions.

To help recognize substance abuse problems, VA screens veterans in primary care and general mental health services at a minimum of once per year to identify patients who are consuming alcohol at hazardous levels. Patients who score positive on the screen are to be given an intervention immediately within primary care or, if the problem appears more severe than can be handled in this manner, the patient is to be referred to a specialty substance abuse clinic. Another important initiative is providing integrated care for substance use disorder treatment to patients who suffer co-occurring problems with substance abuse, e.g., integrated care for PTSD and substance abuse.

Question. Secretary Peake, I really appreciated the time that you took to visit the Walla Walla VA Medical Center in February. I think you gained a unique perspective on the issues affecting the 69,000 veterans who rely on that facility. As you can imagine, I stay in close contact with the veterans in the Walla Walla region. They continue to tell me how grateful they are for your support of a new residential rehab unit for mental health. Despite this, they remain very concerned about the stalled action on construction of a new outpatient clinic. I share that concern. As you know, the project is ranked 14th on the major construction list. But it will not receive any funding in this year's budget.

Will you pledge to work with me to make sure that the Walla Walla outpatient clinic receives design funding in next year's budget?

Answer. I assure you that the Multi-Speciality Clinic at Walla Walla will again be considered for funding in fiscal year 2010. If it is determined through the VA's established capital investment process, that the Walla Walla project is one of the Departments highest ranked projects, I pledge that I will work closely with you and other members of Congress to ensure that the design of this project (along with VA's other highest priority projects) is funded in fiscal year 2010.

Question. Secretary Peake, in February, the VA set up a temporary CBOC in Northwest Washington that is operating out of a van. As you may know, the permanent CBOC in Northwest Washington was supposed to be fully operational by February 2008.

Can you tell me when veterans in Northwest Washington can expect the permanent CBOC to be fully open?

Answer. On May 27, 2008 the mobile clinic in Northwest Washington moved to a 2,400 square foot interim building on the campus of the United General Hospital in Sedro-Woolley. Puget Sound expects to activate a permanent site in early fiscal year 2009.

QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

Question. Mr. Secretary, I would like to compliment the VA for its successes in the area of electronic health records. The VA is the leader in its use of electronic health records and is truly second to none, including the Department of Defense. However, these two agencies are not electronically sharing medical records as well or as fast as we had hoped. We all are working hard to see that our injured veterans receive world class care, and I think we all agree that in order for that to happen, veterans must move seamlessly from active duty in the Department of Defense to the Department of Veterans Affairs. We have discussed this a number of times but we still cannot completely transfer medical records between Departments and many records are still being lost between the time a soldier leaves the Department of Defense and arrives at the VA. Being a retired general officer, you know firsthand the challenges the VA faces in this area. My staff has asked for a separate detailed briefing on this project which I hope will answer many questions.

Mr. Secretary, please separate the Electronic Health Records project from the larger HealtheVet program and tell this committee when will this electronic health records project be finished, how much will it cost, and what is the schedule and cost for the larger program?

Answer. VA considers the pursuit of an electronic health record integral to nearly all of its healthcare operations and cumulative—it is a complete health record including all aspects of a patient's care. It is imperative to understand the electronic health record as a view of data that is generated as a by-product of conducting daily

healthcare operations. This method of collecting personal health information provides the best assurance of its timeliness, completeness, and accuracy. Because of this comprehensive scope, integral relationship to IT support for healthcare operations, and the close integration of the Electronic Health Record with HealtheVet, VA's budget data does not excerpt Electronic Health Record capability as a separate line item. It would be counter to the key design paradigm the VA is following described above to do so; both cost and schedule of electronic health record development mirror that of the transition to HealtheVet. Portions of the health record are already underway, and some will be complete as VA delivers portions of the VistA-HealtheVet Transition Plan as early as 2010. Final components are slated for later release, delivering in 2018. HealtheVet is currently estimated just over $10 billion for the full lifecycle, a significant portion of which is dedicated to the electronic health record. Already underway are extensive cost estimation and validation activities for the HealtheVet transition.

Will you tell us your perception as to why the VA and the DOD have not been able to bridge this electronic gap as soon as we had hoped, and what are you doing to address this problem?

Answer. VA and DOD have had significant success in sharing electronic health information that is available to be shared in enterprise-wide VA and DOD systems and for this reason, are successfully sharing the vast majority of information that is needed in the care and treatment of patients. For instance, our current bidirectional exchange makes almost all essential health information viewable, where that information is available from DOD's AHLTA system and legacy system, CHCS. Recent efforts have improved our ability to access available electronic inpatient information from DOD, as DOD has worked to standardize its implementation of an inpatient capability across major military treatment facilities.

Some DOD medical information was stored in paper format, or in stand alone DOD systems that did not interface with enterprise systems. In this instance, VA and DOD worked to together to ensure that necessary information was shared, even if not in electronic format.

VA and DOD are jointly developing an Information Interoperability Plan. The scope of this plan is to define a VA/DOD strategy for achieving the level of information interoperability essential to ensuring seamless continuity of care and benefits to our Nation's Armed Forces and Veterans. Specifically, the plan will:

—Define a strategic information interoperability maturation and organizing framework;
—Map the current and future essential health, personnel, and benefit information sharing;
—Identify capability gaps;
—Determine milestones to measure progress of near-, mid-, and long-term interoperability goals; and
—Leverage the national standardization activities led by the Department of Health and Human Services to foster health information sharing.

Question. Mr. Secretary, I would like to discuss another area of Information Technology. I understand that electronic health records are a way to provide better healthcare and claims service to our veterans and is your number one priority, but Congress has funded other VA programs, Financial Logistics Integrated Technology Enterprise (FLITE), for example, to modernize and integrate the VA's financial and healthcare systems. I would like to commend the staff of FLITE for creating the first and only VA IT program that has established a change management board, locked the program's scope, and set a clear timetable with recognizable milestones. This is a tremendous accomplishment. As we all have seen from failed IT projects at other Departments, the number one cause of the failure is the lack of defined requirements and management discipline. (The Census Bureau just announced losing a $3 billion project because they had 417 requirement changes after development began.)

I am interested to know VA's priority for FLITE and ask why VA reduced its budget and stretched the schedule out 12–18 months when this project is correcting a material weakness identified by several independent reports, and I'm told is doing exceedingly well?

Answer. VA had many difficult decisions to make regarding where IT funding would be allocated for fiscal year 2008 and fiscal year 2009. Our commitment to invest in veteran facing development initiatives coupled with needed resources to improve our infrastructure limited the funding for other high priority IT needs. The FLITE Program is a high priority in VA. Significant progress continues to be made developing both logistics and financial components of the program.

Question. Mr. Secretary, this subcommittee is committed to providing the veterans of Operation Enduring Freedom and Operating Iraqi Freedom with the best medical

care our Nation can provide. No one has ever questioned that. Many of our veterans are returning from these conflicts with wounds that transcend the medical traditions of compartmentalized care and require extremely specialized and more collaborative treatments. I know VA is working very well with many major medical and research universities to provide this specialized care.

From your experience as a doctor and Surgeon General, and now VA Secretary, please tell me what steps you are taking to fully rehabilitate these patients with combinations of traumatic brain injury, post-traumatic stress disorder, chronic pain and other highly specialized abnormalities by capitalizing on collaborative efforts with major medical and research universities.

Answer. As a result of new modes of injury (improvised explosive devices), improved body armor, and surgical stabilization at the frontline of combat, more soldiers are returning with complex, multiple injuries (polytrauma), including amputations, brain and spinal cord injuries, eye injuries, musculoskeletal injuries, vision and hearing loss, burns, nerve damage, infections, and emotional adjustment problems.

In response, VA's Office of Research and Development has expanded its efforts in polytrauma research and established a Polytrauma and Blast-Related Injury (PT/BRI) Quality Enhancement Research Initiative (QUERI) coordinating center to promote the successful rehabilitation, psychological adjustment, and community reintegration of these veterans. Two priorities have been identified: (1) traumatic brain injury (TBI) with polytrauma, and (2) traumatic amputation with polytrauma. The primary target is Operation Enduring Freedom and Operation Iraqi Freedom (OEF/OIF) VA patients, many of whom remain on active duty during their initial course of treatment in VA. However, these activities will benefit all VA patients with complex injuries, regardless of service era and mechanism of injury.

VA also recently issued a special solicitation for research projects on the long-term care and management, including family and community reintegration, of veterans with polytrauma, blast-related injuries, or TBI.

VA investigators are actively leveraging expertise in TBI and associated comorbidities including post-traumatic stress disorder, depression, substance abuse, and chronic pain, as well as in best practices for medically complex patients within the broader academic/scientific community. In addition to their VA roles, nearly all the principal investigators on these VA projects have affiliations at major medical and research universities including the University of Minnesota, University of Florida, Stanford University, Yale University and Virginia Commonwealth University, to name a few. In addition, experts from major universities and research institutions who do not hold VA appointments serve as co-investigators and consultants on many of these projects.

Question. Mr. Secretary, I understand the VA is experiencing a serious challenge to reduce the backlog of claims that have built up since 2000. I also understand that the number of claims has increased by roughly 50 percent since 2000—from 550,000 to 850,000—and that roughly one in four claims have eight or more disability issues, which increases complexity. Many of these claims have to be re-adjudicated several times, which has further slowed the processing time of new claims. Last year, the VA set its priority to reduce claims processing times to 160 days. Instead, the average waiting time has increased to 183 days. The claims backlog still stands at roughly 400,000 claims. As I have said to this subcommittee before, we do not want our veterans waiting any longer than necessary for the VA to process their claims. The Dole-Shalala commission recommended the VA reassess the overall process for claims and benefit processing.

Have you begun to reassess the overall claims and benefit processes to see if a complete process reengineering or methodology change may solve the problem?

Answer. The President's Commission on Care for America's Returning Wounded Warriors (Dole/Shalala Commission) recommended that VA compensate veterans for lost quality of life due to disability in addition to its current statutory requirement to compensate veterans for average loss of earning capacity resulting from injury or disease incurred in or aggravated by service. In February 2008, VA contracted with Economic Systems Inc. to do two 6-month studies in response to the Dole/Shalala recommendations. One study is focused on transition benefits that would assist veterans and their families as they transition from military status to veteran status. The second study is focused on quality of life and earnings loss payments. The study is scheduled to be completed by early August 2008.

VA and DOD are jointly piloting a streamlined Disability Evaluation System (DES) process for service members being separated due to disability. Our stated goal is to be able to authorize any compensation to service members who are eligible on the date of separation from service. Although very early in the process, one service

member has completed the process and was awarded benefits on the date of separation.

VA is actively looking at consolidating the adjudication of claims for certain types of benefits to improve overall service delivery. This would include sending all pension claims to the Pension Maintenance Centers and sending all service-connected survivor benefit claims to centralized processing centers. We believe this specialization will improve service delivery of these benefits while freeing up additional resources to focus on disability claims.

Question. How do you plan to reduce this backlog and make electronic claims processing a priority for the VA in order to improve accuracy and reduce processing times? What can Congress do to assist you in these efforts?

Answer. The Veterans Benefits Administration (VBA) is aggressively pursuing measures to decrease the pending inventory of disability claims and shorten the time veterans must wait for decisions on their claims.

We are devoting additional resources to claims processing. Increasing staffing levels is essential to reducing the pending inventory and providing the level of service expected by the American people. We began aggressively hiring additional staff in fiscal year 2007, increasing our on-board strength by over 2,650 employees between January 2007 and April 2008. With a workforce that is sufficiently large and correctly balanced, VBA can successfully meet the needs of our veterans.

Because it requires an average of 2 or 3 years for our decision-makers to become fully productive, increased staffing levels do not produce immediate production improvements. Performance improvements from increased staffing are more evident in the second and third years. We have therefore also increased overtime funding this year and recruited retired claims processors to return to work as reemployed annuitants in order to increase decision output.

VBA, in collaboration with VA's Office of Information and Technology (OI&T), is developing the Paperless Delivery of Veterans Benefits Initiative. This initiative is envisioned to employ a variety of enhanced technologies to support end-to-end claims processing. In addition to imaging and computable data, we will also incorporate enhanced electronic workflow capabilities, enterprise content and correspondence management services, and integration with our modernized payment system, VETSNET. In addition, we are also exploring the utility of business rules engine software for both workflow management and to potentially support improved decision making by claims processing personnel.

The initiative builds on two pilot programs currently underway. These pilot projects have demonstrated the utility of imaging technology in our Compensation and Pension business line. Both projects utilize our Virtual VA imaging platform, which is a document and electronic claims-folder repository.

To fully develop this initiative, VBA will be engaging the services of a Lead Systems Integrator (LSI). The LSI will work closely with VBA and our OI&T partners to fully document business and system requirements. In addition, we will document demonstrable milestones and performance metrics, as well as life-cycle funding requirements. Ensuring a consistent funding stream to support this business transformation effort will be a critical success factor.

The recent Claims Processing Improvement study, conducted by IBM Global Business Systems, endorsed this strategy as a means to increase the efficiency of claims processing and enhance service delivery to our veterans.

Question. Mr. Secretary, as you know, we are all committed to ensuring that our soldiers returning from the War on Terror receive treatment for mental health problems as well as physical health needs. As more of our soldiers return home with Post Traumatic Stress Disorder (PTSD), this has become more of an issue. In 2006, Congress instructed the VA to establish three new Mental Health Centers of Excellence across the country to improve treatment, prevention, rehabilitation, and clinical services for our Nation's veterans. As I mentioned earlier you were kind enough to visit the center in Waco, Texas. I understand the VA has undertaken new initiatives to reduce the stigma associated with mental health disease and to reach out to more veterans and their families. I want to emphasize how important families are in the recovery of our wounded veterans.

What is the VA doing to expand access to mental health care for returning OIF/OEF veterans and their families, and tell us about the VA's attempts to reduce the stigma associated with mental health care?

Answer. The Mental Health Enhancement Initiative (MHEI) has expanded programs and access to mental health services in PTSD (e.g., outpatient PTSD capability in every VAMC and many CBOCS). Another component of MHEI has been to create Services for Returning Veterans-Mental Health teams; these are specifically created to provide rapid assessment and care for emotional/behavioral health issues of returning veterans.

Other MHEI expansions in mental health and substance use disorders also benefit OEF/OIF veterans. VA mental health is increasingly integrating mental health services in primary care venues through evidence based care management and collaborative care models. Receiving mental health care in the primary care setting is an especially effective way to reduce stigma and to communicate that mental health needs are an integral component of the overall health care needs of returning veterans.

Evidence Based Practices in exposure-based therapy of PTSD (the approach strongly endorsed by the recent Institute of Medicine report on PTSD treatment) are being disseminated across the system. The VA Office of Mental Health Services (OMHS) also has implemented a continuum of family services that includes family consultation, family education, and family psychoeducation for eligible veterans within existing statutory/regulatory authority. In providing this continuum, the OMHS has offered specialized evidence-based family psychoeducation training for clinicians.

The Mental Health Strategic Plan has initiatives to reduce the stigma associated with mental illness through partnership with other agencies and within VA. Many VA Medical Centers hold Recovery Celebrations that recognize veterans who have made significant strides towards their recovery. The VA also hires peer counselors as a way to reduce stigma.

Vet Centers provide mental health services to veterans and family members through a network of non-institutionalized community based Vet Centers. A majority of Vet Center staff are veterans themselves and understand the unique circumstances surrounding the veteran's readjustment to civilian life and its impact on his or her family. This helps to reduce the stigma associated with mental health care. Vet Centers provide typical mental health services such as individual and group counseling sessions. Since the beginning of the Global War on Terror, the Vet Center program has expanded from 206 Vet Centers in fiscal year 2003 to 232 Vet Centers by the end of fiscal year 2008.

Question. What training programs are the VA developing for the families of wounded soldiers to help them provide care once the service member returns home?

Answer. With regard to readjustment and mental health problems of returning veterans, the National Center for PTSD, in collaboration with the Department of Defense, has developed an excellent guide for families, titled Returning from the War Zone: A Guide for Families; this guide is available on the Web at http://www.ncptsd.va.gov/ncmain/veterans/. It covers important topics for families to understand during the readjustment process and when a veteran is having more significant mental health problems. It has frequent hits and downloads and we have received very positive feedback on it. The introduction gives a good sense of the content:

This guide is for services members and their families. It contains information to help military family members understand what to expect during the reintegration following time in a war zone, and to help them adapt back to home life with their loved one.

Reintegration is an adjustment for all involved. This information aims to make this process as smooth as possible and covers:

—A description of the common reactions that occur following deployment to a war zone
—How expectations about homecoming may not be the same for service members and family members
—Ways to talk and listen to one another in order to re-establish trust, closeness and openness
—Information about possible problems to watch out for
—How to offer and find assistance for your loved ones
—What help is available and what it involves . . .

In addition to the web-based guide, current best practices in mental health care emphasize intensive outpatient care, with the family involved in planning and implementing care and with the family receiving training on readjustment and handling mental health problems, along with the veteran. This helps send the message that recovery is possible and that the goals of treatment are to enhance the veteran's active roles in the community, family, workplace, etc. This recovery-oriented approach is greatly enhanced by family involvement during outpatient mental health care, and VA clinicians have been encouraged to emphasize this approach to the extent they can under current law. However, for those veterans who are not service-connected the current law only permits VA to provide counseling, training and mental health services to family members if those services were initiated during the veteran's hospitalization and the continued provision of these services on an outpatient basis is essential to permit the discharge of the veteran from the hospital.

In addition, current regulations generally do not allow VA to provide counseling, training, and mental health services to the family unless the veteran is enrolled and gives his or her permission for the family to be involved in the processes of diagnosis, treatment planning, and treatment implementation.

While Vet Centers do not provide training to assist family members in taking care of service members at home, they do provide family counseling and care-giver support as it relates to the readjustment of the veteran subject to the limitations for family members of nonservice-connected veterans noted above.

Question. Mr. Secretary, as you are aware, we had quite a revelation this week concerning the El Paso, Texas outpatient clinic being rated well below the national average by your own internal survey. As I mentioned in my letter to you yesterday I found this most disturbing and I want to be sure we work together to turn this around immediately. I am concerned that the veterans in the El Paso area are experiencing unusually long waiting times for specialty care appointments, particularly orthopedics and ophthalmology, and that their access to care in general is certainly not up to the standards we have come to expect from the Department of Veterans Affairs. After discussions with the VISN 18 Director it is my understanding that the Department is implementing a management plan to correct these issues to ensure that the veterans in the El Paso area receive the highest quality of health care this Nation can provide.

Mr. Secretary, would you please comment on the details of this management plan to correct the situation in El Paso and what I can do to assist you in these efforts?

Answer.

Wait times

The El Paso VA Health Care System (EPVAHCS) has improved the wait times for access to care in many areas. As the table below shows, EPCAHCS is currently seeing:

March 2008 data from VSSC	Percent seen within 30 days	Average patient wait time
Primary Care—New Patients	98.80	13.1
Primary Care—Established Patients	100.00	1.0
Ophthalmology—New Patients	88.20	22.3
Ophthalmology—Established Patients	97.70	1.9
Orthopedics—New Patients	98.20	12.9
Orthopedics—Established Patients	96.80	10.4

Management Plan

The Veterans Health Administration prepares a quarterly report with data on access, clinical care, and patient satisfaction at VA Medical Centers. Based on the fiscal year 2007 quarterly results for the EPVAHCS, a number of actions have been implemented to improve all aspects of quality, access, and patient satisfaction. This action plan includes five major areas of concern: access to care, customer service, telephone responsiveness, employee morale, and organizational health. The following summary provides the actions, goals, and timelines for continued improvement.

Access to care

—The EPVAHCS secured the assistance of a national consultation team in September 2007 to help their primary care staff work on improving access to care. For February 2008, 100 percent of EPVAHCS primary care patients were seen within 30 days. For specialty care, 97 percent were seen within 30 days.

—Facility leadership has asked the Advanced Clinic Access (ACA) National Consultation Team to return in July 2008 to assist with implementation of ACA in specialty care.

—EPVAHCS continues to move forward with an after hours clinic. In March 2008, pharmacy hours were extended to cover the later hours of operation. Due to concerns about the safety of patients, EPVAHCS has initiated discussions with William Beaumont Army Medical Center to jointly staff an urgent care center that will provide urgent care during both normal clinic hours and also evenings and weekends. It is anticipated that this process will be initiated by September 2008.

—*Customer Service.*—A customer service program has been initiated to educate staff about expectations for professional interactions with customers. EPVAHCS plans to have 75 percent of their staff educated about the customer service standards by June 2008 and 100 percent no later than September 2008.

EPVAHCS has a goal of achieving a 2 percent improvement in customer service scores by the end of the fiscal year and 5 percent improvement by the second quarter of fiscal year 2009.

—*Telephone Responsiveness.*—Telephone equipment was installed on February 28, 2008. Data from the new system became available in March 2008. As a result of the initial data, a decision was made to add staff to primary care, pharmacy, and the telephone operations units. A systems redesign team for telephone responsiveness was initiated to explore both the hardware and human factor issues related to the telephone system, and has a long term goal of answering all calls by the third ring.

—*Employee Morale.*—The national VA All Employee Survey data for the three most recent surveys shows that employees rated their overall satisfaction as 3.8, 3.7 and 3.7 (on a scale of 1 to 5); the results show that satisfaction is stable. This compares to the national satisfaction level of 3.77. EPVAHCS has worked with the National Center for Organizational Development (NCOD) to hold an annual management retreat, supplemented by quarterly retreats with front line staff, to engage employees at all levels of the organization in strategic planning and follow-up of ongoing improvement efforts.

—*Organizational Health.*—The management team has instituted several new processes in an effort to lead changes in staff interactions with veterans and each other. EPVAHCS has held several all employee meetings to discuss corporate expectations that both supervisors and staff adhere to national standards and expectations. NCOD is currently conducting a review of the organization's overall health.

Staffing Improvements

The following positions have been, or are in the process of, being filled:

—Nurse Practitioner, Primary Care, Las Cruces Community Based Outpatient Clinic (LCCBOC), filled April 28, 2008.

—Physician, LCCBOC, vacant since December 2007, still under recruitment. Temporarily filled with a locum tenens contractor since March 2008. Current contract extended through August 1, 2008.

—Nurse Practitioner, El Paso, filled effective May 8, 2008.

—Another Nurse Practitioner position, filled with a Physician, January 2008.

—Other Physician positions in the process of being filled at the El Paso site:

—Two physician positions filled March 2008; credentialing is in process.

—Physician position filled; start date May 27, 2008.

—Physician position filled; new employee has a private practice to shut down, therefore a starting date is pending.

—Physician position selected on May 9, 2008; credentialing is in process.

—There is ongoing recruitment for an additional two new Physician positions and a new Nurse Practitioner position at the El Paso site. Applications are currently being accepted.

—A second Orthopedic Surgeon in Specialty Care will start at the end of July or early August. This new physician will increase orthopedic services by 100 percent.

—Another Teleretinal Imager is being recruited. This will increase teleretinal imaging by 50 percent.

—In addition, two more optometrist positions have been approved and are in the process of recruitment.

—For all specialty care areas, El Paso has been referring patients who cannot be seen within 30 days to the private sector (when there are specialists available).

Question. Mr. Secretary, over the past several years, the VA has faced a heightened medical workload. I understand the challenges of working within fiscal constraints, but I am concerned that major construction projects for new hospitals and clinics are vital to expand the VA's health infrastructure and give our veterans the best health care this nation can provide. This has been an issue discussed many times on this subcommittee, but I particularly note this year's major construction request is roughly half of last year's appropriation.

Will you comment on the VA's long-term capital plan and how you see it evolving?

Answer. The main purpose of the VA 5-Year Capital Plan is to provide a systemic and comprehensive framework for the effective management of the Department's capital investments, the ultimate goal of which is to lead to improved health care and benefits (including burial services) delivery for our Nation's veterans. Although the overall goal of the plan will remain constant, the mode of attaining it will mostly likely change in the future.

The plan will continue to provide important information on the top construction priorities (existing and future) and the continued implementation of CARES deci-

sions. As also shown in the fiscal year 2009 budget submission, the future funding needs for these existing ongoing projects is currently $2.3 billon. Along with the existing projects, there are a number of known potential major medical facility projects which are also listed in the VA budget submission (Construction and Capital Plan, Volume 4—pages 7–86 through 7–89). The list of potential projects are updated each year as part of the annual VA capital investment process, and projects may be added or deleted from this list.

VA will also continue to work to better assist homeless veterans. The Department is currently performing a Site Review Initiative whose goal is, to decrease the amount of underutilized real property and maximize its value through VA's enhanced-use leasing program. VA would reinvest realized proceeds to enhance services to veterans.

In addition, future capital plans will continue to place increased emphasis on the utilization of renewable energy. The growing importance of physical security of VA infrastructure will also be reflected in future plans. VA will continue to strive to be a leader in these areas as well as ensuring we are caretakers to the environment.

QUESTIONS SUBMITTED BY SENATOR MITCH MCCONNELL

Question. In the context of the Department of Veterans Affairs, what Dole-Shalala Commission recommendations still require legislative remedies?

Answer. For each Dole-Shalala Commission recommendation, there are action steps that provide VA with guidance on how to implement a specific recommendation. The following action steps within a specific recommendation still require legislation.

RECOMMENDATION 2—COMPLETELY RESTRUCTURE THE DISABILITY AND COMPENSATION SYSTEMS

Action Step

Congress should clarify the objectives for DOD and VA disability systems, in line with this recommendation.

Status—Legislation Required

The administration submitted draft legislation to Congress on October 16, 2007, to address this recommendation.

Action Step

Congress should restructure VA disability payments to include:

—"transition payments"—to cover living expenses for disabled veterans and their families. They should receive either 3 months of base pay, if they are returning to their community and not participating in further rehabilitation OR longer-term payments to cover family living expenses, if they are participating in further rehabilitation or education and training programs.

—once transition payments end, disabled veterans should receive earnings-loss payments—to make up for any lower earning capacity remaining after training

—quality-of-life payments—to compensate for non-work-related effects of permanent physical and mental combat-related injuries

Status—Legislation Required

The administration submitted draft legislation to Congress on October 16, 2007, to address this recommendation. In order to be prepared for legislative changes consistent with this recommendation, VA contracted with Economic Systems, Inc. to conduct two studies. The results of both studies are to be reported in August 2008.

Action Step

To improve completion rates in its VRE program, VA should:

—pay a bonus (10 percent of annual transition pay) for completing first and second years of VRE training and 5 percent for completing the third year

Status—Legislation Required

The administration submitted draft legislation to Congress on October 16, 2007, to address this recommendation.

RECOMMENDATION 4—SIGNIFICANTLY STRENGTHEN SUPPORT FOR FAMILIES

Action Step

DOD and VA should provide families of service members who require long-term personal care with appropriate training and counseling to support them in their new care giving roles.

Status—Legislation Required

The administration submitted draft legislation to Congress on October 16, 2007 to address this recommendation.

Question. Could you please provide a status update on the community-based outpatient clinic slated for Owensboro, Kentucky?

Answer. Owensboro is a Marion VAMC CBOC and it is expected to open by the end of fiscal year 2008. The CBOC will provide primary care and mental health services.

Question. Could you please provide a status update on the community-based outpatient clinic slated for Grayson County, Kentucky?

Answer. Grayson County is a Louisville VAMC CBOC and it is expected to open by the end of fiscal year 2008. The CBOC will provide primary care and mental health services.

Question. Since I represent a State with a significant population of rural veterans, I am concerned about access to health care for veterans who live in remote areas. What is the Department doing to look after rural veterans in States such as Kentucky?

Answer. VHA has established the Office of Rural Health (ORH) to address the needs and challenges of providing healthcare to veterans in rural areas. The ORH collaborates with other VA program offices and leverages rural health expertise from the public and private sector, to identify service delivery gaps and assess multiple care delivery models to ensure those veterans in rural and highly rural locations have access to health care.

VHA employs a range of service delivery methods, administered at the local level, to address rural and highly rural veterans' access to care. Examples of these include expanded Telehealth services, increased CBOCs, mail-order pharmacy, MyHealtheVet, and specialty programs such as Home Based Primary Care and Mental Health Intensive Care Management.

The most recent ORH initiatives to increase access in rural areas included development of outreach clinics, which are part time outpatient clinics providing primary care and mental health care, and a pilot project to establish Mobile Health Clinics. Specific to Kentucky, VHA currently has 13 CBOCs opened in Kentucky, seven of which are located in rural areas:

—Prestonburg (Floyd County)
—Somerset (Pulaski County)
—Morehead (Rowan County)
—Bowling Green (Warren County)
—Fort Campbell (Christian County)
—Hanson (Hopkins County)
—Paducah (McCracken County)

An additional seven CBOCs have been approved. They will open before the end of fiscal year 2008, with one slated for early fiscal year 2009. All will be located in rural areas:

—Berea (Madison County)
—Hazard (Perry County)
—Leitchfield (Grayson County)
—Carollton (Carroll County)
—Hopkinsville (Christian County)
—Owensboro (Daviess County)
—Mayfield (Graves County)

Question. Does the Department of Veterans Affairs need any additional legislative authority to improve its delivery of health-care services to veterans, in particular, those suffering from post-traumatic stress disorder or traumatic brain injury?

Answer. We continuously evaluate the need to ensure that veterans, including those with post-traumatic stress disorder or traumatic brain injury, receive optimal care. The President's 2009 budget includes a proposal to expand legislative authority in title 38, United Stated Code, section 1720, to cover payment of Specialized Residential Care and Rehabilitation for OIF/OEF Traumatic Brain Injured (TBI) Veterans. This expansion of authority will permit VA payment for residential rehabilitation of TBI veterans with special needs through the Medical Foster Home component of VA's Community Residential Care Program. This legislation allows VA to develop comprehensive treatment programs for OIF/OEF TBI patients that can be located close to the patient's hometown. We look forward to working with Congress to enact this legislative proposal. The administration will send to Congress any additional legislative proposals as they are identified.

QUESTION SUBMITTED BY SENATOR ROBERT F. BENNETT

Question. Mr. Secretary, over the last several months the Department of Veterans Affairs has announced the establishment of a number of Vet Centers around the country. I have been provided a brief overview of the decision making process for determining the locations of these new Vet Centers, but many questions remain. Can you or your staff provide me with a more comprehensive explanation and also discuss considerations for future centers?

Answer. Vet Center site selection is based on an evidence-based analysis of demographic data from the U.S. Census Bureau, DOD Defense Manpower Data Center (DMDC), VetPop2007 (VA's latest official estimate and projection of the veteran population) and by input from the seven Readjustment Counseling Services regional offices.

The main criteria for new Vet Center site selection is the veteran population, area veteran market penetration by Vet Centers, geographical proximity to VA Medical Centers, and Community Based Outreach Clinics in the Vet Center's Veterans Service Area. This analysis includes information from the DMDC as to the current number of separated OEF/OIF veterans and the reported distribution of home zip codes of separated OEF/OIF veterans, as well as the number who were married and those with children. Special consideration for relatively under-served veterans residing in rural areas at a distance from other VA facilities is also reviewed. Proposals are developed and vetted through local and regional Vet Center leadership, and then submitted to the Under Secretary for Health for review and approval.

SUBCOMMITTEE RECESS

Senator JOHNSON. Again, thank you, Mr. Secretary, for your testimony.

This hearing is recessed.

[Whereupon, at 4:43 p.m., Thursday, April 10, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

MILITARY CONSTRUCTION AND VETERANS AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2009

THURSDAY, APRIL 24, 2008

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:25 a.m., in room SD–124, Dirksen Senate Office Building, Hon. Tim Johnson (chairman) presiding.

Present: Senators Johnson, Landrieu, Murray, Hutchison, and Allard.

DEPARTMENT OF DEFENSE

STATEMENT OF HON. TINA W. JONAS, UNDER SECRETARY OF DEFENSE (COMPTROLLER)

OPENING STATEMENT OF SENATOR TIM JOHNSON

Senator JOHNSON. This hearing will come to order. I welcome everyone to this morning's hearing to discuss the president's 2009 budget request for Military Construction and associated programs. We will hear from two panels of witnesses today, beginning with representatives from the Office of the Secretary of Defense.

Secretary Jonas, Mr. Arny, thank you both for coming today. We look forward to hearing your testimony.

The president's Military Construction budget request for 2009 is a record $24.4 billion, an increase of $3.8 billion over the 2008 enacted level. Much of this increase can be attributed to BRAC 2005 which at $9.2 billion is now in its highest stage of construction funding, and to DOD's "grow the force" initiative to increase the end strength of the Army and the Marine Corps.

These initiatives, together with DOD's Global Defense Posture Realignment and the military's ongoing engagement in two wars, have resulted in an unprecedented level of construction spending and force realignments that will have a long-term impact on our Nation's defense.

A continuing concern for this committee is the level of funding requested for the Guard and Reserve. In spite of the huge burden these men and women have been tasked to bear, total aggregate funding for the Guard and Reserve components is down 12.3 percent from what the Congress provided in 2008. The Air Guard and Air Force Reserve in particular have seen dramatic cuts in their military construction requests which are down 60 percent and 28

percent, respectively, from what the administration requested last year.

Finally, in addition to the 2009 budget request, the president has asked for $2.4 billion for military construction in emergency supplemental funds, primarily for the wars in Iraq and Afghanistan. On top of that, the department has identified another $1.1 billion in emergency construction funding that it is seeking in the supplemental.

In short, a great deal of money is being requested for a broad array of overlapping initiatives and programs. It is the responsibility of this subcommittee to examine these requests closely to ensure that funding is properly allocated and prioritized.

We will continue to monitor the department's ability to execute such a large military construction program, particularly with the aggressive schedule required to complete the BRAC 2005 program by 2011. We look forward to your help and cooperation in that task.

Senator Hutchison, would you care to make some opening remarks?

STATEMENT OF SENATOR KAY BAILEY HUTCHISON

Senator HUTCHISON. Thank you very much, Mr. Chairman. I'm very pleased to have the Department of Defense and the Navy here to discuss the Military Construction budget.

As we begin this process, I think there are some very encouraging trends in military construction. The overall request is $24.4 billion, the largest ever for military construction, and especially important to me is the $9 billion to implement the BRAC actions.

We are trying very hard to continue to meet the 2011 statutory deadline and I think the emphasis on BRAC is very well founded. I look forward to your comments, Mr. Arny, to tell us how we're going to stay on that schedule.

The overall Department of Defense budget is balanced and consistent with the stated needs of the department, including funds to increase the end strength of active duty forces which I have advocated for a number of years. I'm glad that the services are planning in a comprehensive way, not leaving facilities out of their calculations, and emphasizing quality of life, particularly for our younger enlisted service members.

My interest in military construction is in providing the right facilities for our fighting forces. The Army is undertaking a huge restationing of troops back to the United States and this committee has really been the leader in producing. Our overseas basing commission was intended to look at overseas bases and whether they were meeting the needs of today's Army and marines especially, Navy and Air Force as well, and to make sure that we were doing it right. That caused the Department of Defense to do the correct assessment and now we will have more soldiers restationed back in America where we have better training facilities and we can put in more permanent housing and quality of life structures.

The marines are also preparing to undertake a massive move, relocating 8,000 service members and their families from Japan to Guam. Many of these marines will move on to Anderson Air Force Base. The Departments of Defense and State have done a good job in gaining the Japanese funding to help with this move and that

makes it all the more important that we have good coordination between the services to get it right.

These are two of the incredibly ambitious agendas within the Department of Defense and I'm pleased to support the infrastructure for all of our military families for BRAC to house those who are coming back and, of course, those who might be moving.

It is against this backdrop that we begin to look at the budget request from the Navy and Marine Corps. $3.1 billion is a 42 percent level over the 2008 enacted level. This increase will largely support the Marine Corps' end strength increase through the "grow the force" initiative. I'm very pleased that the Marine Corps is getting this plus-up. They are carrying such a heavy load in the war on terror. They're doing a great job and they do need the end strength increase.

The Army has requested $4.6 billion for fiscal year 2009, an 18 percent increase over the 2008 level. The Air Force budget has slowed again this year, decreasing 19 percent from last year's enacted level.

I'm very pleased that the request for the Army Reserve is up to $282 million, representing a 90 percent increase from the 2008 enacted level. I think that is very important. Again, the Army—especially, the Army Reserve—is certainly carrying a heavy burden load in this war, as are all of our Reserve components. Increasing the support for them, I think, is very important.

I hope that Ms. Jonas will speak to the overall trend on the Naval and Air Force Reserve components because there's a downward trend there. We will have another Air Force hearing, I know, later in this process.

The Navy and Marine Corps representatives will join us later today and I'm looking forward to hearing about their needs and priorities for 2009. I support the Department of the Navy's emphasis on bachelor quarters, child development centers and fitness centers. The Marine Corps' plan to grow by 27,000 members as they transition to a 202,000 end strength is certainly well planned and I'm pleased to see that the MILCON and Housing requests will accommodate, train and house these additional personnel and their families.

PREPARED STATEMENT

So with that, I appreciate very much what I'm seeing and look forward to hearing more of the details. I probably will have to leave before the question period, but I do want to hear your opening statements.

So thank you very much.

[The statement follows:]

PREPARED STATEMENT OF SENATOR KAY BAILEY HUTCHISON

Good morning Mr. Chairman. I would also like to welcome our witnesses and guests. Today, we will examine the President's budget request for military construction and family housing for the Department of Defense, Base Realignment and Closure actions, and the Department of the Navy, including the United States Marine Corps. I look forward to discussing the construction needs of our soldiers, sailors and airmen with Ms. Jonas, BRAC issues with Mr. Arny, and the needs of the Navy and Marine Corps with the second panel. I understand the Army and Air Force will be here on May 8 to discuss their needs.

As we begin the budget process for fiscal year 2009, there are several encouraging trends in the military construction budget. The overall request of $24.4 billion is the largest ever for military construction. This includes over $9 billion to implement BRAC actions, as that program continues its sprint to meet the 2011 statutory deadline. I am very pleased to see this emphasis on BRAC and look forward to Mr. Arny's comments on how we can stay on schedule.

The overall Department of Defense budget is very balanced and consistent with the stated needs of the Department. It includes funds to increase the end strength of the active duty forces, which I have advocated for a number of years. I am glad to see the Services planning in a comprehensive way, not leaving facilities out of their calculations and emphasizing quality of life, particularly for our younger enlisted service members.

My interest in military construction is in providing the right facilities for our fighting forces. The Army is undertaking a huge restationing of troops back to the United States, and I am proud to say Fort Bliss and Fort Hood will be welcome recipients of a large part of these moves.

The Marines are also preparing to undertake a massive move, relocating 8,000 servicemembers and their families from Japan to Guam. Many of these Marines will move onto Anderson Air Force Base. The Departments of Defense and State have done a good job in gaining Japanese funding to support this move, but that makes it all the more important that we have good coordination between the Services to get this move right.

These are but two of the incredibly ambitious agendas within the Department of Defense, and it is critical they have the right facilities to support these actions. We have to provide the right infrastructure for our soldiers, sailors, airmen and marines and our military families. This is why fully funding and effectively implementing BRAC is so important. The sooner we can get our servicemen and women home and into new, state-of-the-art facilities, the sooner we will live up to our commitment to provide for them in a way that is commensurate with their service to our Nation.

It is against this backdrop that we begin to examine the budget request for military construction. The Navy's and Marine Corps' $3.1 billion request is 42 percent over the fiscal year 2008 enacted level. This increase will largely support the Marine Corps' end-strength increase through the "Grow the Force" initiative. The Army has requested $4.6 billion for fiscal year 2009, an 18 percent increase over the fiscal year 2008 enacted level. The Air Force's budget has slowed again this year, decreasing 19 percent to $935 million from last year's fiscal year 2008 enacted level.

I am glad to see the fiscal year 2009 request for the Army Reserve is up to $282 million, representing a 90 percent increase from the fiscal year 2008 enacted level. I am somewhat concerned, however, by the downward trend in military construction for our Naval and Air Force Reserve components. I hope Ms. Jonas will speak to that overall trend, and we will discuss it with those services at the appropriate point in the hearing process. I understand there is funding for Guard and Reserve projects within the BRAC account, but I am still keenly interested in seeing their normal Milcon funding improve. I hope our witnesses will speak to this issue, and provide us with a plan for getting Guard and Reserve Milcon on the right track.

The Navy and Marine Corps representatives will join us later today and I am anxious to hear from Secretary Penn, Major General Payne and Rear Admiral Handley about their needs and priorities for fiscal year 2009. I fully support the Department of the Navy's emphasis on bachelor quarters, child development centers and fitness centers. The Marine Corps' planned growth of 27,000 members as they transition to a 202,000 end strength as a result of the Grow the Force initiative certainly is well planned, and I am pleased to see the Milcon and housing request which will accommodate, train and house these additional personnel and their families.

We owe our military members and their families the best facilities we can provide them, and I commend the Department for making quality of life a top priority. All in all, I believe the Department of Defense has requested the right mix of military construction projects that will enable our service members to meet the Department of Defense's objectives.

I look forward to discussing these and other issues with our witnesses. Thank you, Mr. Chairman.

Senator JOHNSON. Senator Murray.

Senator MURRAY. Mr. Chairman, thank you very much for holding this hearing. I do not have an opening statement, but I will reserve my time for questioning.

Thank you.

Senator JOHNSON. Senator Landrieu.

Senator LANDRIEU. Thank you, Mr. Chairman. The same. I have a statement I would like to submit to the record and then will reserve my time for questions.

[The statement follows:]

PREPARED STATEMENT OF SENATOR MARY L. LANDRIEU

Mr. Chairman, Senator Hutchison, before 1941 the War Department operated out of five separate buildings, which took up a majority of the National Mall. It wasn't until Brigadier General Brehon Sommervell offered a solution to the War Department's critical shortage in office space. On September 11, 1941 the Department began construction began on the largest office building in the United States, the Pentagon. To date, this five sided, five story and five layered building remains the symbol of our Nation's military. It sits on 34 acres of land, including the five acre center court, making a footprint large enough to accommodate five capitol buildings. The Pentagon was an $83 million project and was completed 16 months after groundbreaking.

Today, the Department of Defense, currently manages over 533,000 building and structures, which resides on over 51,400 square miles of real estate. We must continue to improve the quality of our Nation's military installation and infrastructure. The President has requested $25.2 billion in fiscal year 2009 for Department of Defense military construction and family housing. This will enable the Department to replace, restore and modernize our Nation's military installation assets. With a more accurate quality rating we may be able to fully understand the condition of our U.S military infrastructure. We must return to the efficient and affordable approach taken with the construction of the Pentagon.

As you know, the State of Louisiana is deeply committed to the success of the Federal City Project at Naval Support Activity New Orleans—West Bank and we stand ready to do whatever it takes to make this project a success. Federal City is the largest economic development project in the State of Louisiana, and one that is vital to the economic recovery of New Orleans.

The State of Louisiana has given unprecedented support by commiting to invest $150 million into the project to create a great public-private base on which to house the Marine Forces Reserve (MarForRes) Headquarters. Last Tuesday, our Governor sent a letter to Secretary Winter, fully committing $150 Million in State funds—funds that can only be used for the Federal City Project.

The Federal City project will result in Military Construction and BRAC saving to the Department of Navy of approximately $75 million, conservatively. Additional savings will be realized from the shared services costs that will be spread among Federal City tenants. From a Federal fiscal perspective it is not sound federal polity to turn down $150 million in state subsidy to the Federal City project, of which over half will be directed to the Navy. Without this subsidy, The Department of Navy will be forced to find an unbudgeted $150 million to $200 million in BRAC funding, an approach I do not support.

I am well aware of the commitment that the Secretary has made to make the Federal City concept work. However, I will be very troubled should any deviation or lack of support for that commitment fall, to make Federal City happen with Marine Forces Reserve as its anchor tenet. Nonetheless, I am very excited about the project and look forward to the September ground breaking ceremony that will allow construction activities to begin. I will discuss this matter in great detail with you all today, and would greatly appreciate the cooperative effort of the Department of Navy staff has had with the New Orleans Federal Alliance, and hope that we can continue to work together to move this project into reality.

Today's operations tempo on our military is very taxing on our soldiers, sailors, marines and airmen. When they return from combat operations they deserve adequate living quarters that they are proud to call their home. I have major concerns that the Department has not adequately addressed this issue. Many soldiers live and work in poorly maintained facilities all over the world. For example, the barracks that soldiers are currently living in at Fort Polk. Between 1977 and early 1980, 34 Barracks were built at Fort Polk at a cost of around $5 million each, for a total of $170 million. In fiscal year 2005 to present, 19 barracks were converted to fit new 1+1 construction standards of 140–183 square feet. In addition to cramp quarters and out-dated barracks, 16 barracks still suffer from irreparable and insufferable mold damage. As of today, new construction is not expected until 2013, which is estimated to cost approximately $188 million.

Recently an Installation Status Report shows that a majority of the thirty-four barracks on Fort Polk do not meet an acceptable living standards under the Depart-

ments own barrack standards. The report shows sixteen have a red rating, meaning substandard living conditions for the soldiers; eleven are adequate but on in need of desperate repair with the remaining seven building deemed decent living accommodations. The Fort Polk Sustainment, Revitalization and Modernization program has been substantially under funded in the past and continues to be underfunded. The lack of these dollars has had a detrimental effect on the maintenance of these barracks. During the years 2001–2005 required a minimum of $10 million a year, but only 30 percent was funded over the 5 year period. In the past 3 years the Army has done better to improve the barracks by providing 32 million in sustainment dollars. This has helped but still leaves about 80 percent of the barracks in un-livable conditions.

As it feels like we constantly point out the things that are wrong within the Department of Defense, I would like to take a moment to commend the Department on their successes. DOD for the past several years has been very successful replacing or renovating their housing facilities on base, with privatized housing. For example, in 2003 Fort Polk began renovating their family housing, by means of Residential Communities Initiative, which is privatization of military family housing. On April 10, 2003 the Army awarded their first contract. The immediate impacts of the RCI have been: new playgrounds, 6 recreational areas, 21 pocket parks, and 77 bus stops. The economic impact for the local community has been overwhelming with: $240 million being spent in first 11 years and construction expenditure to date is $105 million, which 77 percent has been spent with small and local businesses. The base plans to continue with their initiative by constructing 405 new homes, renovating 3,416 of the 3,466 existing homes and demolishing 50 old homes.

In light of this fact and the major improvements to our soldiers and there families we need to act and take the appropriate action for our single enlisted soldiers. We should exploit the accomplishments that the Defense Department has already achieved through privatization of housing and look at the opportunity to privatize barracks.

One of the great things about our military is the 200 year tradition of the volunteer soldier—the citizen soldier. They serve their country courageously, with honor, and with the greatest regard for human life possible. It is our task to ensure that their country treats them with honor, and with the greatest regard for their families, their sacrifice and their safety, when they are deployed and returning home. We have over 180,000 troops currently serving in Iraq and Afghanistan and we have lost 4,536 brave Americans since the beginning of operations. The irreplaceable cost in Iraq and Afghanistan is not the enormous sum before us, but the father, mother, son or daughter serving our country.

Mr. Chairman, I look forward to hearing the testimony from our witnesses today and hope that they are ready to honestly and openly answer any questions this committee may ask.

Thank you, Mr. Chairman.

Senator JOHNSON. Secretary Jonas, Mr. Arny, thank you again for appearing before our subcommittee. Your full prepared statements will be placed in the record, so I encourage you to summarize your remarks to allow more time for questions.

Secretary Jonas.

STATEMENT OF TINA W. JONAS

Ms. JONAS. Thank you very much, Mr. Chairman. I appreciate the opportunity to appear before this subcommittee, and I want to personally thank the subcommittee for all the support that it gives our men and women in uniform.

I will give a brief statement and then address the issue of the Air Guard matter as the Senators have limited time today.

First of all, from an overall department perspective, I want to thank Congress, this committee in particular. We have before the Congress a fiscal year 2009 request of $515.4 billion. That is a $35.9 billion increase or 7.5 percent increase over the enacted level for 2008. If you put that in inflation adjusted dollars, we're up about 5.4 percent over the prior year.

We believe this budget provides for a high state of readiness for additional ground force strength, which the committee has noted; for additional combat capabilities for our U.S. Armed Forces; and keeps us and our technology advancing to address future potential threats.

We continue to provide strong support for our Nation's military members and their families. The military construction budget, of course, is a big part of what is necessary in the quality of life area. As noted by the chairman, we're requesting $21.2 billion or an increase of 3.4 percent over the prior year for military construction. We are hoping to increase our end strengths by 92,000 soldiers and marines over the coming years. As the Senators have also noted, the BRAC funding that we requested is at its peak, about $9.1 billion, to implement the recommendations of 2005.

I again want to thank the committee and express appreciation for the support that we receive from the Congress as a whole.

There are two issues, sir, that I would like to address. One is we appreciate the ongoing efforts of the Congress to fully fund the BRAC amount for the 2008 period. We've had discussions with the House as well and we think that's moving quite well. Full funding is important for us to be able to make our deadlines.

PREPARED STATEMENT

Second, pursuant to our conversation yesterday, Mr. Chairman, I had a meeting with the Air Force Comptroller yesterday about the levels of funding for the Air Guard in particular and we're going to conduct an ongoing study. We want to take a look at the outyear funding, and I have submitted a copy of the letter, that I sent to him, to you.

I understand the concerns of the committee and I'll pay particular attention to that issue.

Mr. Chairman, I will submit the rest of my statement for the record.

[The statement follows:]

PREPARED STATEMENT OF TINA W. JONAS

Mr. Chairman, I just have a brief statement, and I will submit it for the record. Mr. Arny has a lengthier statement for the record as well, so I will keep it brief.

Mr. Chairman and members of the Committee, thank you for the opportunity to discuss the Military Construction component of President Bush's fiscal year 2009 budget request for the Department of Defense.

On behalf of the men and women of the Department—both Service members and civilians—I also want to thank the Committee for its continued support of America's Armed Forces. We look forward to working with you to ensure that our military men and women have everything they need to carry out their vital mission.

Mr. Chairman, the President's base budget for Defense is $515.4 billion in discretionary authority for fiscal year 2009. That is an increase of $35.9 billion or 7.5 percent over the enacted level for fiscal year 2008. Taking inflation into account, the real growth in this request is 5.4 percent. We are very pleased with that in the Department.

The base budget sustains the President's commitment to:

—Ensure a high state of readiness and ground force strength;
—Enhance the combat capabilities of the U.S. Armed Forces;
—Continue the development and implementation of capabilities to maintain U.S. superiority against future threats; and
—Continue the Department's strong support for Service members and their families.

The Military Construction portion of that request, which supports those strategic objectives, is $21.2 billion, an increase of $3.4 billion or 19 percent over the prior year. It funds the Department's most pressing priorities and facilities requirements, including new construction, replacement of troop housing, and facilities to support the increase of 92,000 soldiers and Marines over a 5-year period.

Also included in that amount is $9.1 billion to implement the recommendations of the 2005 Base Realignment and Closure Commission. This is the peak year for investment in BRAC, and these funds are critical if we are to successfully complete those projects by the deadline of 2011. We are also looking forward to reaping the savings from the anticipated BRAC, but we cannot realize those savings unless we are successful in Defense appropriations.

In addition to the $21.2 billion needed for facilities, the Department is also requesting $3.2 billion for family housing. This funding is vital for "quality of life" programs and will enable the Department to privatize an additional 12,324 units and to eliminate inadequate housing units overseas. The requested amount is approximately $300 million or just over 10 percent higher than the prior year. A big portion of that is for the Grow the Force initiative that we are pursuing.

So on behalf of the Department and the men and women of the Armed Services, I want to thank the committee for letting us appear here today, and I look forward to your questions.

Senator JOHNSON. Will be received. Mr. Arny.

STATEMENT OF WAYNE ARNY, DEPUTY UNDER SECRETARY OF DEFENSE, INSTALLATIONS AND ENVIRONMENT

Mr. ARNY. Thank you, Chairman, Ms. Hutchison, other distinguished members of the subcommittee. It's my pleasure to join Ms. Jonas, who I've known for many years, to appear before you on behalf of the department for our military construction budget.

I just have a couple short remarks, too, in terms of our budget. We are continuing to recalibrate our bases overseas and the United States through our global basing efforts and through our BRAC. As Ms. Jonas said, it's important for us on the BRAC issue that we receive the $939 million that was reduced last year in order for us to stay on track. We know that's an issue for you all and it is for us, and we'll work with you on that and work with all the committees to provide you whatever you need so that we can get that money back on track. Our folks are doing the best they can but they need those funds to keep the BRAC 2005 on track.

On recap and modernization and sustainment, we have a higher request in this year's budget than last. Our Housing and MILCON Programs are also higher than last year and the Navy in particular is leading the way on bachelor housing privatization.

All of these programs and others are discussed in greater length in my prepared statement.

I was also going to discuss with you the MILCON funding for Guard and Reserves. I think Ms. Jonas has covered that. We do review it. We believe, to the best of our knowledge, that the program is balanced from our total perspective. We at OSD do review it every year and we will continue to examine the specifics to make sure that all of the various branches of the services are covered.

As you've seen, our MILCON is up and also our BRAC MILCON is up $200 million from last year for the Guard and Reserve. A lot of that goes into the Reserve centers but that's up as well.

The last issue I'd like to discuss briefly is joint basing. It's been very important to us in BRAC 2005. One of the major efforts, other than reductions in moving folks around, was to introduce joint basing into the Department of Defense.

We had it in the Reserve side in kind of a cobbled together way. It was working out pretty well, but we had a number of major bases that were either very close to each other or were actually shared common borders and it just didn't make sense to do—for instance, at Lakehurst, McGuire Air Force Base, Lakehurst Naval Air Station, and Fort Dix, to have all three of those share common borders and yet have three different installation managements.

So part of BRAC 2005 was to do joint basing. Before I took over this—and we're on track. I am here to report that we are on track. Before I took over this position, the Deputy Secretary of Defense had issued the Joint Basing Implementation Guidance which was a big step in the right direction.

What that paper stated, the most controversial issue we had was when we joined the bases, would the supported base transfer real property and total obligational authority to the supporting command? To illustrate that, at the McGuire-Lakehurst-Dix, the Air Force is in the lead. So the Air Force is the supporting component. The Army and the Navy are the supported components.

When we fully implement joint basing, the Army and the Navy will transfer all of their real property to the Air Force. So from then on, the Air Force is responsible for maintaining the installations on all three bases. The Navy and the Army will transfer the TOA initially and from then on, the Air Force will budget for all of the maintenance and repair of those facilities and replacement. Okay?

Now, the one difference is if the Navy, which is mostly Naval Air Systems Command, the Navy decides to build a new catapult, that's mission, a new hangar, they decide to bring in a new mission to the Navy base, it will be their responsibility, if it requires new MILCON, say they need a new hangar, there's no hangar on the joint base that can accommodate them, so the three of them get together and decide, well, we need a new hangar, the MILCON for that hangar will be budgeted by the Navy, supported by the Navy, defended before you all. When it's passed and that hangar gets built, then that property will transfer to the Air Force and you can see, I can—you'll see if you look at the—we had 26 bases, I believe the number was. We've combined them down to 12 joint bases.

Guam is one of the big issues we have right now. Guam will be a joint base with the Navy lead and we have worked—when I took over in the middle of February, the Deputy Secretary made his decision on the joint basing guidance. We had working groups in place that had not been active for about a year. We began to meet on a weekly and sometimes more than weekly basis to implement that guidance.

I'm here to report that the guidance is out. We're having a joint basing conference up in Seattle at the end of June for Lewis McCord where Lewis is the—Fort Lewis is the lead and McCord Air Force Base is the follow-on. We're having a joint basing conference. We had a joint—we had a VTC to all the bases around the country, including Guam, put out the guidance. We have a phased schedule and initial IOCs are September of this year.

PREPARED STATEMENT

So we are on track, moving forward, and I myself am going to visit all the joint bases. We know we're going to get lots of questions from the field. We're keeping our working groups in place that have put all this together. We have some 200 different levels of measurement and to answer Senator Hutchison's question, we believe now firmly that joint basing will be in place and is working well.

So with that, the rest of our statement is in the record and we're prepared to answer your questions.

[The statement follows:]

PREPARED STATEMENT OF WAYNE ARNY

Chairman Johnson, Senator Hutchison, distinguished members of the subcommittee. I appreciate the opportunity to appear before you today to address the President's Budget request for fiscal year 2009 and to provide an overview of the approach of the Department of Defense to the management of the Nation's military installation assets.

Overview

Installations are the foundation of America's security—these assets must be available when and where needed, with the capabilities to support current and future mission requirements. As the enterprise managers of the defense installations portfolio, we recognize the importance of ensuring their capabilities are delivered—effectively and efficiently.

America's military installations, including their associated environment, must sustain the home station and forward presence of U.S. forces and support training and deployments to meet the Nation's defense needs. They must provide a productive, safe, and efficient workplace, and offer the best quality of life possible for our military members and their families, as well as the civilian and contractor workforce.

The President and the Secretary of Defense challenged the military to transform itself to meet current and future threats to America's security. In addition to leading-edge weapon systems, doctrinal innovation, and the employment of technology, this transformation also requires a similar change in our approach to the fundamental infrastructure business practices and to the infrastructure "backbone" of the Department of Defense.

The Office of the Deputy Under Secretary of Defense (Installations and Environment) is a focal point in this transformation by fostering the best management practices in our traditional areas and by extending these practices as our force and base structures evolve.

Global Defense Posture

Supporting the warfighter involves much more than episodic spurts of support during combat and other operational missions. Supporting the warfighter requires a long-term, day-to-day commitment to deliver quality training, modern and well-maintained weapons and equipment, a safe, secure and productive workplace, a healthy environment, and good living conditions for our members and their families. Our installations are the core of U.S. combat power—and our installation assets are an inseparable element of the Nation's military readiness and wartime effectiveness.

The fiscal year 2009 request continues the Department's efforts to strengthen foward U.S. military presence, including facilities, personnel, infrastructure, and equipment. The Department continues to realign U.S. global defense posture to better contend with post 9/11 security challenges by transforming overseas legacy forces, Cold War basing structures, and host-nation relationships into a flexible, forward network of access and capabilities with allies and partners. These efforts include:

—Continued force posture realignments within and from Central Europe which enable advanced training and lighter, more flexible ground force capabilities to support NATO's own transformation goals;

—Shifting our European posture South and East by transforming the 173rd Airborne Brigade in Italy and establishing a headquarters and infrastructure support for rotational presence in Romania and Bulgaria;

—Setting conditions for future realignments in the Pacific as part of U.S.-Japan force posture changes that will have far-reaching, beneficial impacts for the U.S.-Japan alliance;
—Continued consolidation and reduction of forces on the Korean peninsula to strengthen our overall military effectiveness for the combined defense of the Republic of Korea; and
—Developing basic infrastructure and capabilities for current and future operations in the U.S. Central Command area of responsibility and other war on terrorism operating regions.

Additionally, the fiscal year 2009 request supports new Departmental initiatives, including the establishment of U.S. Africa Command, as DOD's global defense posture plans evolve and mature.

The Department continues to maintain and strengthen host-nation partnerships supporting support for these posture changes. The fiscal year 2009 global defense posture projects ensure continued strengthening of forward capabilities for the Global War on Terror and other expeditionary non-traditional missions, commitment to alliance goals, and collective defense capabilities, and enhanced deterrent capabilities for addressing future security challenges.

Implementing Base Realignment and Closure (BRAC) 2005

As previously discussed to before this Committee, BRAC 2005 is the largest round of base closures and realignments undertaken by the Department. After an exhaustive examination of over 1,200 alternatives, the Secretary of Defense forwarded 222 recommendations to the BRAC Commission for its review. The Commission accepted about 65 percent without change and its resulting recommendations were approved by the President and forwarded to the Congress. The Congress expressed its support of these recommendations by not enacting a joint resolution of disapproval by November 9, 2005; therefore, the Department became legally obligated to close and realign all installations so recommended by the Commission in its report. These decisions affect over 800 locations across the Nation and include 24 major closures, 24 major realignments, and 765 lesser actions. The BRAC Act requires that the Department begin implementation of each recommendation within 2 years of the date the President transmitted the Commission's report to the Congress and complete implementation of all recommendations within 6 years of that date which is September 15, 2011.

Beyond the comparative size, it is important to note that BRAC 2005 is the most complex round ever. This complexity is not merely a function of its magnitude, but is, to the largest extent, a function of the original goal established for this round: that BRAC 2005 would focus on the reconfiguration of operational capacity to maximize war fighting capability and efficiency. Focusing on operational capacity requires that we appropriately assess the increased military capabilities we are achieving through these recommendations.

The BRAC program is substantial; it represents a $33.2 billion requirement over 2006–2011 and $4 billion in annual savings after full implementation (after fiscal year 2011). The Department originally estimated BRAC 2005 investment using the Cost of Base Realignment Actions (COBRA) model at $22.5 billion (adjusted for inflation) with Annual Recurring Savings of $4.4 billion. When compared to our current requirement there is a $10.7 billion or 48 percent increase in these costs.

There are a number of reasons for this increase, and even though the reasons have been discussed in previous hearings they deserve repeating. The "COBRA" model used in arriving at the original estimates is a tool for comparative analysis that ensures all installations were treated equally as required by the BRAC law. As an analytical tool it is dependent on the quality of the input, which is based on the known conditions at the time the recommendations were developed without the benefit of detailed site surveys and thorough planning charrettes. As such, resulting estimates were never intended to be budget quality.

As a consequence, the primary cost increase drivers were market driven military construction (MILCON) factors and Army specific investments. MILCON makes up approximately 70 percent of this BRAC program (compared to about 33 percent in previous BRAC rounds). Therefore, this round was particularly influenced by price growth in the construction industry. Given the significance of MILCON on this round's implementation, it is not surprising that 85 percent of the cost growth is associated with construction.

Equally significant was the Army leadership's decision to invest an additional $4 billion to recapitalize its total force, accommodate larger Army units and a growing force, and address the inflation addressed above. The Army leadership consciously chose to ensure that its troops had improved war fighting facilities such as training ranges, robust reserve component infrastructure, and quality of life facilities.

DOD also chose to make similar investments in other areas. For example, acting on the recommendations of the Independent Review Group that examined conditions at Walter Reed, the Department committed to accelerate the closure of Walter Reed. In addition, DOD leadership directed that the quality and scope of the new National Military Medical Center and the Fort Belvoir Community Hospital incorporate lessons learned from the current conflict. Investments in improvements, such as more single patient rooms and wounded warrior support infrastructure, increased costs. Similar cost growth has occurred for largely the same reasons in the San Antonio Military Medical Center.

Other DOD Components chose to recapitalize (build new) rather than renovate and expand existing facilities to accommodate mission change and incorporate lessons learned. For example, both the Missile Defense Agency and the National Geospatial Intelligence Agency determined that increased costs to build special compartmental intelligence facilities were worth the added investment to meet mission needs. The Army originally intended to use existing space at Fort Knox, KY for the co-location/consolidation of its military personnel and recruiting command with the Accessions and Cadet Command creating a Human Resources Center (HRC) of Excellence. The Army determined the increased cost to build a "new" HRC complex was more cost effective than renovating 1950's era facilities spread throughout the installation.

Finally, there were also increases in non-MILCON cost categories; such as environmental cleanup costs. Theses costs were not included in the original COBRA estimates by design. If clean up costs had been incorporated in COBRA, the process would have had an artificial bias to close only "clean" bases.

The Congress provided $7.2 billion to the Department in fiscal year 2008 to continue implementation of the BRAC recommendations, $939 million less than what the fiscal year 2008 President's Budget requested. This cut compounds the problems already created from delayed appropriations in the last 2 fiscal years. Delays and cuts adversely affect construction timelines because approximately 70 percent of the BRAC 2005 effort directly supports military construction. Delays in funding and the $939 million reduction present severe execution challenges and seriously jeopardize our ability to meet the statutory September 15, 2011 deadline. This will mean sacrificing savings that could have been achieved and delaying movement of operational missions.

If the $939 million reduction is not restored, or even if it is restored late in the process, we will have to work, very, very hard to meet the statutory deadline. The magnitude of the reduction requires careful evaluation to support allocating the reduced funding within the Department so that only those projects with the highest priority, as determined by their operational and/or business case effects, go forward on the schedule previously provided to Congress.

The $9.2 billion for BRAC 2005 implementation and $393.4 million for continuing environmental cleanup and caretaker costs at previous BRAC sites requested in the fiscal year 2009 President's Budget is approximately $1.1 billion more than the fiscal year 2008 President's Budget request. The $9.2 billion request represents full funding for BRAC 2005 implementation assuming the fiscal year 2008 reduction is restored.

As my predecessor previously testified, the Department recognized the challenges for this BRAC round and responded by initiating a process to develop Business Plans that establish the requisite actions, the timing of those actions, and the costs and savings associated with implementing each recommendation. The documentation of savings in Business Plans directly responds to the observations made by the U.S. Government Accountability Office in previous reports regarding the Department's BRAC implementation process. Additionally, the OSD Office of the General Counsel has been a key player in reviewing the Business Plans to ensure that they are legally sufficient and to verify that the Department is meeting its legal obligations.

During the past year of BRAC implementation, the Department has several significant efforts that are underway. Specifically the award of a $429 million (first increment) military construction project for the National Geo-Spatial Agency headquarters at Fort Belvoir, Virginia, and award of 17 military construction projects at Fort Bliss, Texas to support Army Global Rebasing, Transformation and BRAC. At Fort Sill, Oklahoma the military construction project supporting the establishment of the Net Fires Center that will improve training capabilities while eliminating excess capacity at institutional training installations is progressing. At Fort Bragg, North Carolina, two BRAC projects totaling $80 million were awarded and at Fort Riley, Kansas, there are 6 BRAC MILCON projects that support Global Rebasing currently on going. We continue to make great progress at Fort Lee, Virginia, with the award of the projects that will support the creation of a Combat Service Support

Center of Excellence and at Fort Benning, Georgia, with the consolidation of the Armor and Infantry schools. The Navy's largest BRAC 2005 operational action is to close Naval Air Station Brunswick, Maine and consolidate the East Coast maritime patrol operations in Jacksonville, Florida. The Navy awarded contracts for the final two increments to complete the contracting actions required to build a new hangar ($123 million) for the P–3 squadrons that will move to Jacksonville. When completed in fiscal year 2011, the Navy will have streamlined East Coast maritime patrol operations and expects to save over $100 million per year.

Assisting Communities

The Department, through the Office of Economic Adjustment (OEA) and the Defense Economic Adjustment Program (DEAP), continues to work with States and the more than 175 communities across the country impacted by the effects of BRAC 2005, Global Defense Posture Realignment (GDPR), Army Modularity, and "Grow the Force" actions.

To date, the Department has recognized Local Redevelopment Authorities (LRAs) for 110 BRAC sites, encompassing more than 47,000 acres of surplus property. These LRAs are expected to provide leadership and develop a redevelopment plan at each location. In some instances LRAs may also direct implementation of the redevelopment plan. The Department is assisting these LRAs as they conduct homeless outreach and seek to balance the needs of the communities in the vicinity of the installation for economic redevelopment and other development with the needs of the homeless as established by statute. Efforts to date have yielded completed redevelopment plans at 62 locations. Once completed, a redevelopment plan is to be included as part of an application to the U.S. Department of Housing and Urban Development (HUD) for that Department's review for compliance with the statute.

Following HUD's review, the Military Departments work closely with affected LRAs to tailor disposal actions that consider local circumstances. The Department has an array of legal authorities by which to transfer property on closed or realigned installations. These include public benefit transfers, economic development conveyances at cost and no cost, negotiated sales to State or local government, conservation conveyances, and public sales, and the Military Department's National Environmental Policy Act analyses give substantial deference to the LRA's redevelopment plan.

The Department has disposed of approximately 481,290 acres, or 95 percent of the real estate made available in prior BRAC rounds (1988, 1991, 1993, & 1995). Federal assistance to these locations has exceeded $1.9 billion to date, and local redevelopment efforts in turn have resulted in the creation of over 137,500 jobs, more than offsetting the 129,600 civilian jobs that were lost as a result of the BRAC actions.

In addition to those communities that are affected by the closure and downsizing of military installations, OEA is working with locations experiencing a growth of missions and/or personnel. These locations are in close dialogue with their local installations to understand the timing and scope of this growth and many are developing growth management plans for additional community services and facilities to ease the absorption of the new DOD associated population. OEA hosted a December 2007 "Growth Summit" in St. Louis, bringing more than 260 Summit participants from affected communities and their neighboring military installations, where mission growth is expected, together with cognizant Federal agencies. The Summit introduced communities and these Federal agencies to each other and provided an opportunity for participants to share their challenges, plans, and experiences regarding a variety of specific community growth issues including education, housing, transportation, workforce adjustment, infrastructure, healthcare, and compatible use/sustainability.

The challenge for many of these locations is to respond to a myriad of hard infrastructure (road, schools, houses, water and sewer) and soft infrastructure (public services, health care, child care, spousal employment) issues that directly bear on the quality of life for our warfighters, their dependents, and the homeowners, businesses, and workers in the surrounding communities. A primary concern is how to blend and apply local, State, and private resources to address local needs. Through this process, potential gaps in these civilian sources are emerging and OEA is working with each affected State and locale to understand these gaps and raise them with other Federal Agencies for consideration and action.

The ability to support States and communities affected by these DOD actions goes beyond the Department's capacities, resources, and authorities. Accordingly, the Department relies upon the Economic Adjustment Committee (EAC) to implement the Defense Economic Adjustment Program (DEAP) pursuant to Executive Order 12788 (as amended). The EAC is comprised of 22 Federal agencies to coordinate interagency and intergovernmental adjustment assistance and serve as a clearinghouse

for the exchange of information between Federal Government, State, and community officials involved in the resolution of economic adjustment concerns resulting from DOD actions. To help facilitate this exchange of information, OEA has begun a major initiative this fiscal year to develop an information portal to support the mission of the EAC. By providing all stakeholders with a shared understanding of planned drawdowns, increases, and other vital information, the EAC will be able to best facilitate cooperation among Federal, State, local and regional partners, in order to minimize confusion, delay, and sub-optimal progress.

In response to BRAC 2005, approximately $300 million in Federal grants, loans, and technical assistance has been was provided to date to assist State and local governments, businesses, and workers to date. Efforts under the auspices of the EAC are presently concentrated on worker assistance, education and transportation support for "growth" communities, public benefit property conveyance issues, and economic development assistance. For example, senior Defense and Education officials have already visited some growth locations to better understand the issues associated with changes in school age dependent student enrollment and to develop an understanding of responses necessary to assist local education efforts to adjust to these changes.

Managing Infrastructure

Along with continued improvement in business practices, the Department is focused on improving the quality of military installations as evidenced by the emphasis on more accurate Quality Ratings, which are currently being collected by the Military Departments. Managing DOD real property assets is an integral part of comprehensive asset management. The Department currently manages over 545,000 facilities on approximately 30 million acres of land.

The Department's Real Property Asset Management plan, recently published in the form of the 2007 Defense Installations Strategic Plan, directly supports the President's Management Agenda by identifying specific goals and objectives to improve the fidelity of inventory reporting and tracking the metrics designed to monitor improvement progress. This plan also focuses on improved asset management planning, inventory submission and performance measure data, and the disposal of unneeded assets. The Department's progress in meeting these goals is monitored and reported quarterly through the President's Management Agenda scorecard. As part of the Federal Real Property Council's government-wide initiatives to improve real property inventory reporting, the Department continues to provide inventory and performance data to the Federal Real Property Profile annually.

One of the primary tools contributing to the improvement of data integrity has been the implementation of DOD's Real Property Inventory Requirements document. This document refines the quality of data collected by improving the specificity of the data elements requested for submission and by standardizing the data elements collected among the Military Departments. Our annual data collection process is currently undergoing a significant upgrade with the development of a net-centric data warehouse that will soon directly interface with the Military Department's native real property inventories and eliminate the old painstaking manual data collection processes that had a high potential for unintended errors.

Facilities sustainment is a key element of our approach to maintaining our real property. Sustainment represents the funds for necessary maintenance and for the major repairs or replacement of facility components that are expected to be made periodically throughout the life cycle. Sustainment prevents deterioration, maintains safety, and preserves performance over the life of a facility. It has been and continues to be the top priority in the Department's facilities strategy. To forecast sustainment funding requirements, DOD developed the Facilities Sustainment Model several years ago using standard benchmarks for sustainment unit costs by facility type (such as cost per square foot of barracks) drawn from the private and public sector sources. The cost factors used to establish those benchmarks are updated on a regular basis. Our Department-wide, long-term goal continues to be full sustainment of our facilities to optimize our investment and ensure readiness. As a reflection of the importance of facilities sustainment to the overall health of our inventory, the fiscal year 2009 budget request reflects an increase in the Department-wide sustainment funding rate from 88 percent in the fiscal year 2008 budget request to 90 percent, which equates to a $796 million increase.

SUSTAINMENT AND RECAPITALIZATION REQUEST

[President's budget in millions of dollars]

	Fiscal year 2008 request	Fiscal year 2009 request
Sustainment (O&M-like) [1]	6,686	7,482
Restoration and Modernization (O&M-like plus) [1]	1193	1,780
Restoration and Modernization (Military Construction)	5, 908	8,102
TOTAL SRM	13,787	17,364

[1] Includes Operations and Maintenance (O&M) as well as related military personnel, host nation, and working capital funds and other appropriations such as Research, Development, Test and Evaluation (RDT&E)

Another key element of our stewardship is recapitalization. Recapitalization includes restoration and modernization, using the resources necessary for improving facilities. It is the second element of the Department's facilities strategy. Recapitalization is funded primarily with either Operations and Maintenance or Military Construction appropriations. Restoration includes repair and replacement work to restore facilities damaged by inadequate sustainment, excessive age, natural disaster, fire, accident, or other causes. Modernization includes alteration of facilities solely to implement new or higher standards, to accommodate new functions, or to replace building components that typically last more than 50 years. Our DOD goal has been to achieve a recapitalization rate of 67 years, and the fiscal year 2009 budget request exceeds that goal by funding recapitalization at a rate of 56 years. This is an improvement over the rate of 76 years achieved in the fiscal year 2008 budget, and is due, in part, to the impact of BRAC and Global Basing. The fiscal year 2009 budget request increased by $2.781 billion from the fiscal year 2008 budget request for recapitalization.

We are in the process of refining the way that we measure our investment in recapitalization, and will no longer be measuring a rate in years. The new method, which will be implemented in fiscal year 2010, will focus on the modernization of the inventory of existing facilities, and will be tailored to the actual inventory of facilities within each Military Department.

The Department remains committed to maintaining a rate of investment in facilities recapitalization that will improve, modernize, and restore existing facilities while at the same time replacing facilities in support of efforts to reshape and realign infrastructure. However, as the Department consolidates and reshapes its infrastructure, it will also experience localized growth in the size of the facilities footprint. This is necessary to provide the quality and quantity of facilities and assets necessary to support military personnel and their families. These efforts include facilities to support Army Transformation, Army and Marine Corps Grow-The-Force initiatives, and bed-down of new weapons systems, such as F–22 and the Joint Strike Fighter.

Elimination of excess and obsolete facilities in the inventory, an effort separate and distinct from the BRAC process, continues to be another key element of the Department's asset management plan. The Military Departments continue to maintain and execute robust disposal and demolition programs in order to reduce overall operating costs associated with facilities sustainment and installation support, improve the overall safety and aesthetics of our installations, and ensure that only essential infrastructure is retained in the inventory. In July 2007, the Military Services and selected Defense Agencies updated their disposal targets, and our goal now is to eliminate over 60 million square feet of facilities and additional excess infrastructure by the year 2013. But there is much more work to be done.

We are continuing our efforts to forecast our disposals more accurately, to capture that information in the real property inventory, and to assess the impact of disposals on the entire inventory of facilities more accurately. We are doing this by assessing the net result of a comparison of the value of infrastructure removed from the inventory with the value of infrastructure added to the inventory. This will contribute to a more accurate view of the level of recapitalization of our global inventory of facilities.

The fiscal year 2009 budget request includes $7.72 billion for Facilities Operations, formerly referred to as "Real Property Services." This program provides the municipal services on our installations, such as utilities, fire protection, custodial services, grounds maintenance, and other related functions. To forecast Facilities Operations requirements, DOD developed the Facilities Operations Model using commercial and public sector benchmarks to determine the funding requirements for the essential services at our installations.

We continue to make progress in defining common standards and levels of support for a variety of services provided on our installations. We are in the process of realigning the manner in which we track individual services so that we can more effectively determine the budget requirements for those services that are essential to the health, welfare, and quality of life of the service members, families and civilian employees who live and work on our installations. The processes that are being developed are included in our implementation of the BRAC 2005 Joint Basing recommendation. We have made considerable progress in that area and are on track to meet the statutory deadline for the establishment of joint bases. The initial implementation guidance for the joint bases was recently issued, and the specific details for implementing this BRAC recommendation and achieving its benefits are well underway.

The Military Construction appropriation is a significant source of facilities investment funding. The fiscal year 2009 Defense Military Construction and Family Housing Appropriation request totals $24.4 billion, which is an increase of $3.235 billion from the fiscal year 2008 budget request. This funding will enable the Department to respond to warfighter requirements rapidly, enhance mission readiness, and provide for its people. In addition to new construction needed to bed-down forces returning from overseas bases, this funding is used to restore and modernize enduring facilities, while eliminating those that are excess or obsolete. A large part of the increase in the Military Construction requirements ($1.86 billion) supports the President's Grow-the-Force initiative, projects needed to support the realignment of forces, projects to improve and update facilities used by the Guard and Reserves forces, and facility projects needed to take care of our people and their families, such as family and bachelor housing, Wounded Warrior housing, and child development centers.

COMPARISON OF MILITARY CONSTRUCTION AND FAMILY HOUSING REQUESTS

[President Budget in Millions of Dollars—Budget Authority]

	Fiscal year 2008 request	Fiscal year 2009 request
Military Construction	9,480	11,283
NATO Security Investment Program	201	241
Base Realignment and Closure IV	220	393
Base Realignment and Closure 2005	8,174	9,065
Family Housing Construction/Improvements	1,080	1,457
Family Housing Operations & Maintenance	1,851	1,741
Chemical Demilitarization	86	134
Family Housing Improvement Fund	0.5	1
Energy Conservation Investment Program	70	80
Homeowners Assistance		5
TOTAL	21,165	24,400

In January 2006, the Department joined 16 other Federal agencies in signing a Memorandum of Understanding (MOU) for Federal Leadership in High Performance and Sustainable Buildings. The guiding principles of sustainable design defined in the MOU are to employ integrated design principles, optimize energy performance, protect and conserve water, enhance indoor environmental quality, and reduce environmental impact of materials. The Department is committed to incorporate sustainable design principles through a comprehensive approach to infrastructure management. We are pursuing Leadership in Energy and Environmental Design (LEED) Silver as a goal for nearly 70 percent of the fiscal year 2009 Military Construction Program. In addition, the Department is working to assess and address existing facilities' sustainable practices.

Improving Quality of Life

Access to quality, affordable housing is a key quality-of-life factor affecting service member recruitment, retention, morale, and readiness. Through privatization and increases in housing allowances, DOD has made great strides in increasing service members housing choices. Privatization allows for rapid demolition, replacement, or renovation of inadequate units and for the sale without replacement of inadequate units no longer needed. Privatization enables DOD to make use of a variety of private sector approaches to build and renovate military housing faster and at a lower cost to American taxpayers.

To date, the military Services have leveraged DOD housing dollars by 12 to 1, with $2 billion in Federal investments generating $24 billion in housing development at privatized installations. The fiscal year 2009 budget request includes $3.2 billion, an increase of $300 million above the fiscal year 2008 enacted level, which will construct new family housing to accommodate Grow the Force, improve existing housing, eliminate inadequate housing overseas, operate and maintain government-owned housing, and fund the privatization of 12,324 additional homes.

The housing privatization program was created to address the oftentimes poor condition of DOD-owned housing and the shortage of affordable private housing of adequate quality for military service members and their families. Privatization allows the military services to partner with the private sector to generate housing built to market standards for less money and frequently better quality than through the military construction process. Additionally, and almost of greater importance, the projects include 50 years of maintenance and replacement where necessary. Although nearly all projects have been awarded, we are still in the early stages of the program since the housing will be privately owned for 50 years. With privatization deal structures and an income stream in place, full revitalization will be completed within a ten-year development period.

As of the end of 2007 through the privatization program, and some military construction projects, we have privatized over 80 percent of the domestic inventory. Additionally, DOD has eliminated 92 percent of inadequate family housing units in the Continental United States and territories (CONUS) including all inadequate units for the Army, Navy, and Marine Corps. While there are some remaining inadequate Air Force units, these are being addressed in fiscal year 2008. Inadequate units are considered to be eliminated when they are conveyed to the private owner, who then revitalizes the housing.

Tenant satisfaction is high, particularly for revitalized and newly constructed housing. Given DOD's objective of improving quality of life for its service members, the degree of satisfaction service personnel experience in privatized housing units is a critical indicator of overall program success. Since DOD provides military families with Basic Allowance for Housing (BAH) at privatized bases, a military family's decision to live in privatized housing is a significant measure of satisfaction. The occupancy rate of nearly 90 percent program-wide demonstrates the overall success of the program in providing suitable housing.

A number of installations face changes and challenges as military family housing requirements expand and contract due to Base Realignment and Closure (BRAC) restructuring, global re-posturing, joint basing, or Grow the Force requirements. While some installations may find they have a surplus of housing as a result of these changes, others may experience a deficit. However, even as needs for military family housing may change, ensuring that our service members and their families have access to safe, desirable, and affordable housing will remain constant. The Services continue to evaluate installation housing requirements and the opportunities to meet additional housing needs through privatization continue to expand.

Under the Military Housing Privatization Initiative (MHPI), private sector developers and lenders develop, maintain, and operate the privatized housing and resolve issues when they arise. Market forces drive contractor performance and the primary enforcement mechanism is the ability of the military members to choose where to live. If a housing project is not meeting performance expectations, lenders have the option, with the approval of the Department, to replace the owner with a more viable entity. One developer, American Eagle, currently owns five projects and is experiencing financial difficulties. American Eagle was the general partner or owner of six MHPI projects, including one Navy project, one Army project, and four Air Force projects. The company sold its Navy project in late 2007 and is in the process of selling its remaining five projects. The Army project, at Fort Leonard Wood, Missouri, is stable and in the process of being sold to another developer. American Eagle continues to fund maintenance of the existing inventory of homes for the four Air Force projects. The Air Force is maintaining constant dialogue with the projects' owner and bondholders while American Eagle pursues the transfer to another developer. The Department recently conducted an assessment of the overall financial condition of DOD housing privatization owners. This assessment shows that with the 87 awarded MHPI projects involving over 173,000 units, the likelihood of developers experiencing financial stress is low across the board.

The fiscal year 2009 budget request includes funding to eliminate inadequate family housing outside the United States. The budget request reflects a military construction cost of $125 million for the Army to construct 216 family housing units in Korea as an alternative to the build-to-lease effort.

The Department is also committed to improving housing for our unaccompanied Service members. DOD continues to encourage the modernization of Unaccompanied

Personnel Housing (UPH) to improve privacy and provide greater amenities. In December 2007, the Navy executed its second Unaccompanied Housing privatization pilot project. The Hampton Roads, Virginia, unaccompanied housing project will construct 1,187 new apartment units and privatizes 726 existing unaccompanied housing units at Naval Station Norfolk. Navy pilot projects, enabled by use of partial allowance, have successfully improved the quality of life of unaccompanied personnel. The Department is now considering future uses of this methodology.

In fiscal year 2007, the Army added bachelor officer quarters and senior enlisted bachelor quarters to its existing privatization projects at Fort Bragg, North Carolina; Fort Stewart, Georgia; Fort Drum, New York; Fort Bliss, Texas/White Sands Missile Range, New Mexico, and Fort Irwin, California. In fiscal year 2008, the Army will complete and begin implementing a Lodging Development Management Plan covering the 13 installations that are part of the Privatization of Army Lodging program Group A.

Energy Management

The Department continues to aggressively implement energy conservation measures and avoid associated costs while improving utility system reliability and safety. To that end, the Department developed comprehensive policy guidance incorporating the provisions and goals of Executive Order 13423, Strengthening Federal Environmental, Energy, and Transportation Management which the President signed on January 24, 2007. This policy guidance will continue to optimize utility management by conserving energy and water usage, and improving energy flexibility by taking advantage of restructured energy commodity markets when opportunities present themselves. Requirements of the recently passed Energy Independence and Security Act of 2007 will be incorporated as Federal guidance is developed. The Department is in the process of developing implementation guidance.

The Department's efforts to conserve energy are paying off. DOD is the largest single energy consumer in the Nation and consumed $3.4 billion in facility energy in fiscal year 2007, a modest but significant savings of $80 million from fiscal year 2006. DOD facility energy consumption intensity is down more than 10 percent from the 2003 baseline, and non-tactical vehicle petroleum consumption has dropped 5.4 percent since fiscal year 2005. Our program includes investments in cost-effective renewable energy sources or energy efficient construction designs and aggregating bargaining power among regions and the Services to achieve more effective buying power.

DOD has significantly increased its focus on purchasing renewable energy and developing resources on military installations. Renewable energy projects are consistently more expensive than similar conventional energy sources, resulting in limited opportunities that are life cycle cost effective, so innovative strategies have been employed, such as the power purchase agreement resulting in 14 megawatts of solar electrical production at Nellis Air Force Base, Nevada. The Department has increased the use of Energy Conservation Investment Program (ECIP) funds for renewable energy projects from $5 million in fiscal year 2003 to $28.2 million planned in fiscal year 2008, and plans call for ECIP to increase $10 million per year, up to $120 million in fiscal year 2013, and renewable energy projects will continue to be a high priority. The Department exceeded the Energy Policy Act (EPAct) 2005 renewable energy goal of 2.5 percent in fiscal year 2007, reaching 5.5 percent of facilities electrical consumption under the Department of Energy accounting guidelines. In 2005, DOD set a goal to reach 25 percent renewable energy procured or produced by fiscal year 2025 and Congress placed this goal in the National Defense Authorization Act 2007. I am pleased to say that the Department reached 11.9 percent renewable energy procured and produced for fiscal year 2007, placing it well on track to achieve the goal. While EPAct 2005 did not articulate a specific water reduction goal, Executive Order 13423 includes a goal of a 2 percent water reduction per year. The Department began tracking water consumption in fiscal year 2002. By fiscal year 2007, DOD has reduced water consumption intensity by an impressive 25 percent and total water consumption by 27 percent or 43.8 million gallons per year. While we will continue to strive to exceed the requirements, our prior achievement has served to set the baseline low, so continuing the trend will be a challenge.

Environmental Management

The Department continues to demonstrate leadership in protecting and conserving the natural resources on the approximately 30 million acres entrusted to it. Through our environmental management programs we are integrating environmental sustainability into all aspects of the day-to-day operations of the Department, helping us to achieve our goals for pollution prevention, cleanup, and conservation. Over the last ten years, the Department has invested almost $42 billion to ensure the success

of our environmental programs, and the fiscal year 2009 budget request of $4.3 billion will sustain our environmental progress in support of the warfighter.

Executive Order 13423, "Strengthening Federal Environmental, Energy, and Transportation Management", directed Federal agencies to "lead by example in advancing our Nation's energy security and environmental performance." Since signature of the Executive Order last January, the Department has established an Executive Steering Committee of senior officials from across the Department to develop the long-term strategic goals necessary to implement this order. These goals and supporting policies will integrate and strengthen our existing environmental, energy, and transportation programs to improve our management of toxic and hazardous chemicals, further enhance management of our natural resources, encourage sustainable development, and improve the management of energy use.

Our ability to link the natural and built infrastructure with national security and readiness enables the Department to integrate environmental sustainability into all aspects of military operations—from design to disposal. Our Natural Infrastructure Management (NIM) initiative provides a framework for identifying and managing the Department's natural assets—air, land and water—together with operational or mission requirements, so that the Department can predict current and future natural infrastructure needs and investment needed to sustain those assets. The Department piloted a NIM prototype at representative installations in 2005 and 2006, and is now developing policy and guidance to ensure that natural infrastructure assets are recognized and leveraged effectively to support current and future mission capability.

The Department uses Integrated Natural Resource Management Plans (INRMPs), critical habitat designations have been avoided at 35 installations. That, coupled with our conservation efforts to protect species at risk and common species before they become rare, provides the Department more flexibility in its mission activities.

The Department conducts environmental cleanup or restoration in cooperation with Federal and State agencies due to past use of hazardous substances, pollutants, contaminants, and military munitions on areas of active and former installations. The Department prioritizes resources for Installation Restoration Program (IRP) sites to address past releases of hazardous substances, pollutants, and contaminants, and Military Munitions Response Program (MMRP) sites to address hazards associated with unexploded ordnance and discarded military munitions on a "worst first" basis. By the end of fiscal year 2007, the Department had completed cleanup at 69 percent or 21,600 of the 31,500 IRP and MMRP sites. For IRP, the Department achieved a remedy in place (RIP) or response complete (RC) at 89 percent of active installation sites, 68 percent of sites at Formerly Used Defense Sites (FUDS), and 85 percent of sites on installations closed or realigned in the first four rounds of BRAC and BRAC 2005. For MMRP, the Department has fulfilled its cleanup obligations at over 53 percent of BRAC installation sites, and 24 percent of the sites at FUDS, with the remaining MMRP, as well as IRP, sites either undergoing cleanup actions or investigations.

Employing a strategy that goes beyond mere compliance with environmental laws and regulations, the Department is transforming our business practices by integrating environment into our acquisition process, maintaining a high level of environmental quality in defense activities, and preventing pollution at its source. From fiscal year 2000 through 2007 there was a 23 percent reduction in the number of new Federal and State enforcement actions received despite an 8 percent increase in the number of regulatory inspections. For January through June 2007, the latest information available, installations achieved a 95 percent compliance rate with wastewater treatment permits, and 98 percent of the 3.6 million customers served by DOD drinking water systems received drinking water that met or exceeded Safe Drinking Water Act standards, which compares favorably with the Environmental Protection Agency's goal of 95 percent. Using an integrated approach that enhances waste reduction and optimizes solid waste reduction, in 2007 the Department diverted almost 3.5 million tons or 60 percent of our solid waste from landfills avoiding approximately $180 million in landfill costs, and reducing hazardous waste disposal by 20 percent compared to 1999. The Department is also effectively managing air quality, reducing hazardous air pollutant emissions at our installations by 728 tons in 2006. To further reduce waste and resource consumption, in 2004 the Department established a Green Procurement Program (GPP), which encourages Components to buy recycled, recovered, and bio-based products whenever feasible. Through the GPP, the Department has become the leader in green procurement, and we continue to make further improvements to GPP, most recently issuing policy direction in December 2007 requiring DOD contracting officers to use a contract provision giving preference to biobased products. Through GPP and all other environ-

mental programs we will ensure a more secure and sustainable future for the environment and our Armed Forces.

Emerging Contaminants

Our experiences with the mission and environmental consequences associated with perchlorate, ozone depleting substances, and other chemicals with evolving regulatory standards indicate a need to establish a proactive program to make earlier, better-informed, enterprise-wide risk management decisions regarding these emerging contaminants (EC). This new program is already helping us better protect human health and the environment, and enhance military readiness. Simply put, the EC program identifies risks early in the process, before regulatory actions take place or materials become unavailable, thus protecting our people, assets, and mission.

Within the EC program we have established a three-tiered process to (1) identify and inform DOD decision-makers early, (2) assess the impacts of evolving science and the potential risks to human health and DOD's mission implied by that science, and (3) develop appropriate risk management options for DOD program managers. Twenty EC impact assessments have been completed in the past 18 months for chemicals that include explosives, fuel constituents, corrosion preventatives, firefighting foams, and industrial degreasers. Examples of risk management options resulting from these assessments include conducting research to fill basic science gaps, improving material handling and personal protection practices, developing new or improved remediation technologies, and developing less toxic substitute materials or processes. One of the major thrusts of the program is to work closely with the DOD industrial base to conduct life-cycle analyses regarding less toxic alternative chemicals for use in weapons platforms, systems and equipment.

Because of the many national policy issues related to ECs, we are working with a variety of external stakeholders, including a number of Federal and State regulatory agencies, industry, academia, and professional organizations. As an example, we formed an EC working group with the Environmental Protection Agency and the Environmental Council of States. That working group has four consensus work products aimed at resolving issues and clarifying policies and practices involving ECs—all in various stages of completion.

Our experience with Perchlorate is particularly instructive. Perchlorate has been used by DOD since the 1940s as an oxidizer in explosives, pyrotechnics, rocket fuel, and missiles. Its high ignition temperature, controllable burn rate, and stable chemical characteristics reduce handling and storage risks and the likelihood of unexpected detonations which makes it among the safest and least expensive explosive we use. DOD was quickly blamed for perchlorate found in drinking water supplies in over 34 States.

DOD has acted responsibly as the science and understanding of perchlorate has evolved—including sampling, cleanup activities, and $114 million in research focused on perchlorate treatment technologies, substitutions, and analytical techniques. To ascertain our responsibility for perchlorate releases and public exposure, DOD issued clear policy in 2006 requiring sampling and compliance with applicable Federal and State standards. The latest round of DOD-wide sampling data shows that we are taking appropriate response actions and that DOD installations, overall, do not appear to be a significant source of perchlorate contamination in the Nation's drinking water. In California, where perchlorate has been a particular concern, our joint review with the State has found that of the 924 current and formerly used Defense sites, 99 percent do not appear to pose a current threat to drinking water. The remaining 1 percent has some confirmation sampling underway or the assessments are still being reviewed by Californian regulatory agencies.

DOD also demonstrated that the sources of widespread, low levels of perchlorate exposure are complex. For example, we now know that annual imports of perchlorate in fireworks alone exceed the amount of perchlorate annually purchased by DOD. Road flares may also be a significant source of groundwater contamination. Other DOD investments are paying dividends—we have found suitable substitutes for a number of military pyrotechnics and research for other applications is ongoing. DOD can now differentiate natural from manmade sources of perchlorate and is working on refining this technique to distinguish the different manmade sources to ensure that DOD only pays for clean up for which it is responsible.

Sustaining the Warfighter

Our Nation's warfighters require the best training and the best equipment available. This means sustaining our vital range and installation infrastructure where we test equipment and conduct training. Incompatible land use in the vicinity of DOD installations and ranges continues to challenge sustainability. The unintended

consequences of this encroachment upon our ranges and installations are varied and include such challenges as more noise complaints from new neighbors, complaints about smoke and dust, diminished usable airspace due to new structures or increased civil aviation, a loss of habitat for endangered species, and a compromised ability to test and train with the frequency needed in time of war.

History and experience gained over decades demonstrate that realistic and proper training of U.S. troops will result in victory. Assured access to operational ranges is the only way to continue that training. In 2001 the Department undertook the Readiness and Range Preservation Initiative to achieve a balance between national defense and environmental policies. As a result, DOD is successfully balancing environmental statutory and regulatory requirements with our national defense mission requirements.

In 2002, the Congress provided statutory authority to use Operations and Maintenance (O&M) funds to create buffers around our ranges and installations. Using this authority the Department established the Readiness and Environmental Protection Initiative, or REPI, and has worked with willing partners to cost-share land conservation solutions that benefit military readiness and preserve natural habitat. In fiscal year 2005, REPI leveraged $12.5 million of O&M funding to secure $58 million worth of buffer land and easements, encompassing 14,688 acres at seven installations. In fiscal year 2006, REPI leveraged $37 million of O&M funding to secure $71 million worth of buffer land and easements, encompassing 18,833 acres. The fiscal year 2006 acreage will increase pending the completion of some unfinished projects. The 2007 and 2008 projects will continue to leverage REPI funds against partner contributions. REPI and partner funding has allowed DOD to protect the Navy's one-of-a-kind La Posta Mountain Warfare Training Facility in California; to keep training areas open at Marine Corps Base Camp Lejeune, North Carolina; and buffer live-fire training ranges at Fort Carson, Colorado; just to name a few projects. Overall in fiscal year 2007, REPI initiated 26 projects in 17 States, and for fiscal year 2008 an additional 46 projects have been identified for funding. For fiscal year 2008 the Congress appropriated $46 million for REPI. The President's Budget request for fiscal year 2009 for REPI is $40 million.

After several years of implementing REPI projects, the Department of Defense asked the RAND Corporation to assess the program's effectiveness. In 2007, RAND issued its report, titled The Thin Green Line: An Assessment of DOD's Readiness and Environmental Protection Initiative to Buffer Installation Encroachment. The report found that REPI projects were beneficial to the military, to the environment, and they improved the quality of life in communities where the projects were located. REPI projects are providing land buffers around military installations and ranges, and have been proven effective in relieving military training and testing activities from encroachment pressures.

The RAND report shows that REPI projects have had a wide range of environmental benefits; including helping to preserve habitat, biodiversity and threatened and endangered species; protecting wildlife corridors; and helping with water quality and supply concerns. REPI's benefits not only help buffer military activities and enhance Department of Defense environmental programs; they also improve the military installation's reputation with surrounding communities. For example, according to the RAND report, REPI has also affected the quality of life around Fort Carson by protecting large open spaces. Similarly, REPI projects such as the ones near Naval Air Station Fallon in Nevada can also help preserve the local agricultural way of life.

Many of the issues that concern the Department of Defense are also of mutual concern to other Federal agencies and State governments. These issues cross administrative boundaries and occur at the regional scale. The Department of Defense is working in partnership at the regional level with State governments and Federal agencies to facilitate dialogue and to address issues of mutual concern. These partnerships are proving essential to sustaining our ranges and installations. For example, the Department of Defense continues to work with State governments and other Federal agencies in the Southeast Regional Partnership for Planning and Sustainability—or SERPPAS. The States of Alabama, Florida, Georgia, North Carolina, and South Carolina are engaged with the Department of Defense and other Federal agencies in this important regional scale initiative. Through the SERPPAS process, the partners are promoting better planning related to growth, the preservation of open space, and the protection of the region's military installations.

In 2007, DOD continued to work closely with other Federal agencies to sustain military readiness. On energy issues, the Department of Defense continues to work with other Federal agencies to ensure that wind farm projects and energy transmission corridors are compatible with military readiness activities. The Department also continues to work with the Department of Homeland Security to ensure that

our military readiness activities and infrastructure in border regions are not impacted by new security measures. Outreach to non-Federal and non-governmental organizations continues to be a significant part of the Department's sustainability program, and today we are working with State, county, and local governments, Tribal, and environmental groups on issues of mutual concern to seek win-win solutions. Overseas, DOD continues to develop mission sustainment procedures to work with our host nations Global Defense Posture partners. To sustain today's warfighters, and our Nation's future warfighters, the Department of Defense will continue its engagement and partnering efforts.

Safety and Health Risk Management

A significant responsibility of Installations and Environment is oversight of occupational safety and health. Secretary Gates has challenged us to reduce preventable accidents and this has driven real improvements. Over the last year, the Department experienced an overall improvement in its safety and health performance.

For civilian employees, we are meeting the President's goals in the Safety, Health and Return-to-Employment (SHARE) initiative by decreasing our lost time injury rate by 5 percent. We plan to continue to improve by increasing the number of installations participating in OSHA's Voluntary Protection Program. This program engages every person-commanders, middle managers, employees, and military members—in changing attitudes toward accident prevention.

For motor vehicle safety, motor vehicle crashes—both in military operations and on U.S. highways—continue to be the number one cause of military fatalities outside of direct combat. We continue to work with tactical vehicle developers to provide safer vehicles for combat operations, and work with the Services and Combatant Commands to improve operating doctrine for using the vehicles in a manner that minimizes crashes. The greatest risk to our soldiers returning from Iraq is being the victim of a crash on U.S. highways. The Military Services recognize this challenge, and have aggressive programs to reorient soldiers back to safe driving habits in the United States. While our highway crash experiences are very similar to the general public, we still work to prevent each of these losses. Every fatality still means that one of our Nation's sons or daughters has been needlessly lost.

For aviation safety, we have made long-term progress in reducing aviation accidents, reducing the overall rate of Class A accidents by 20 percent since fiscal year 2002. The Military Services continue to improve aircraft technology to provide our pilots with more capable and safer aircraft, and to improve training and information needed for improved pilot performance. Strategic improvements in aviation safety will be supported through our partnership on the Next Generation Air Transport System (NextGen) Joint Planning and Development Office.

Future improvements in DOD Safety and Health performance will be guided by our principles of applying management systems for continuous improvement, and engaging all of the risk decision makers in improve awareness and attitudes toward reducing risk.

Integrating Business Enterprises

We have made significant and tangible progress implementing the core capabilities of the Real Property Accountability (RPA) business enterprise priority. This effort spans all Components, applying best business practices and modern asset management techniques to provide the warfighter access to secure, reliable information on real property assets and environment, safety, and occupational health sustainability. RPA is one of the six overall DOD business enterprise priorities articulated in the DOD Enterprise Transition Plan, which is the Department's roadmap for the improvement of critical business operations. As DUSD(I&E), I am the lead in the Department for ensuring that RPA stays on schedule.

RPA is aligning end-to-end business processes and enhancing management visibility into operations by establishing and integrating common processes and data standards, redefining defense business in terms of functions managed and customers served rather than who performs the task.

RPA correlates directly to the Under Secretary of Defense (Acquisition, Technology, and Logistics) goal of "Capable, Efficient, and Cost Effective Installations" and will help us to improve installation planning and operations by embracing best business practices and modern asset management techniques. The RPA initiatives have already improved awareness of the importance of accurate inventories, optimized resources, and enhanced access to real property information.

The groundwork for RPA is nearly complete. Over the past few years, the Department has developed enterprise-wide capabilities for real property accountability and visibility, environmental liabilities accountability and valuation, and hazardous materials operational controls. These capabilities are founded on requirements for a

common business process model, standard data elements and data definitions, business rules, and recommendations for policy changes. The Components are fine-tuning and implementing plans to fully integrate these requirements into their operating environments.

Another key accomplishment in this area was the establishment of the Real Property Unique Identifier Registry which reached full operational capability for assigning real property unique asset identifiers in December 2007. An initial step forward into a federated location construct, the registry will provide authoritative physical location information for DOD real property to communities outside of the real property and installations management core business mission. Other successes over the past year include:

—Assignment of unique identifiers to all DOD's real property assets to provide more granular physical location data for DOD's legal interests in all user communities. Current accurate location information provides enhanced access to essential data for strategic decisions, increasing accountability, and reducing costs.

—Incorporation of fundamental geospatial standards in the Business Enterprise Architecture, the Department's business information infrastructure. Utilization of these standards provide a common set of mapping information and tools which enhance geospatial visualization capabilities while avoiding redundant acquisition of geospatial resources across the Department.

—Real property inventory tools and procedures have been developed, and we have made progress towards implementing and maintaining consistent, accurate, and complete information on the real property portfolio across the Department.

—Initial operating capability for the Hazardous Material Master Data Capability, a year ahead of schedule, which placed the chemical and regulatory data essential for safe and effective handling of hazardous materials in a production environment. In partnership with the Defense Logistics Agency, we will improve the availability of accurate, authoritative hazard data while eliminating redundant data purchases, entry, and maintenance burden across the Department.

Over the past few years, the Department has developed enterprise wide capabilities for real property accountability and visibility, environmental liabilities accountability and valuation, and hazardous materials operational controls. Accurate and timely data is fundamental to effective management of assets, and ultimately to military success.

Conclusion

In closing, Mr. Chairman, I sincerely thank you for this opportunity to highlight the Department's successes and outline its plans for the future. To meet the ever changing warfighting landscape our military must be flexible and responsive and our installations must adapt, reconfigured, and be managed to maximize that flexibility and responsiveness. I appreciate your continued support and I look forward to working with you as we transform these plans into actions.

Senator JOHNSON. Thank you, Mr. Arny. I suggest we will have 7 minute rounds of questions.

Secretary Jonas, I would first like to thank you for your very prompt response to the concerns I mentioned to you yesterday regarding the level of military construction funding in the 2009 budget request for the Guard and Reserve, particularly with regards to the Air Force.

Secretary Jonas, I have some questions about the Iraq war supplemental which this committee is currently considering. In late March, the Defense Department submitted a supplemental budget adjustment to Congress. This adjustment apparently did not go through OMB and was not submitted as a budget amendment.

Can you explain the purpose of this budget adjustment and does it have the full support of the DOD? Why was the adjustment request not submitted to OMB? Has it been cleared by the OMB and does the president support it?

Ms. JONAS. Thank you, Mr. Chairman. Quite simply, in the spring, the Vice Chief for the Army and his staff notified us that some of the equipment purchases they were planning to make, for example, their family of medium tactical vehicles, were going to

slip and there were some other items that were going to not come on contract right away.

Knowing that, we discussed it with the Army further and I talked with the Deputy Secretary and I felt that it was our responsibility to let the Congress know and to provide the committees with some additional recommendations of where the funds could be better spent.

Pursuant to that, we approached the chairmen of the Defense Committees and we briefed the subcommittees here about the recommendations we would have. We did speak with OMB about it and we felt that they were fine with us trying to work it through with our committees, so that's how we ended up with where we are, sir.

We felt, and I think as this committee understands well, rather than try to maintain money for trucks that wouldn't deliver this year, it would be better to put it toward a higher priority need. Clearly we believe the BRAC and MILCON pieces are very important and we felt that it was a nice opportunity to be able to adjust appropriately.

Senator JOHNSON. Prior to the submission of the supplemental budget adjustment, the president had requested $976 million, nearly a billion, for emergency military construction in Iraq. The adjustment reduced that request by $101 million but that still leaves $875 million for Iraq reconstruction in the request.

Secretary Gates has said many times that the United States is not building permanent military bases in Iraq. So why are we continuing to spend so much money in military construction in Iraq? What are the department's projections for military construction requirements in Iraq in 2009?

MILITARY CONSTRUCTION PROJECT EVALUATION IN IRAQ

Ms. JONAS. Mr. Chairman, the rule set that we try to use when we're adjudicating whether or not something is appropriate for the supplemental is we try to make sure a project fits within one of these categories: an operational need, a safety requirement or quality of life.

We have tried rigorously to stick to these general categories and we have had conversations with those who are responsible for the theater operations. In fact, I spoke with General Dempsey, the acting commander of CENTCOM, just yesterday, pursuant to one of your questions provided to me yesterday.

It is our preference to do only what we need to do and certainly, as the Secretary has stated, we are not in favor of any permanent type of location. I am willing to work with the committee to address any concerns that you have over individual projects.

Senator JOHNSON. Mr. Arny, I understand that you are conducting a study on the adequacy of OMB's baseline construction and inflation rate of 2 percent, which is used to develop the military construction budget.

What is the status of the study and what can be done to improve the accuracy of the military construction cost escalation? Based on what you have reviewed, do you believe the 2 percent inflation rate factored into the 2009 budget request is adequate?

Mr. ARNY. This problem arose, at least I became aware of it, in BRAC 2005 because we were taking the COBRA figures that were put together and we were trying to translate them into real buildings.

With most of our MILCON, the problem is not as large as it was for BRAC because the standard MILCON project takes—becomes a germ in—becomes an idea on a base maybe 5–6 years before it actually gets here. So we're able to go and design that facility based on parametric studies and when we hit the BRAC one, we just had basically the COBRA models. We had to translate that into what we thought the building would actually cost, but at the same time, we were hit with Katrina and the Navy, where I was at the time, the Navy in particular was hit with a number of hurricanes in the Southeast and we knew that inflation, construction inflation would be much higher than standard nationwide inflation.

That's when we discovered we had no mechanism to really handle that. So we knew that many of our buildings were designed at cost underneath of what we would pay for it. I also asked the question why didn't we see this over the past 10 or 15 years. Well, say from 5 years ago to 15 years ago, construction prices were getting better and better. We'd estimate a project would cost a $100 and it would come in at $95.

So the facilities guys always had a little bit of extra money in the pot. So if they found local inflation was higher, they could move money around inside and you never saw it at our level, but not only did we get Katrina and a number of other effects that we couldn't calculate in, but even on some of the projects that we'd been designing for a long time, we discovered that they were going out of sight and we were having to come back to you multiple times in some cases, one in particular in the Northwest, and ask for more money or the worst case we were getting, our engineers were going in and downscoping a project.

They'd say okay, at a hundred bucks to build this project, the bid came in at a $120, I'm going to take $20 off the project and, you know, my philosophy, our philosophy was if the requirement is for x, you want to build to x, not x minus 20 percent.

The problem became is that—and I used to work at OMB. OMB looks at a larger perspective, not down at construction, and construction is a very small percentage of what we're doing in the whole budget. So we did a Lean 6 Sigma Study on it because we thought the facility pricing guide was what was hurting us which laid in normal inflation rates.

What that study told us, it wasn't the facility pricing guide, it was the fact that we had no mechanism to account for local construction inflation. For instance, in Seattle area, we had a nuclear weapon storage facility and we knew hurricane problems down in the Southeast but it was coming in at 15 percent, 20 percent over cost. We couldn't understand where it was coming from.

Well, when you look at construction costs in Seattle, they were increasing 15 percent a year primarily, people believe, because of the Vancouver Olympics were driving the cost of everything up.

So what we've done is we're working—the Navy was doing it for all of OSD. We're working with the Comptroller, because they were part of our team, to see what could we all—what measure could we

find that everybody would agree on was a normal measure and then we're going to OMB to say, look, let us work with you to find a mechanism to put in local inflation.

So again having worked at OMB, the philosophy is the Navy must be out—OSD must be out to steal more of our money. What we've convinced them finally is we're not out to take more money. We want each project that goes through the budget to be properly priced, so when the engineer in the field opens the bid, that bid is close to what we estimated. They understand that now and our next step is to take that study, we've got the final results coming in, and to sit down with OMB and to try and figure out what common—we'll never be perfect because everything we do lags reality a little bit, but at least I foresee it where, when the services give it to OSD, we change the numbers around and make sure it's perfect.

When OSD gives it to OMB, that's another chance to change the projects around and move money around and make sure they're perfect and when we give it to the Congress, then we can work with the Congress so that as you're passing the bill, you make sure with us that they're as close as possible, and again I think we've made tremendous headway over the past couple of years convincing OMB that we're not out to rob them, we're just out to get the right price for the contracts.

Senator JOHNSON. Senator Hutchison.

Senator HUTCHISON. Thank you very much. I visited Bagram Air Force Base at the end of February and General Rodriguez said that since it has been declared an enduring base, that he is no longer able to use his command contingency account funds when a contingency is needed and they are building very good added facilities for fuel storage, better runways, and also an apron for helicopters, all of which is very necessary.

But my question is are you looking at the situation at Bagram and perhaps looking either for an exception there so that he can react to the immediate needs as they are at the same time beginning to build up better facilities, and we will certainly be, at least I will be supportive for military construction for an enduring base structure so that they will be able to have that capability when our marines move in also in larger numbers.

So what are you doing to address that at Bagram?

Mr. ARNY. The issue is new to me, Senator. I do know that we did get a request in for commitment for use of contingency funds at Bagram and we will examine that.

Senator HUTCHISON. Okay. Well, I do hope you will——

Mr. ARNY. Absolutely.

Senator HUTCHISON [continuing]. Because what they're doing is terrific and they're using a lot of local contractors and labor and it's working well. They're also building better housing there which is so needed, Mr. Arny, if ever there was a priority.

They're still using some of the Russian facilities there and since we know we're going to be building it up, that needs to be a priority, but he also needs to have some contingency capabilities. So I'd like to have your view on it when you can examine it better.

Second, incremental funding. Many times, we are looking at large military construction projects. We know that the total amount

cannot be spent in 1 year and we would like to be able to divide it into usable portions so that we can use the money more effectively where we know it can be spent and that has been something that our committee has been united in doing.

However, the services tell us that it puts a strain on their ability to budget for the next year because they can't plan for incremental funding for a project because of OSD guidance.

So I'm asking you if not allowing the services to accommodate incremental funding and putting it into units that would be in sort of what you can do on a 1-year basis wouldn't be more prudent, and since you have said that you came from OMB which around here is sort of like saying I'm a lawyer, but since you have experience with OMB,——

Mr. ARNY. Ms. Jonas came from OMB, too.

Senator HUTCHISON [continuing]. I'm wondering if you could work out a solution on this that's more responsible for the use of our dollars. So whichever former OMB person would like to take that, I'm happy to have it.

INCREMENTAL FUNDING OF MILCON PROJECTS

Ms. JONAS. I will note that I was a lowly examiner at OMB and I think Wayne was a program associate director.

Thank you, Senator, for that question. This has come up frequently. We do have a limited number of larger programs in the budget. For example, we have some Chem-demil items in MILCON and we've got about 13 follow-on projects that are incrementally funded.

We frequently engage OMB on this topic. What would be helpful to us is some guidelines from the committees that we might use to engage OMB in discussion to define when projects could be considered for incremental funding.

Currently, if a project will cost $100 million, OMB will consider incremental funding. Some of the House committees use a $50 million threshold. $50 million threshold, but it's clearly—it happens and is worked through on a yearly basis. It's—but I understand it causes concern for the services and I understand with the many important Milcon projects it can be very difficult to fully fund every project.

We're engaged on a continual basis with OMB on this. We had a conversation about it in December before we submitted the budget and I'm sure that dialogue will continue. We haven't gotten to the ultimate set of ground rules that we want, but I do understand the concerns and it kind of runs around a $100 million threshold.

Senator HUTCHISON. Well, I would like—I mean, we would like to work with you, but I think you would be the ones on the ground who would know where does a $100 million make sense but where is $50 million more reasonable, depending on the part of the country where a construction project would be going and the capability of finding the contractors and the workforce and the numbers that you would need.

I think we would be certainly willing to consider something in our bills that would accommodate a policy that I'd like to see come from the Department of Defense in general. I just think it would help us in budgeting and it would certainly keep the services from

having to hold money and not use it when they know they can't use it.

Mr. ARNY. Philosophically, it really is anathema to OMB to do that. Both of us having worked there, we understand that, but having worked there, we did make a lot of headway. In December, I went over with Ms. Jonas's team and we said, look, you can mandate all you want to that there be no incremental funding, but I worked for four budgets on the Senate Armed Services Committee and I said, the committees are going to take that money from you and it really hurts the services because they have to put that money in there. Guess what? They've got to put it back in the next year.

So whether or not you agree with it philosophically, it's going to happen because all four MILCON committees have said it's going to happen. So let's reach agreement between the three parties on what the rules are and once we know what the rules are, then I said the committees have been very good in following those rules. So it's not a case of people running around amuck. They have a set of rules. Let's all agree. If you don't like the rules, rather than saying let's not do it at all, let's agree on the rules.

I think we made tremendous headway and they were wrapped up in the budget, so we said we'd come back this spring and talk to them.

Senator HUTCHISON. Okay. Thank you very much. I have some other questions which I will pursue for the record because my time is up. Thank you.

Senator JOHNSON. Senator Murray.

Senator MURRAY. Thank you very much, Mr. Chairman. As you probably know, the decision on the KC–X Tanker Recapitalization has been a very important issue to me and I've been asking a number of questions to try to get a more complete understanding of how that decision was made, and I would like to know what role OSD played in the need for military construction funds on that contract and wondered if you can tell me what interaction your office had in the evaluation and planning for the MILCON costs that are associated with the KC–X Tanker.

Mr. ARNY. That was handled by the services during the execution and as far as I know, we at OSD—I had just got here. We at OSD had no interaction on it.

Senator MURRAY. You had no interaction or anything?

Mr. ARNY. No.

Senator MURRAY. Well, our budgets are extremely tight and we've got to be able to fully plan for the costs that are associated. So we need some complete answers on the total cost of that contract.

The Secretary of Defense obviously is responsible for proper planning for our military, so I do have a few questions that I would like you to consider. You may not be able to answer them, but if you can get them back to me, I'd appreciate it.

I'm told that the evaluation of MILCON costs associated with the KC–X was normalized to the one base where the Boeing 767 and the Airbus A–330 cost difference was the smallest. It seems to me it would make more sense to have a complete and robust evaluation of MILCON costs for all KC–X bases performed.

Do you have a comment on that?

Mr. ARNY. No. I have to get back to you on that.

[The information follows:]

With respect to Military Construction (MILCON), the Air Force evaluates MILCON requirements and estimates the funding through an iterative process. As the program progresses through System Development and Demonstration (SDD) and aircraft basing decisions are finalized, the initial MILCON estimates will be updated to reflect specific MILCON projects. This refinement is a normal part of the process. The Air Force calculated and took into consideration MILCON cost estimates for active duty bases, overseas locations, Guard, and Reserve Components. Since a basing strategy has not been finalized, the Air Force conducted site surveys of several existing tanker bases. These surveys were used as a basis for estimating MILCON costs for ten bases, which included four Air National Guard/Air Force Reserve bases and two overseas locations. The Air Force is confident in this initial MILCON estimate and will continue to refine it based on specific requirements as basing decisions are made. It is important to note that MILCON cost estimates were not considered in isolation by the source selection team, but were included as a component of the Most Probable Life Cycle Cost, accounting for approximately 2 percent of the total cost.

Senator MURRAY. You do?

Mr. ARNY. I just am not familiar with the issue.

Senator MURRAY. Okay. If you could get back. I'd like to know—well, I do know that there will be associated costs with either the Boeing 767 or the Airbus A–330, but I would like to know how the differences in size and weight of those two tankers was considered in the evaluation when that was done and what oversight DOD has when a service is preparing for a major procurement.

So if you could answer—well, you probably don't know about the size and weight and whether that was in the evaluation, but maybe you can answer the question for me, what oversight does DOD have when a major procurement is happening with one of the services?

Ms. JONAS. Senator, that would fall under the purview of our Under Secretary for Acquisition and Technology and Logistics, John Young. We'd be happy to have his staff get back with you on this particular matter.

Senator MURRAY. Okay. You don't know if he had any oversight on that issue?

Ms. JONAS. I don't.

Mr. ARNY. I know he was overseeing it.

Ms. JONAS. But we don't know the details of it.

Senator MURRAY. All right. Well, if you could get back to me on the first part of that, and I also would like to know about the participation of Active Duty, National Guard, Air Force Reserves. All of them have individual needs of their own in this contract, and I'd like to know whether the Active Duty and Reserve component provided cost estimates to the Defense Department as they were being considered, if you could find that out for me.

Mr. ARNY. Will do.

[The information follows:]

The Air Force calculated, and took into consideration, MILCON cost estimates for active duty bases, overseas locations, Guard and Reserve Components. Since a basing strategy has not been finalized, the Air Force conducted site surveys of several existing tanker bases. These surveys were used as a basis for estimating MILCON costs for ten bases, which included four Air National Guard/Air Force Reserve bases and two overseas locations. The Air Force is confident in this initial MILCON estimate and will continue to refine it based on specific requirements as basing decisions are made. It is important to note that MILCON costs estimates were not con-

sidered in isolation by the source selection team, but were included as a component of the Most Probable Life Cycle Cost, accounting for approximately 2 percent of the total cost.

Senator MURRAY. And also, I wanted to know about the construction costs for hangars, ramps, taxiways, all of those things. If you can let us know whether that was evaluated and what were those costs with this contract. Finally, I did want to know if the dollars for the increased MILCON required to bed down the next generation tanker was included in the 5-year budget plan. You might know that.

Mr. ARNY. I will check on it for you.

[The information follows:]

The Air Force calculated, and took into consideration, MILCON cost estimates for active duty bases, overseas locations, Guard and Reserve Components. Since a basing strategy has not been finalized, the Air Force conducted site surveys of several existing tanker bases. These surveys were used as a basis for estimating MILCON costs for ten bases, which included four Air National Guard/Air Force Reserve bases and two overseas locations. The Air Force is confident in this initial MILCON estimate and will continue to refine it based on specific requirements as basing decisions are made. It is important to note that MILCON costs estimates were not considered in isolation by the source selection team, but were included as a component of the Most Probable Life Cycle Cost, accounting for approximately 2 percent of the total cost.

Senator MURRAY. Okay. All right. Because I'm very concerned. I think that obviously with this new tanker, construction will have to begin in fiscal year 2009 or 2010 in order to be ready for the first delivery of the tanker. So this is something this committee needs to understand. So if you could please get that for me, and I do have a couple other questions in regards to that, but I would really appreciate it if you could get those questions back to me. It will have a military construction impact for us and I want to know if that was ever considered, what was considered, how it was evaluated, and what it's going to cost us.

Let me go to joint basing then. Obviously I hear a lot about it, McChord and Fort Lewis are in my State, and I know it's not an easy undertaking. I was listening carefully to your comments on that.

I do understand the Air Force will have the supportive component at Lewis and McChord, but the airfield operations, from what I understand, are going to remain under the Air Force scope.

So I wanted to know, does that mean that they are also in charge of the Fort Lewis airfield operations?

Mr. ARNY. Yes and no. In the case of the Army, the Marine Corps and the Navy, airfield operations is not considered—is considered an installation function. So in the case of McGuire-Lakehurst-Dix, both the Army and the Navy were happy with the Air Force running the airfield. As an old naval aviator myself, as, you know, the squadron came in, as long as somebody was there to pump the fuel, I didn't care if he belonged to the Air Wing or if he belonged to the base, just as long as somebody—as long as there was an airfield that didn't have a big pothole in it, I didn't worry about it.

But in the Air Force, their philosophy is different and airfield operations is truly core mission because they deploy their whole air wings. The Navy deploys by squadrons and it's a different organization.

So what we did for those airfields is we said, okay, there are only three bases affected, Lewis, McChord, Guam and Hickam, Pearl Harbor Hickam, and in that case, all of the real property, the hangars, the flight line, the runway itself, all that transfers to the lead service. So Fort Lewis will own all of the facilities. The flight operations themselves for McChord will be run by the wing commander. Okay?

Senator MURRAY. What about the Fort Lewis airfield?

Mr. ARNY. At Fort Lewis, what we said is Fort Lewis, the Army can still run it or if the Army wants the Air Force to do it, it doesn't prevent it. Right now, it's an option for the base. So the flight ops at Fort Lewis right now are being run by the Army. When—now the two bases are sitting down and starting 2 weeks ago to craft——

Senator MURRAY. So you're telling me it's undecided?

Mr. ARNY. It's up to them. It's up to them how they want to do it.

Senator MURRAY. Okay. I also wanted to get your reaction to the fact that I have heard from some Air Force personnel that the Army is used to living their way and that the Army housing is substandard to the Air Force, and I wondered what you thought of that.

Mr. ARNY. It's the difference between perception and reality. The Air Force has always believed, and as an old Navy guy, both my sons are naval officers, frankly, prior to housing privatization, I probably couldn't disagree with you.

Senator MURRAY. I didn't say it. Air Force personnel said it to me.

Mr. ARNY. I couldn't disagree with them. There was always a perception that the standard joke in the Navy was the Air Force goes to build a base, they build the officers club, they build the golf course, they build the exchange, and then they come back to Congress to get more money to build the airfield. That was the standard joke.

But we believe, especially with housing privatization, that the housing is standard across all the services now. That notwithstanding, one of the biggest—one of the most important efforts we've done over the past 3 years is to develop common standards of output for levels of service.

Senator MURRAY. I think whatever service you're in, you ought to get the same standard of living conditions.

Mr. ARNY. And that's what we've done, and the joint bases—and that's why we've had all the services together. They all agree. These are the standards. So if at a particular base, the standards for housing is lower, we're going to raise that standard.

Senator MURRAY. Okay.

Mr. ARNY. If the standard for service for child care is different, it's now going to be the same on the joint bases. So if you go from one part of the joint base to the other, the standard will be the same.

Senator MURRAY. Okay. I think the perception of the Air Force personnel saying that to me is we don't want to go down to the Army standard.

Mr. ARNY. No, they're coming up. That was the point. We all had to agree.

Senator MURRAY. I think that attitude needs to be we're going to bring them up to our standard.

Mr. ARNY. Yeah. Well, in any case, sometimes the standard they felt was coming up to wasn't any different than the other standard. It was a perception. Where it's a reality, we've all agreed on what the standard is. Whether it's—we've all agreed, the services have all agreed on the services we're going to provide.

Senator MURRAY. Thank you very much, and thank you, Mr. Chairman.

Senator JOHNSON. Senator Landrieu.

Senator LANDRIEU. Thank you, Mr. Chairman. Mr. Arny, I'd like to—it's actually a great segue into my questioning because my question is actually about Fort Polk in Louisiana and I'm not sure if you're personally familiar with the space, but it's one of our joint training bases and a very important base for our operations, ongoing and past, as it has been and, of course, will be in the future.

We have over 8,000 soldiers there, but most of our forces that deploy will spend some time at Fort Polk before they leave and there's some almost not real fire but close to it exercises that go on. I've been able to visit the base several times since I've been a senator.

My question is, following up on what Senator Murray said, about the housing for the single barracks, the single enlisted. We have about 60 percent family married, 40 percent single. We've made a lot of progress with the new initiative which I'm pleased to have been a part of for privatization of family housing.

So my question is are you aware of a recent installation status report that shows that 80 percent of the barracks at Fort Polk currently do not meet acceptable ratings under the ISR Quality Standard? Are you aware at the current rate it will be in another 20 years before these renovations have occurred? These barracks were built an average of 35 years ago. So they will have withstood for 50 years, having been built 30 years ago. They're just basic concrete.

I've toured some of them. They're in deplorable condition. They have mold and mildew, but at the rate we're going, it will be 20 years before we can get them any relief under the current budget.

My question is are you reviewing the possibility of some sort of privatization effort like the Navy has undergoing at San Diego for the possibility of some of our Army installations, particularly at Fort Polk?

Mr. ARNY. Yes, ma'am. We've left that generally up to the individual services and I came from the Navy and at one conference, the Army and the Air Force both said they're going to wait for the Navy, and I think we have enough evidence to show what privatization can do and I have been told that the Army indeed at Fort Polk was one of—was the example we talked about, is looking very closely at privatization, and I think if they can figure out the financial aspects of the BAH.

I mean, the down side to that privatization effort is you must give the BAH to the soldier and let him make a choice whether he's going to live in there. On the other hand, the housing he gets is

much, much better, as we've seen in San Diego, also in Norfolk as the Navy's doing a second project in Norfolk, and a third one down in the Jacks-Mayport area.

So I think the answer is yes, I am told the Army is looking at that and we'll be happy to support them in that effort.

Senator LANDRIEU. Okay. Well, I'd like to go a step further. Would you be willing to recommend to the Army a step forward in developing because if they do have some hesitancy, which I understand there is, pressing them to at least explore the option of a pilot that they could test before they decide to move forward and work out whatever kinks there are. I'm sure there will be some. Would you be willing to think about a pilot and would Fort Polk maybe be in a position to serve as one of those pilots?

Mr. ARNY. Given the efforts that they've already made, I think it's definitely a possibility. I'd be happy to. Plus the new installation deputy assistant secretary is a former Navy facilities engineering command, so he has more familiarity.

Senator LANDRIEU. And I understand that family housing would be a greater priority than single housing, but I think that all housing and quality of life issues is very important with a volunteer force and we're trying to retain the best and the brightest and I do believe that these quality of life issues is very, very important and to serve in Iraq, I understand the housing in Iraq actually on the front line is better than these soldiers have when they're at Fort Polk, and there's just not—I just don't think that that is appropriate. So I appreciate that.

My second question, I'm going to ask it now but it really is for the Navy, but because both Senator Hutchison and I are cochairing something that starts at 11 o'clock, Mr. Chairman, and I have to slip out, I'd like to just place this question to the record and if you, Mr. Arny, would like to respond, that's great. Perhaps the next panel could respond to this in my absence.

We had, as you know, you mentioned Hurricane Katrina and we've been dealing with that now for 3 years. It will be the anniversary in August. Right before Katrina, the BRAC Commission visited New Orleans and in their tour of the country and actually recommended that the Naval Support Activity be realigned.

The Commission stated that if our State would put up some additional funding and the Federal-city project begun on September 30, 2008, the Marine Forces Reserve Headquarters was to be relocated at the Naval Support Activity Base on West Bank property.

The State of Louisiana has moved forward basically on that recommendation. I think that the entire BRAC Commission, there were only two revisions, Mr. Chairman, onsite when the Commission came, and ours was one, because we basically convinced them that their original recommendation would cost the government much more money than what our recommendation was and they accepted it and they made the change. We were only one of two in the country.

So this is following up on that sort of, you know, idea that our locals had, but the problem now is that the marines that are saying that they are open to moving in, the Coast Guard is making this now their headquarters, they're claiming that the burden that

they're going to have to pick up is more than if they would sort of stay where they are. Now where they are is unacceptable.

I know you probably aren't familiar with this exact situation, but could I have your commitment to look into it and see if we could, you know, just make sure the Marines are getting all the information that they need so we can move forward under the recommendation actually of the BRAC Commission?

Mr. ARNY. I'd be glad to.

Senator LANDRIEU. Okay. If you would, and we'll submit more questions along that line, and I appreciate it because the final thing, Mr. Chairman, this Federal-city project is one of the very big projects that we were just about ready to take up when Katrina and Rita hit and the city was devastated.

The great news is this West Bank facility had hardly any damage and was on high ground on the West Bank. So it really is like putting a flag up for this whole region and as the Federal-city project comes together, Coast Guard and Marine Reserves sharing it, it's going to really realign our buildings very nicely and maybe use some of the older buildings that people are moving from to convert to some new opportunities for the region.

So it's more than just a base alignment. It's really helping the region to recover and I'd appreciate some special attention, if you don't mind.

Thank you so much.

Senator JOHNSON. Senator Allard.

Senator ALLARD. Mr. Chairman, thank you. It's good to see you in charge of the committee here.

I have some questions related to the Chemical Depot and as you know,—oh, first of all, Mr. Chairman, I have an opening comment I'd like to make part of the record. Thank you.

Section 8119 of the fiscal year 2008 Defense Appropriation Act mandated that, and I quote out of the act, that "the Department of Defense shall complete work on a destruction of the United States stockpile of lethal chemical weapons, ammunitions, including those stored at Bluegrass Army Depot, Kentucky, and Pueblo Chemical Depot, Colorado, by the deadline established by the Chemical Weapons Convention, and in no circumstances later than December 31, 2017."

Now it's my understanding that the current 2009 MILCON budget of $134 million for the Assembled Chemical Weapons Alternative, the ACWA, Program, the program that is carrying out—that's the program that's carrying out the destruction of these munitions, does not incorporate the 2017 deadline.

Now, Under Secretary Jonas, the 2009 ACWA budget which includes both MILCON and research and development dollars is roughly equal to the amount appropriated in 2008. Could you confirm for me the current status of the 2009 budget request for the ACWA Program?

ACWA PROGRAM

Ms. JONAS. Thank you, Senator Allard. It's good to see you as well.

We currently have $65.1 million in the bill and I know this is a high priority for you and I know the deadline has been of interest.

We are currently in the process of evaluating a 2010 baseline. As you know, the services begin building their budgets way before you see them, and we've raised this as an issue to make sure that we've got the right profile for the 2010 baseline.

That's where we are at the moment, but again we have $65.1 million in the current budget for Pueblo.

Senator ALLARD. Okay. So you don't know for sure whether the amount that you have in there is adequate with the congressionally-mandated 2017 deadline?

Ms. JONAS. I have not spoken directly with Under Secretary Young who has responsibility for this, but I will raise it with him.

Senator ALLARD. I appreciate that.

Ms. JONAS. And I will—get together frequently. I'll raise it with him and let him know of your concern.

I know the Secretary is well aware of this program and has personally engaged with other Senators on it as well. It is high profile and we'll make sure that we deal with it in the 2010 baseline.

Senator ALLARD. Now, if it's not, I have to say it's not, when can Congress expect to receive the completed budget adjustments in order to authorize and appropriate the necessary funds to meet the deadline?

Mr. ARNY. We're required to give you, I think, a semiannual assessment, I'm learning this subject myself, and June 2008, late June 2008 is when we'll have that semiannual report to you.

Senator ALLARD. Okay. Now procedurally, how do you anticipate this taking place? Ms. Jonas, would you perhaps send a letter to the Appropriations Committee to ensure that the fiscal 2009 budget numbers are appropriate in order to comply with the 2017 mandate?

Ms. JONAS. What I would be willing to do, sir, is to re-engage with Mr. Young and have him take a look at it. He's the one that sponsors the program, and we will evaluate it. We certainly are interested in the information that will come forward in the June piece. We estimated the $65.1 million to be adequate for the current requirement. If it's not, we'll have to look at our options to deal with it.

Senator ALLARD. And will you get a memo or something to us——

Ms. JONAS. Certainly.

Senator ALLARD [continuing]. After that conversation?

Ms. JONAS. Certainly.

Senator ALLARD. We would appreciate it.

Ms. JONAS. We can do that.

Senator ALLARD. Okay. Now earlier this week, I received notice from the ACWA that implementation of some local subcontracts may be delayed at the Pueblo Chemical Agent Destruction Pilot Plant, PCADPP, facility. This delay may occur because it was determined that the total cost for design, construction and overhead associated with the PACDPP would exceed the amount currently authorized by the fiscal year 2003 National Defense Authorization Act.

In order to remedy this situation, I've been informed that DOD has requested an increase in the authorization for the PACDPP in the upcoming MDAA. This is of concern to me not only because of

the potential delay in the destruction of these chemical munitions but also for economic impact on jobs in Colorado.

Under Secretary Jonas, will this issue be factored into the budget readjustments for ACWA and PACDPP that is likely to come later this year?

Ms. JONAS. I'll defer to Mr. Arny. He knows more on this issue. Again, I'm learning the subject as I go along here.

Senator ALLARD. Me, too.

Mr. ARNY. But yeah, yeah. There was a concern expressed by folks. There was—we did look into it and in fact they were reaching the level, the top of their authorization. We have put that request for more authorization in. I'm not exactly sure of the process, I'm learning that myself, but it will be factored in with our ongoing efforts.

Both the ACWA and ourselves are working that to make sure they have the authorization as quickly as possible.

Senator ALLARD. And to what amount do you foresee the overall budget increase for both the ACWA and the PACDPP——

Mr. ARNY. I don't know at this time.

Senator ALLARD [continuing]. In order to fix this problem? You don't know what that will be?

Mr. ARNY. I don't know.

Senator ALLARD. Okay. As soon as you get that number, we'd appreciate that. Communicate it to us again in a memo or something. We'd very much appreciate it.

Mr. ARNY. Will do.

Senator ALLARD. The Defense—I want to talk a little bit about the Defense Access Road at the Pueblo Chemical Plant. This particular project has had some funding delays and apparently its completion has backed up other construction projects at the site because the Defense Access Road involves numerous Federal, State and local agencies planning and coordination has been made much more difficult with these delays.

It is a priority of mine obviously to see this completed from existing MILCON funds which I believe is a component of the reprogramming request allocated for the Defense Access Road.

Are you aware of this DAR reprogramming request?

Mr. ARNY. Yes.

Senator ALLARD. I'm also told, and I'm told it's due to the Appropriations Committee, and could you provide a status update on this request?

Mr. ARNY. With the data I have, we expect to transmit the proposal this month. We're try to move the reprogramming request this month.

Senator ALLARD. Okay.

Mr. ARNY. And we should be able to enable construction in the 2008 construction season.

Senator ALLARD. Okay. Thank you. I have one question on housing, if I might, Mr. Chairman, to complete this, just briefly.

You know, we've had some problems with the housing markets and whatnot, and do you see this creating any problems for your housing programs that you've established at the various installations? Because a lot of it, I know Senator Landrieu was concerned

about privatization. We do a lot of privatization at Fort Lewis—I mean at Fort Carson. She's concerned about Fort Lewis.

And so we're wanting to know, do you see any problems with the housing issues that we're having and how they may impact housing for the bases?

Mr. ARNY. So far, we don't see that affecting the housing property. In fact, if construction costs go down, that would benefit us in terms of the renovations and where we are recapitalizing the housing.

Senator ALLARD. You anticipate that to drop then?

Mr. ARNY. Right.

ADDITIONAL COMMITTEE QUESTIONS

Senator ALLARD. And do you see any change in department policy as a result of the housing and construction market?

Mr. ARNY. Not today, no, I don't.

Senator ALLARD. Thank you.

Senator JOHNSON. Secretary Jonas and Mr. Arny, you are excused.

Ms. JONAS. Thank you, Mr. Chairman.

Mr. ARNY. Thank you.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED TO TINA W. JONAS

QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

BUDGET MANAGEMENT

Question. Secretary Jonas, the fiscal year 2009 Military Construction budget request of $24.4 billion is a record request. Given all of the moving parts of this request—including BRAC, Grow the Force, and global rebasing—what steps has the Department taken to synchronize the construction of projects among all these initiatives?

Answer. The President and the Secretary challenged the military to transform itself in order to meet current and future threats to America's security. The Department is using Base Realignment and Closure (BRAC), Grow the Force, and Global rebasing to accomplish this transformation. The Department recognizes the challenges of implementing these initiatives but believes we have the processes in place to ensure success and are taking a balanced approach. For example, in the case of BRAC, the Department initiated a process to develop business plans that establish the requisite actions, the timing of those actions, and the costs and savings associated with implementing each recommendation, including the necessary military construction. In regard to execution of all of these construction projects, the U.S. Army Corps of Engineers and the Naval Facilities Engineering Command have been fully integrated and involved with the development of the Military Construction budget request.

Question. Is it likely that the Army and Marine Corps will need to rely on temporary housing for some of the troops that are relocating due to BRAC, Grow the Force, or global rebasing?

Answer. Temporary or re-locatable buildings are only considered for urgent operational requirements that cannot be met with existing facilities. At the beginning of fiscal year 2008, the Army was using about 10 million square feet of temporary buildings for permanent party and training barracks. The Army is planning to program Military Construction (MILCON) funds through fiscal year 2015 to replace most of these temporary buildings with permanent ones. The Marine Corps expects that force structure changes will also require the use of temporary buildings on a limited basis.

SUPPLEMENTAL—WARRIOR TRANSITION UNITS

Question. What more can the Defense Department do to ensure that members of the Guard and reserve who are wounded in combat—and their families—receive the same level of transitional care that is being provided to our active duty troops?

Answer. The Department of Defense (DOD) has formed a strong partnership with the Department of Veterans Affairs (VA), other Federal agencies, and professional advocacy groups to provide outreach and prevention programs to Reserve and National Guard members. Military medical treatment facilities deliver specialty care and DOD partners with VA to provide state-of-the-art care at polytrauma centers, as well as other rehabilitative care and transition assistance programs for wounded warriors in all components. Additionally, Reserve and National Guard members can make use of a range of extended TRICARE health benefits.

The intent of these arrangements is to provide the same level of care to all. Ensuring that we meet the standards is the work of the Senior Oversight Committee, chaired by the Deputy Secretaries of Defense and Veterans Affairs.

Question. Does OSD support this proposal, and if so, why were more centers not included in the Supplemental?

Answer. The Department continues to support increased care for our wounded, ill and injured Service members. The Warrior Transition construction requirements included in the fiscal year 2008 supplemental request reflect the most urgent needs based on the amount of construction required and the timetable for unit restationing. The Department is still reviewing the cost estimates and locations of additional Warrior in Transition units for inclusion in future requests.

Question. Is there a similar program for wounded Marines?

Answer. In April 2007, the Marine Corps Wounded Warrior Regiment was activated to achieve unity of command and effort in order to develop a comprehensive and integrated approach to Wounded Warrior care. There are two Wounded Warrior Battalions headquartered at Camp Lejeune, North Carolina, and Camp Pendleton, California. The Battalions include liaison teams at major military medical treatment facilities, Department of Veterans Affairs Poly-trauma Centers and Marine Corps Base Naval Hospitals. The Battalions work closely with our warfighting units to ensure our wounded, ill and injured are cared for and continue to maintain the proud tradition that "Marines take care of their own."

Question. When do you expect to request funding for these additional centers?

Answer. The Department is still reviewing the cost estimates and locations of additional Warrior in Transition units for inclusion in future requests.

QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

JOINT BASING

Question. Ms. Jonas, one of the BRAC decisions was to establish joint bases where it is geographically feasible. I understand there are twelve test joint bases in the plan, one of which will combine Lackland AFB, Randolph AFB and Ft Sam Houston into one such base under the jurisdiction of the Air Force. I would like you to comment on how the test is progressing and what you are discovering.

Specifically, I would like to know how the Department will handle requests for Milcon projects in another Service's budget? Would you tell us what the plan for this is?

Answer. The Department has recently completed its joint basing guidance for facilities investment, which addresses funding responsibilities for supporting and supported components. The policy prescribes responsibility for construction funding to the component generating the construction requirement. Construction funding in support of "installation support" missions is the responsibility of the supporting component, and construction funding in support of all other missions is the responsibility of whichever component is responsible for that mission. Regardless of the funding organization, the supporting component is responsible for executing the construction project as well as subsequent sustainment, restoration, and modernization.

INCREMENTAL FUNDING

Question. Doesn't it make sense to allow the Services to incrementally request funds for a project if we approve the entire project and agree to incrementally fund it? Wouldn't that help everyone?

Answer. It is the Administration's current position that military construction projects be fully funded, except for very large projects that have a major national

security impact. This is intended to ensure the maximum flexibility of future military construction budgets.

Question. Are you doing anything with OMB to work out a solution for this problem that could help everyone?

Answer. We are planning to revisit the issue with OMB as we develop the fiscal year 2010 President's Budget.

USE OF THE COMMANDER CONTINGENCY ACCOUNT (CCA)

Question. Ms. Jonas, When I visited Bagram Air Base, Afghanistan in February, Major General Rodriguez told me that since we are declaring Bagram as an "Enduring Base"—meaning we plan to be there for the foreseeable future—he can no longer use funds from the CAA account. According to the Air and Ground unit Commanders at Bagram, this restriction is restricting their ability to react quickly to emerging construction needs.

What is the Department doing to request an exception for places such as Bagram when we are operating on a contingency basis from an enduring location, and what can we do to help?

Answer. The current authorization language for the use of the Contingency Construction Authority (CCA) does not permit the use of this authority for projects at enduring locations. Bagram has been identified by the Department in the Overseas Master Plan as an enduring location. The Department submitted an fiscal year 2009 legislative proposal that would allow for the Secretary of Defense to waive the restriction on the use of CCA at enduring locations if the Secretary determines that construction of additional capabilities or capacity at such installations located in Afghanistan are vital to support urgent operational requirements

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QUESTION SUBMITTED BY SENATOR MITCH MCCONNELL

Question. The report due on June 30, 2008 will be the first opportunity the Department of Defense has had to lay out how it plans to comply with the 2017 deadline mandated by this statute. Included in these plans will be funding levels that the Department believes it needs to comply with the law. If in fact the Department decides it needs funding above the fiscal year 2009 request to comply with the law, will this need for additional funding be conveyed to Congress through a formal budget amendment? If not, by what means will the Department formally request such additional funds?

Answer. As required by Section 8119 of the fiscal year 2008 DOD Appropriations Act, the Department is currently reviewing various options (to include cost estimates) and the feasibility for completing the destruction of the chemical weapons stockpile by 2012 and 2017. The assessment of these options will be reflected in the semi-annual report to Congress in late June 2008, and will be considered during the development of the fiscal year 2010 President's Budget request.

QUESTIONS SUBMITTED TO WAYNE ARNY

QUESTIONS SUBMITTED BY SENATOR MARY L. LANDRIEU

FORT POLK BARRACKS

Question. Picerne Military Housing proposed privatization pilot project would require no up-front investment from the Army, but would have to provide $26 million in Basic Housing Allowance every year for the life of the 50 year contract with Picerne Military Housing. The Navy currently has 2 junior enlisted barracks privatization pilot projects underway in San Diego and Hampton Roads Port VA.

Are you aware of the current conditions of the Fort Polk barracks?

Answer. Yes, we are aware of the condition of the Fort Polk barracks and we are encouraged that the Army has committed significant funding to renovate the barracks including correcting mold problems. Regarding the photographs of rooms of two Fort Polk barracks buildings you sent to Secretary of the Army Geren, the Army informed us that the Fort Polk Garrison verified that Building 1950 is vacant and programmed for renovation. The four rooms in Building 2272 are vacant and off-limits to any Soldier. All other rooms in Building 2272 were inspected by indoor air quality inspectors and will continue to be monitored to ensure the rooms meet health and safety standards. The Army also informed us that subsequent to the hearing, a 100 percent barracks inspection for life, health, and safety issues was

conducted at Fort Polk and all Soldiers were found to be living in safe and acceptable barracks.

Question. It is estimated that $188 million will be needed to bring the barracks up to acceptable living standards, in addition to the annual $15 million in sustainment funding every year. Would you consider a pilot project to privatize the junior enlisted barracks at Fort Polk?

Answer. We encourage the Services to pursue barracks privatization wherever it is economically feasible and consistent with their mission. The Army currently has limited their single Soldier housing privatization efforts to senior Soldiers (Staff Sergeant and above) and then only at locations where there are no available or affordable rentals off post. While privatizing all the barracks at an installation (like at Fort Polk) could be problematic, because even the most junior Soldiers could choose to live off-base, we believe the Army could benefit from initially pursuing a few limited barracks privatization projects for junior enlisted Soldiers similar to the Navy's pilot projects. However, even with a pilot barracks project of limited scope, the Army is concerned that privatization would hinder Army Ethos, unit cohesion, esprit de corps, and development of unit leadership and warrior skills.

Question. If not, what is your plan to rectify the living quarters for these soldiers, and do you believe this to be a cheaper and more efficient alternative to privatization?

Answer. Funding has been provided to Fort Polk for renovations to the heating ventilation and air conditioning systems, as well as funding for additional preventive maintenance of Building 2272. The Fort Polk Garrison Command continues investing maintenance funds to keep buildings from deteriorating while awaiting renovation through the Barracks Upgrade Program. The Navy has demonstrated that barracks privatization is less costly than the Military Construction alternative in the San Diego and Hampton Roads pilot projects. However, those projects are authorized the use of a partial housing allowance in their pilot legislation (title 10, United States Code, section 2881a).

Question. With the Army growing the force to 95,000 troops and the facilities already behind the funding curve how will the Department address these funding shortfalls in Military Construction to maintain and bring the barracks up to code?

Answer. The Army's tightly synchronized Military Construction (MILCON) program supports the successful transformation of the Army to a U.S.-based Modular Force. Facility support of initiatives, including Base Realignment and Closure (BRAC), Grow the Force, and global rebasing, is key to this transformation. To achieve the Army's goals, installation facility support plans are in place to accommodate Soldiers while minimizing turbulence.

The Army analyzed several scenarios and instituted facility support plans with programmed and timely MILCON as the centerpiece of their success. As a result, currently scheduled MILCON plans address maintaining existing barracks and completion of the permanent party barracks buyout plan.

Question. Can you give an update on how well the San Diego Privatization project for Single Sailors is going? Has there been any case where non-military personnel have been allowed to rent these rooms?

Answer. The Navy awarded its first unaccompanied housing privatization project in San Diego, using the pilot authorities (title 10, United States Code, section 2881a) in San Diego in December of 2006. The project included the construction of 941 new two-bedroom/two-bath apartments for unaccompanied Sailors and the privatization of 254 existing unaccompanied housing units (known as "Palmer Hall"). Construction of the new apartments is on-going and is expected to be complete by the Spring of 2009. The privatization of existing units has been extremely successful. The housing has been virtually fully occupied with units rented by targeted unaccompanied military personnel. There have been no non-military occupants. There has been a dramatic improvement in satisfaction among the residents of Palmer Hall, earning the project an industry award for customer service.

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

FORMERLY UTILIZED DEFENSE SITE—AMERICAN UNIVERSITY EXPERIMENT STATION/ SPRING VALLEY PROJECT

Question. I commend the Army Corps of Engineers (Corps) for recent improvements in its efforts to remediate areas in Spring Valley that are saddled with hazardous World War I Army Experiment Station (AES) debris. However, it is hard to overlook the slow progress and incomplete nature that marked the Corps' earlier clean-up efforts. In many respects, it was frustration over the ineffective work of the

1990's and early 2000's that prompted Congress to direct significant resources to the program and request that the Corps complete the clean-up process by 2011. There are numerous examples of areas that the Corps has declared clear, only to be called back when the grounds were found to be littered with harmful material. Please explain to the Committee the steps being taken by the Corps today to determine the location of other burial/disposal sites on the campus; the nature and extent of additional material located on those sites, and the program of remediation to remove that material in its entirety.

Answer. The Army continues to make the best use of available historical and technical tools, but the extensive development in the area since the early 1900s makes this investigation a challenge. In full consultation with the public in the surrounding community, University, and the regulatory agencies, the Army has made every effort to identify areas on the site that require additional investigation and has either completed these actions or is actively engaged in investigations or cleanups. As new information becomes available, it is shared with University officials and other stakeholders, and the next steps towards project completion are planned in partnership with regulatory agencies.

Question. While difficult to quantify, there is no doubt that the Corps work on the AES Spring Valley site has seriously disrupted American University campus operations and, as a result, created direct and indirect financial hardship for the institution. Has the Corps made any effort to ascertain the financial impact that current and past clean-up activities have had on the University?

Answer. The Army has coordinated scheduling of actions with American University (AU) on their campus in order to minimize impacts to the University while making progress on the restoration work and ensuring safety. In areas where this work involves movement of soils or disturbance of property, the Army conducts restoration activities in accordance with the rights-of-entry granted by the University to the Army.

Question. One of the unfortunate facts that the current clean-up program has brought to light is the inherent uncertainty of the cleanup process. Please detail for the Committee the limitations of today's technology to identify the location and properties of the material which may still remain on the campus and in the surrounding neighborhood.

Answer. The Army makes the best use of available historical and technical tools in conducting response actions. While the historic record contains thousands of documents that describe activities that were conducted on the Spring Valley Formerly Utilized Defense Site, there remain uncertainties about location and detail of operations that were conducted. The Army is employing the best available subsurface detection technology and through its extensive network of subject matter experts, and highly specialized research centers, continues to evaluate new technologies for implementation that may enable better understanding of subsurface conditions, including the existence of non-metallic anomalies, such as laboratory glassware.

Question. Upon completion of the current remediation program, and given the uncertainty noted above, what assurances of further remediation will the Corps provide American University should new discoveries of buried World War I or II munitions, chemicals, and/or potentially harmful lab equipment be made? Is the Corps prepared to commit the resources needed to complete the work in an expedited manner?

Answer. Any future discoveries of releases related to historic Army activities at the Spring Valley Formerly Used Defense Sites will be carefully evaluated, and, if additional action is required, the Army will seek the necessary resources and take action to protect human health and the environment in accordance with applicable laws. If future actions are required, they will be completed as promptly as possible and will include frequent communication with regulators and other stakeholders, and with full public involvement.

Question. Notwithstanding the uncertainty of potential discoveries at the Radio Tower, the Beeghly building, and the playing fields, do you believe that the 2011 target completion date is still accurate? Please provide a timeline indicating anticipated work remaining at the site, when that work is scheduled to take place, and how much each segment of the clean-up is anticipated to cost.

Answer. Barring a major new discovery, the target completion date remains 2011. Investigations and cleanup specific to the American University campus are scheduled for completion in fiscal year 2009, with work on properties outside of the University scheduled for completion in fiscal year 2010. The site-wide Remedial Investigation/Feasibility Study, the final component of the work as currently identified, is expected to be completed in fiscal year 2011. As reported in the 2007 Defense Environmental Program Annual Report to Congress, the cost-to-complete estimate from fiscal year 2008 to completion is approximately $36.4 million.

Question. With respect to recent findings of extremely high arsenic readings on Glenbrook Road, have the findings been consistent with the Corps expectations? Do the findings suggest that there may be additional burial cites that were not contemplated?

Answer. The arsenic levels identified at the 4835 Glenbrook Road property are consistent with historical maps which show that storage of chemicals did occur in the area. Areas of elevated arsenic are being remediated and work to date does not suggest the presence of additional burial sites.

Question. With respect to the resumption of activities adjacent to the Korean Embassy on Glenbrook Road, was this work anticipated when the Corps withdrew from the site many years ago?

Answer. When the original work in the area adjacent to the Korean Ambassador's residence was conducted in 2002, the property owner at 4825 Glenbrook Road granted right-of-entry to the Army to conduct the investigation, but would not renew it to allow completion of the work when the original right-of-entry expired. When ownership of the property later changed hands, the Army was granted access to complete the necessary actions and resumed work at this location in 2007.

Question. What guarantees can the Corps offer that when it leaves the AES Spring Valley site, the land will truly be clear of buried munitions and chemicals, including those located under the Public Safety Building and the Glenbrook Road properties?

Answer. The efforts by the Army on this project represent a responsible acknowledgement of the challenges posed by cleanup of an extremely complex legacy site. A thoughtful, iterative, and deliberate approach is being taken on the project, in full partnership with the U.S. Environmental Protection Agency, the D.C. Department of the Environment, American University, and community involvement. When risks are identified, response actions are conducted by the Army in accordance with applicable laws to meet standards that are protective of human health and the environment, in consultation with regulators, project stakeholders, and the public.

DEPARTMENT OF THE NAVY

STATEMENT OF HON. B.J. PENN, ASSISTANT SECRETARY OF THE NAVY, INSTALLATIONS AND ENVIRONMENT

ACCOMPANIED BY:

MAJOR GENERAL EUGENE G. PAYNE, JR., ASSISTANT DEPUTY COMMANDANT FOR INSTALLATIONS AND LOGISTICS (FACILITIES)

REAR ADMIRAL MARK A. HANDLEY, DEPUTY COMMANDER, NAVY INSTALLATIONS COMMAND

Senator JOHNSON. I'm pleased now to welcome our second panel of witnesses. The Honorable B.J. Penn, Assistant Secretary of the Navy; Major General Eugene Payne, Jr., Assistant Deputy Commandant for Installations and Logistics; and Rear Admiral Mark Handley, Deputy Commander for the Navy Installations Command.

Before we begin, I note that there are votes scheduled to begin at 11:40.

Gentlemen, we look forward to your testimony. Mr. Penn, proceed.

Mr. PENN. Thank you, Mr. Chairman. Chairman Johnson, members of the subcommittee, it's a privilege to come before you today to discuss the Department of the Navy's installation efforts.

I am joined this morning by Major General Payne, the Marine Corps' Assistant Deputy Commandant for Installations and Logistics, and Rear Admiral Handley, Director of the Navy's Shore Readiness Division.

I would like to touch on a few highlights in this year's budget request, the largest facilities budget in well over 15 years. Our request is a robust $14.3 billion or 9.6 percent of the Department's TOA.

Most apparent is our increased infrastructure investment, both in SRM and construction accounts. The increase in construction runs about 45 percent in MILCON for a total of $3.2 billion and 13 percent in family housing for a total of $383 million.

This continues the trend begun last year with the Marine Corps' "grow the force" initiative to ensure their bases are ready to house and operate with additional end strength.

Our Military Construction Programs also include a number of projects to enhance the quality of life of sailors and marines, including four fitness centers, six child development centers, and four enlisted dining facilities.

Our fiscal year 2009 budget also includes the second increment of two MILCON projects that were proposed last year for full funding by the administration but selected by Congress for incremental funding. While we did not consider any of the projects in our fiscal year 2009 program to be viable candidates for incremental funding, we have taken the lead in drafting criteria for incrementing costly construction projects and are working with DOD and OMB.

We commit to work with the Congress to re-establish mutually acceptable and objective criteria in time for the next budget cycle.

Fiscal year 2009 marks the first year since 2005 that we've asked for appropriated funds for prior BRAC. We've been able to finance all or part of prior BRAC with land sale revenue, but we've used all but $25 million which we are applying to this year's program.

Our fiscal year 2009 request includes a $179 million for prior BRAC. We will need appropriated funds in future years to complete our clean-up work, despite the prospect of some limited revenue for the sale of Roosevelt Roads, Puerto Rico, and other small parcels we've disposed of. We have disposed of 91 percent of the prior BRAC properties, so there was little left to sell and the real estate market is not as lucrative as it was several years ago.

With respect to the BRAC 2005 Program, we have several good news items to share. Nearly all impacted communities have established local redevelopment authorities to guide local planning and redevelopment efforts.

We were able to facilitate the reversion of the former Naval Station Pascagoula to the State of Mississippi last June and we've been able to hold down our cost increases to a modest 2 percent for the implementation period of 2006 through 2011.

However, our ability to meet the statutory deadline of September 15, 2011, hinges on the prompt restoral of the fiscal year 2008 reduction of $939 million. I ask the committee's support to help restore these funds as soon as possible.

We continue to improve where our sailors, marines and their families live. We have awarded a second barracks privatization project in December 2007, this one in Hampton Roads, Virginia, and we're almost finished with evaluating our third pilot project in the Jacksonville-Mayport area.

Surveys of our residents, both in family and unaccommodated housing, show that satisfaction has increased significantly since privatization began. As a department, we emphasize and participate in communication at all levels of management. The objective is to identify issues early and take prompt corrective action when required.

We have made significant progress in the past year in planning for the relocation of the marines from Okinawa to Guam. We established the Joint Program Office both at headquarters here in Washington and a forward element on Guam. The environmental impact statement for Guam is underway with the targeted Record of Decision in January 2010, in time for construction in fiscal year 2010.

We are working closely with our counterparts in the Government of Japan to prepare the details for construction requirements, their phasing and funding priorities, and we are working with our domestic partners, the Government of Guam, the Department of the Interior, OMB, and other Federal agencies to ensure that the island can meet the challenges of such a concentrated influx of people and workload.

PREPARED STATEMENT

Finally, it has been an honor and privilege to serve this great Nation and the men and women of our Navy and Marine Corps team, both the military and civilian personnel and their families.

Thank you for your continued support and the opportunity to testify before you today, sir.

[The statement follows:]

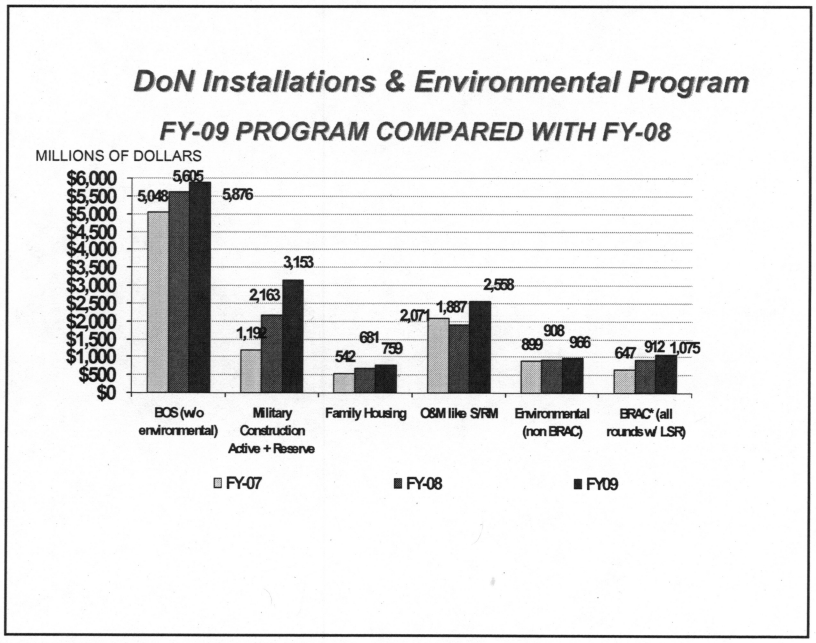
PREPARED STATEMENT OF HON. B.J. PENN

Chairman Johnson, Senator Hutchison, and members of the Committee, I am pleased to appear before you today to provide an overview of the Department of Navy's investment in its shore infrastructure.

THE NAVY'S INVESTMENT IN FACILITIES

We live in an increasingly globalized and interlinked world—through our economic, communication, and financial networks, yet a world in which rogue nations, terrorists, and even the forces of nature disrupt the delicate balance between war and peace on a daily basis. A Cooperative Strategy for 21st Century Seapower establishes that we must not only be capable of winning wars, but must also strive to prevent war by fostering the collective security of all by working with our interagency, international, and private sector partners.

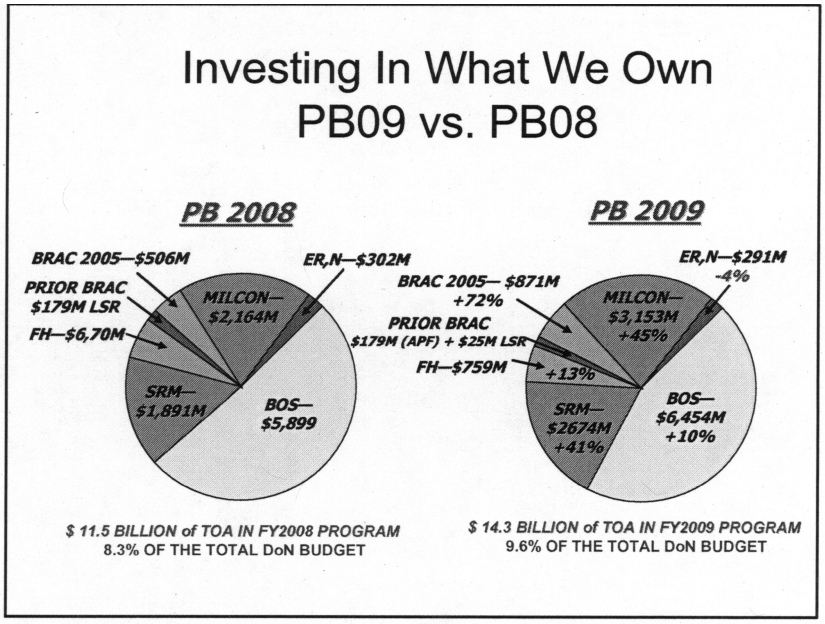
To fulfill this challenge we must ensure our Sailors and Marines have the training, education, and tools necessary to prevail in conflict and promote peace abroad. The Department of Navy's (DoN) investment in our shore infrastructure represents our deepening commitment to this goal. Our installations are where we homeport the Fleet and her Marine forces, train and equip the world's finest Sailors and Marines, and develop the most sophisticated weapons and technologies. Our fiscal year 2009 shore infrastructure baseline budget totals $14.3 billion, representing 9.6 percent of the DoN's fiscal year 2009 baseline request of $149 billion.



The Base Operating Support (BOS) request of $6.5 billion, excluding environmental, comprises the largest portion of the Department's facilities budget request. This account funds the daily operations of a shore facility, e.g., utilities; fire and

emergency services; air and port operations; community support services; custodial and grounds maintenance costs.

Our fiscal year 2009 request of $6.5 billion for BOS reflects a 9.4 percent increase from the fiscal year 2008 request. The Navy request of $4.3 billion includes an increase of $348 million over last year's request and matches the budget request with recent execution performance. The Marine Corps request is $2.1 billion, an increase of $207 million over last year's request, and is consistent with their execution experience.



The fiscal year 2009 military construction (active + reserve) request of $3.2 billion is $1.1 billion more than the fiscal year 2008 request. This is a 50 percent increase above the fiscal year 2008 request, and nearly three times the size of the fiscal year 2007 request. This unprecedented growth in Department's military construction request is primarily due to the Marine Corps' "Grow the Force" initiative.

The fiscal year 2009 Family Housing request of $759 million represents a 13 percent increase over our fiscal year 2008 request. This growth is also spurred by the need for additional family housing for the Marine Corps' Grow the Force initiative. The Navy and Marine Corps have continued to improve their overseas housing, which is not eligible for privatization as has been done in the United States.

Sustainment, Restoration and Modernization (S/RM) includes military construction and operation and maintenance funds. Our fiscal year 2009 request of $2.7 billion funds the Department at 90 percent of the DOD sustainment model requirement and includes only the amount of S/RM funded with Operations and Maintenance. It represents a 41 percent increase over our fiscal year 2008 request to improve sustainment of existing facilities and rehabilitate older buildings to meet current standards.

Our fiscal year 2009 request of $966 million for environmental programs at active and reserve bases is comprised of operating and investment appropriations,[1] roughly $58 million more than our request for fiscal year 2008 due to higher compliance and conservation costs.

Our BRAC program consists of environmental cleanup and caretaker costs at prior BRAC locations, and implementation of BRAC 2005 recommendations.

Our fiscal year 2009 prior BRAC program consists of $179 million in appropriations and $25 million in remaining land sales revenue from past prior BRAC property sales. This is the first time since fiscal year 2005 that the Department has requested appropriated funds for prior BRAC as we have exhausted our land sales

[1] Including the following accounts: RDT&E,N; MC,N; OP,N. Excludes BRAC environmental.

revenue from previous sales. We anticipate some limited future revenue as we move to dispose of the former Naval Station Roosevelt Roads in Puerto Rico and some other smaller property sales. We will use revenue from these future sales to accelerate cleanup at the remaining prior BRAC locations.

The fiscal year 2009 budget includes a request of $871 million to implement the BRAC 2005 recommendations. We are proceeding apace with implementation; however, there has been considerable turbulence in execution in part due to the late receipt of Congressional appropriations. The fiscal year 2008 $939 million Congressional reduction to this DOD account, for which the Navy share is $143 million, adds additional execution concerns which I will address later in the statement. I urge the Congress to promptly restore the fiscal year 2008 reduction.

Here are some of the highlights of these programs.

MILITARY CONSTRUCTION

The DoN's fiscal year 2009 Military Construction program requests appropriations of $3.2 billion including $239 million for planning and design and $13.7 million for Unspecified Minor Construction.

The active Navy program totals $1.1 billion and includes:

—$176 million to fund five waterfront projects: Wharf Upgrades in Diego Garcia to support stationing of a Land-class tender; Berth Lima Conversion at Naval Air Station North Island, CA to accommodate homeporting an additional 3rd nuclear powered aircraft carrier, subject to the completion of an ongoing Supplemental Environmental Impact Statement; the second increment of the Magnetic Silencing Facility in Naval Station, Pearl Harbor, HI; a pier replacement project at Submarine Base New London, CT; and Improvements to Alpha Wharf at Naval Station Mayport, FL, to make structural and utilities repairs to the existing bulkhead.

—$62 million to fund three airfield projects: the second increment of the Hangar 5 Recapitalization at Naval Air Station, Whidbey Island, WA; an Aircraft Maintenance Hangar and Aircraft Parking Apron at Camp Lemonier, Djibouti.

—$60 million to fund four expeditionary operations projects, including headquarters for the 25th Naval Construction Regiment in Naval Construction Battalion Center, Gulfport, MS; two projects supporting Joint Forces Command, one in Naval Station Pearl Harbor to build a Deployment Staging Area and another at MacDill Air Force Base, FL to construct a Communications Squadron Equipment Facility.

—$111 million to fund two training projects: a Special Programs Barracks to conduct remedial training at Recruit Training Command, Great Lakes, IL; and an Integrated Training Center for the P–8A, the replacement for the Maritime Patrol aircraft.

—$102 million to fund two weapons related projects: the 5 of 7 increments of the Limited Area Production and Storage Complex at Naval Submarine Base, Bangor, WA; and the second increment of the Kilo Wharf Extension in Guam.

—$91 million to construct four research and development facilities, including a new laboratory in the District of Columbia that will consolidate 17 separate labs conducting research in unmanned systems.

—$60 million to support ship maintenance operations, including dredging the Norfolk Harbor Channel to enable carriers to navigate up the Elizabeth River to Norfolk Naval Shipyard without risk to the propulsion system.

—$268 million to increase the quality of life for our Sailors and their family members, including two BEQs, five Child Development Centers, and 3 Fitness Centers.

—$57 million for planning and design efforts.

The active Marine Corps program totals $2 billion, a $989 million increase over the fiscal year 2008 Military Construction and GWOT requests. This program includes:

—$1.3 billion for facilities to support the "Grow the Force" initiative, which I will discuss in greater detail below;

—$312 million for the Marine Corps BEQ Initiative to build over 3,600 spaces and an additional $856 million in the Marine Corps Grow the Force to build over 8,700 permanent party/trainee spaces. The total funding devoted to Bachelor Enlisted Quarters is $1.2 billion.

—$133 million in operations and training facilities and an additional $121 million in the Grow the Force initiative funds Military Operations in Urban Terrain facilities at 29 Palms, CA, and Ranges at Camp Pendleton, CA, and Camp Lejeune, NC; Academic training facilities for The Basic School at Marine Corps Base Quantico, VA, the School of Infantry at Camp Pendleton, CA, and the Ma-

rine Aviation Weapons and Tactics Squadron at Marine Corps Air Station Yuma, AZ; operational facilities for V–22 aircraft support at Marine Corp Air Station Miramar and Marine Corps Air Station New River, NC, and apron space at Marine Corps Air Facility Quantico, VA.

—$36 million and an additional $73 million accelerated with the Marine Corps Grow the Force initiative funds Quality of Life facilities such as enlisted dining facilities at Marine Corps Air Station, New River, NC and Camp Lejeune, NC, and a Child Development Center at Camp Lejeune, NC;

—$64 million and an additional $62 million from the Grow the Force initiative funds new recruit quarters at Marine Corps Recruit Depot Parris Island, SC and Marine Corps Recruit Depot San Diego, CA as well as Student Officer Quarters for The Basic School at Marine Corps Base Quantico, VA;

—$53 million in Grow the Force funding will accelerate additional utility infrastructure improvements at Camp Pendleton, CA.

—$67 million and an additional $10 million accelerated from our Grow the Force initiative funds aircraft maintenance facilities at Marine Corps Air Facility Quantico, VA, Ordnance Facility at Marine Corps Air Station Beaufort, SC and Communications and Electronics Maintenance Facilities and Regimental Maintenance Facilities at Camp Pendleton, CA.

—$44 million supports other facilities such as the replacement of the 2nd Marine Air Wing Headquarters facility at Marine Corps Air Station Cherry Point, NC, destroyed by fire in 2007, a satellite fire station for Marine Corps Air Station Miramar, CA; and road improvements for entry into Marine Corps Base Quantico, VA.

—$183 million for planning and design efforts.

The Navy and Marine Corps Reserve Military Construction appropriation request is $57 million to construct a total of five reserve centers: two Navy; two Marine Corps; and one joint Armed Forces center.

Marine Corps Grow the Force

To meet the demands of the Global War on Terrorism (GWOT) as well as the uncertainty of our Nation's security environment, the Marine Corps must be sufficiently manned, well trained, and properly equipped. Like the Cold War, the GWOT is a generational struggle that will not be measured by the number of near-term deployments or rotations; it is this long-term view that informs our priorities and plan for growth.

To fulfill its obligations to the Nation, the Marine Corps will grow its personnel end strength to 202,000 Active Component Marines. This increase will enable the Marine Corps to train to the full spectrum of military operations and improve the ability of the Marine Corps to address future challenges in an uncertain environment. This growth will enable the Marine Corps to recover its ability to respond in accordance with timelines outlined in Combatant Commander war plans—thereby reducing operational risk. It will also relieve strain on those superb Americans who have volunteered to fight the Nation's battles. This growth includes:

—Adequate expansions of our infrastructure to provide for our Marines, their families, and their equipment; and

—The right mix of equipment for the current and future fight.

Exacerbating our requirements, the Marine Corps for many years funded only its most critical needs. As a result, Marine Corps installations are in a poor position to properly house and operate with additional Marines. Most of the efforts in fiscal years 2007, 2008 and proposed 2009 accelerate non-unit specific facilities which benefit all those aboard the installation—such as bachelor quarters, family housing, ranges, operational facilities, and landfills. This will assist in getting our installations ready to support our Grow the Force initiative. Beginning in fiscal year 2010, we are planning facility programs to support the final unit specific end-strength growth. Unit-specific construction will begin in fiscal year 2010 in concert with the expected completion of the National Environmental Policy Act review. Because Marines will begin to arrive before construction at many locations is complete, the Marine Corps is planning to lease, or purchase temporary support facilities.

As a result of the rapid, but rigorous planning process, the Marine Corps submitted its end-strength growth stationing plan to Congress in October 2007. Our proposed fiscal year 2009 request is based on that stationing plan. This plan will ensure that adequate facilities are available to support the phase-in and Full Operating Capability of a 202,000-Marine Corps while meeting our environmental stewardship requirements.

Incrementally funded MILCON projects

Our fiscal year 2009 budget request complies with Office of Management and Budget Policy and the DOD Financial Management Regulation that establishes criteria for the use of incremental funding. Furthermore, we do not consider any of the projects in our program to be viable candidates for incremental funding based on the mutual understanding between the Congress and the Department of Defense.

The DOD and OMB commit to work with the Congress to reestablish mutually acceptable and objective criteria for the funding of DOD military construction projects.

Meeting the Energy Challenge

In August 2006, I directed that all new Department of Navy facilities and major renovations be built to U.S. Green Building Council "LEED Silver" standards starting in fiscal year 2009. In addition, the Energy Policy Act of 2005 set new standards for energy performance in Federal facilities, including a 30 percent energy reduction over current design standards and the specification of devices that measure and reduce energy consumption. A modest 3 percent investment will contribute to the reduction of life cycle costs of our facilities and will improve the quality of life of our personnel through better indoor environmental air quality and improved levels of comfort within the facilities.

The Continued Need for a Mid-Atlantic Outlying Air Field

The Navy has decided to terminate the draft Supplemental Environmental Impact Statement (SEIS) that conducted further court-directed analysis at five alternative sites for a new Outlying Landing Field (OLF) to support introduction of F/A–18 E/F (Super Hornet) aircraft on the east coast. The Navy will prepare a new Environmental Impact Statement (EIS) under the National Environmental Policy Act (NEPA) that analyzes five new potential OLF sites. This decision followed careful consideration of the public comments received on the draft SEIS, review of new information provided by the State of North Carolina and the Commonwealth of Virginia, and a reassessment of the Navy's operational requirements. It is consistent with the action taken by the Congress in the fiscal year 2008 National Defense Authorization Act to rescind the authority to construct the OLF at Site C in Washington County, North Carolina. The new EIS will analyze potential environmental impacts at three sites in Virginia, and two sites in North Carolina that were provided by the respective States. Based on our evaluation of available information, these new sites each have operational, environmental, and population characteristics that make them viable site alternatives. The EIS will further analyze potential environmental impacts at each location and will result in a future decision about a new preferred OLF site. We expect this process will take about 30 months, so we have not requested any construction funds in fiscal year 2009. The five sites analyzed in the draft SEIS, including the Washington County location, are no longer under consideration as potential OLF sites.

The OLF is required to satisfy training capacity requirements under the Fleet Response Plan, and to reduce the impacts of encroachment on operations at existing facilities. While recent actions initiated by jurisdictions in the vicinity of Naval Air Station Oceana and Navy Auxiliary Landing Field Fentress in response to recommendations of a Joint Land Use Study may mitigate further encroachment, both capacity and encroachment continue to form the basis for the OLF requirement. Throughout this process the Navy will continue to work closely with the Commonwealth of Virginia and the State of North Carolina. The Navy believes that by working with State and local officials, we can understand their perspective on the issues and seek common ground on ways to mitigate impacts and identify potential benefits.

FACILITIES MANAGEMENT

Facilities Sustainment, Restoration and Modernization (SRM)

The Department of Defense uses a Sustainment model to calculate life cycle facility maintenance and repair costs. These models use industry-wide standard costs for various types of buildings and geographic areas and are updated annually. Sustainment funds in the Operation and Maintenance accounts are used to maintain facilities in their current condition. The funds also pay for preventative maintenance, emergency responses for minor repairs, and major repairs or replacement of facility components (e.g. roofs, heating and cooling systems).

SUSTAINMENT

[Percent]

	Fiscal year		
	2007	2008	2009
USN Budget	95	83	90
USN Actual/Plan	91	83	.....
USMC Budget	93	93	90
USMC Actual/Plan	113	111	.....

Restoration and modernization provides major upgrades of our facilities using Military Construction, Operation and Maintenance, Navy Working Capital Fund, and Military Personnel funds. The DOD uses a recapitalization metric to gauge investment levels. The "recap" metric is calculated by dividing the plant replacement value by the annual investment of funds and is expressed in years. The DOD goal is to attain a 67-year rate by fiscal year 2008. This continues to be a relatively coarse metric, as demonstrated by the effect of past Supplemental funds, BRAC construction projects, and recap projects to support Grow the Force. The Navy and Marine Corps continue to work with the Office of the Secretary of Defense and the other Components to develop a recap model similar to the Sustainment model, planned for release in the next budget cycle.

RECAP YEARS

	Fiscal year		
	2007	2008	2009
USN Budget	83	63	50
USN Actual/Plan	62	60	.....
USMC Budget	112	103	33
USMC Actual/Plan	117	61	.....

Naval Safety

The Department of the Navy strives to be a world class safety organization. In fiscal year 2007 the we achieved our lowest rate ever recorded for total Class A Operational Mishaps.[2]

The Department has embraced the Occupational Safety and Health Administration (OSHA) Voluntary Protection Program (VPP), which fosters a cooperative relationship between management, labor, and OSHA to improve workplace safety. DON has achieved "Star" status, OSHA's highest level of achievement, at five sites representing over half of the VPP star sites in DOD. The Navy activities include all four Naval Shipyards, our largest industrial facilities, and the Navy Submarine Base in Kings Bay Georgia. In 2007 DON was one of six Federal departments and independent agencies to meet all four of the goals specified by the President's Safety, Health and Return-to-Employment (SHARE) program.

Noise is also a safety concern in the workplace. Hearing loss is not reversible, it's often not painful and it won't kill you, but it sure is a quality of life issue for our Sailors and Marines when they leave the Service. We are engineering systems to be quieter, improving our training, and making sure our people have the best personal protective equipment.

Encroachment Partnering

The Navy has established an encroachment management program to acquire real property interests in the vicinity of our installations. Long-term encroachment partnering agreements have been established with Churchill County, NV and a local land trust for NAS Fallon; with the City of Virginia Beach for NAS Oceana; with Ocean County, New Jersey for NAEWC Lakehurst; and with the State of Florida and Santa Rosa County, Florida for NAS Whiting Field. These long term agreements enable the Navy to join with others to acquire easements that preclude incompatible development around our installations. We are working to establish a

[2] A Class A mishap is one where the total cost of damages to Government and other property is $1 million or more, or a DOD aircraft is destroyed, or an injury and/or occupational illness results in a fatality or permanent total disability. An operational mishap excludes private motor vehicle and off duty recreational mishaps. Mishaps exclude losses from direct enemy action.

long term encroachment agreement to protect lands under the supersonic operating corridor at NAWS China Lake and Edwards AFB, California.

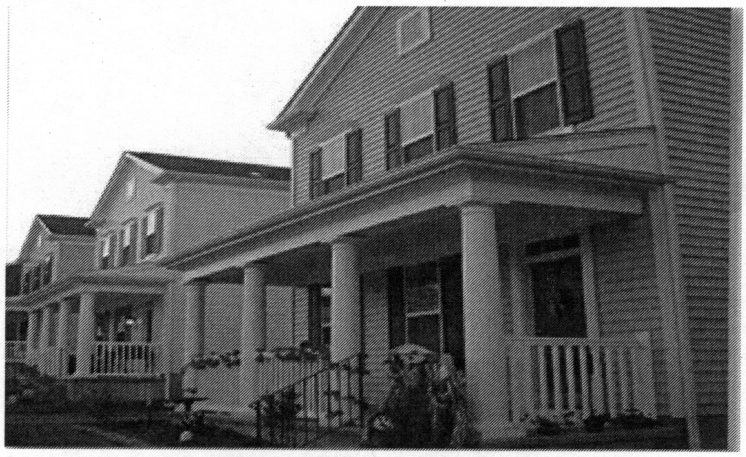
The Marine Corps secured easements on 2,715 acres at a cost of $6.9 million in fiscal year 2007 while our partners contributed $6.8 million to prevent incompatible development and protect vital ecological resources. Marine Corps projects in progress and planned for fiscal year 2008 are expected to reach $30 million in DOD and partner funds to address encroachment at MCB Quantico, MCAS Cherry Point, MCB Camp Lejeune, MCAS Beaufort, and MCB Camp Pendleton.

Energy

The Department of Navy is committed to achieving the energy efficiency, water conservation, and renewable energy goals that Congress and the President have directed. DON last year reduced energy consumption by 10.8 percent compared to the 2003 baseline. DON is increasing use of renewable energy through evaluation of geothermal, solar, wind, biomass, and ocean energy technologies, as well as implementing highly efficient cogeneration systems, efficient lighting, motors, HVAC and other energy systems. Nearly 3 percent of the total energy consumed by the Department comes from renewable sources including wind, solar and thermal. The Navy plans to award $210 million per year in energy, water, and renewable projects. We continue to leverage new technologies including ocean thermal energy conversion, tidal energy, and fuel cells. Targeting energy systems at the "per building" level itself is promising, particularly with the use of photo-voltaic cells.

HOUSING

Our fiscal year 2009 budget continues to improve living conditions for Sailors, Marines, and their families. Thanks to the support of Congress, we met the goal to program the necessary funds and have contracts or agreements in place by the end of fiscal year 2007 to eliminate all inadequate family housing. Renovation or replacement of inadequate Navy housing will be complete by the end of fiscal year 2011. Marine Corps families will be out of inadequate family housing by fiscal year 2014. This time has been extended from previous projections to maintain a supply of housing for additional Marines associated with Grow the Force until additional housing is constructed through privatization initiatives. We continue to provide homes ashore for our junior shipboard unaccompanied Sailors, to provide appropriate living spaces for our junior enlisted bachelor Marines, and to address long standing family housing deficits. In our fiscal year 2009 budget, we are requesting the necessary funding to eliminate the remaining inadequate permanent party unaccompanied BEQs facility spaces still featuring "gang heads."



Quantico, Virginia

Family Housing

As in past years, our family housing strategy consists of a prioritized triad:

—*Reliance on the Private Sector.*—In accordance with longstanding DOD and DON policy, we rely first on the local community to provide housing for our Sailors, Marines, and their families. Approximately three out of four Navy and Marine Corps families receive a Basic Allowance for Housing (BAH) and own or rent homes in the community.

—*Public/Private Ventures (PPVs).*—With the strong support from this Committee and others, we have successfully used PPV authorities enacted in 1996 to partner with the private sector to help meet our housing needs through the use of private sector capital. These authorities allow us to leverage our own resources and provide better housing faster to our families. Maintaining the purchasing power of BAH is critical to the success of both privatized and private sector housing.

—*Military Construction.*—Military construction will continue to be used where PPV authorities don't apply (such as overseas), or where a business case analysis shows that a PPV project is not financially sound.

As of the end of fiscal year 2007, we have awarded 30 privatization projects for over 61,000 homes. As a result of these projects, over 30,000 homes will be replaced or renovated, about 5,000 new homes will be built, and the remaining 15,000 were privatized in good condition and did not require any improvements. Through the use of these authorities we have secured approximately $8 billion in private sector investment from approximately $800 million of our funds, which represents a ratio of almost ten private sector dollars for each taxpayer dollar.

Our fiscal year 2008 and outyear family housing privatization projects are targeted at reducing family housing deficits by constructing additional housing for our families where the private sector cannot accommodate their needs. This includes locations where increased requirements associated with the Grow the Force initiative will add to projected housing deficits. During fiscal year 2008, we plan to award three Marine Corps family housing privatization projects that would build an additional 1,100 homes.

Our fiscal year 2009 budget includes $383 million for family housing construction and improvements. This amount includes $259 million for the Government investment in family housing privatization projects planned for fiscal year 2009 award. It also includes the replacement or revitalization of housing in Cuba and Japan where privatization is not planned. Finally, the budget request includes $376 million for the operation, maintenance, and leasing of remaining Government-owned or controlled inventory.

PLANNED PRIVATIZATION AWARDS

Location	Homes
Fiscal Year 2008	
MCB Camp Pendleton (Phases 6, 6A, and 6B)	367
MCB Camp Lejeune (Phase 4)	451
MCAGCC 29 Palms (Phases 2 and 2a)	285
Fiscal Year 2008 Total	1,103
Fiscal Year 2009	
Navy Southeast (Gulfport)	46
MCB Camp Pendleton	351
MCAGCC 29 Palms	600
MCB Hawaii	520
MCB Camp Lejeune	394
Fiscal Year 2009 Total	1,911
Total Fiscal Year 2008 to Fiscal Year 2009	3,014

Fiscal year 2008 locations include GWOT-funded projects.

Unaccompanied Housing

Our budget request includes $1.3 billion for 37 unaccompanied housing projects at ten Navy and Marine Corps locations. The budget continues the emphasis on improving living conditions for our unaccompanied Sailors and Marines. There are three challenges:

—*Provide Homes Ashore for our Shipboard Sailors.*—With its fiscal year 2008 request, the Navy completed programming for military construction associated with the Homeport Ashore initiative to provide ashore living accommodations for E1–E3 unaccompanied Sailors who otherwise would live aboard ship even while in homeport.

In addition to the E1–E3 shipboard Sailors, there are approximately 5,000 unaccompanied E–4 Sailors with less than 4 years service who are assigned to sea duty. In fiscal year 2001, Congress extended the BAH entitlement to all unaccompanied E–4 Sailors assigned to sea duty. Funding for the E–4s with less than 4 years service remains un-programmed. The Navy is evaluating housing strategies for its unaccompanied Sailors including this segment of the population. In the interim, we will accommodate these junior Sailors to the greatest extent practible within our existing unaccompanied housing capacity.

—*Ensure our Barracks Meet Today's Standards for Privacy.*—We are building new and modernizing existing barracks to increase privacy for our single Sailors and Marines. Reflecting the Commandant of the Marine Corps' priority to ensure single Marines are adequately housed, the fiscal year 2009 budget includes $1.2 billion in MILCON funding for the construction of approximately 13,000 permanent party spaces at eight Marine Corps installations. The Marine Corps has programmed the necessary funding from fiscal year 2008 through fiscal year 11 to eliminate the BEQ deficit for the Marine Corps pre-Grow the Force end strength requirement by 2012. Additional funding for BEQ requirements specifically related to the "Grow the Force" initiative is planned to begin in fiscal year 2010 after NEPA requirements are met in order to satisfy this requirement by 2014. These barracks will be built to the 2 + 0 room configuration, as have all Marine Corps barracks since 1998. This is consistent with the core Marine Corps' tenets for unit cohesion and teambuilding.

—*Eliminate Gang Heads.*—The fiscal year 2009 budget request includes funding to eliminate the last Navy permanent party BEQ with a gang head. The Marine Corps had already accomplished this goal in fiscal year 2005, but will continue to use these facilities on an interim basis to address short-term housing requirements resulting from the additional end-strength related to the Grow the Force Initiative.

Pacific Beacon at San Diego

Unaccompanied Housing Privatization

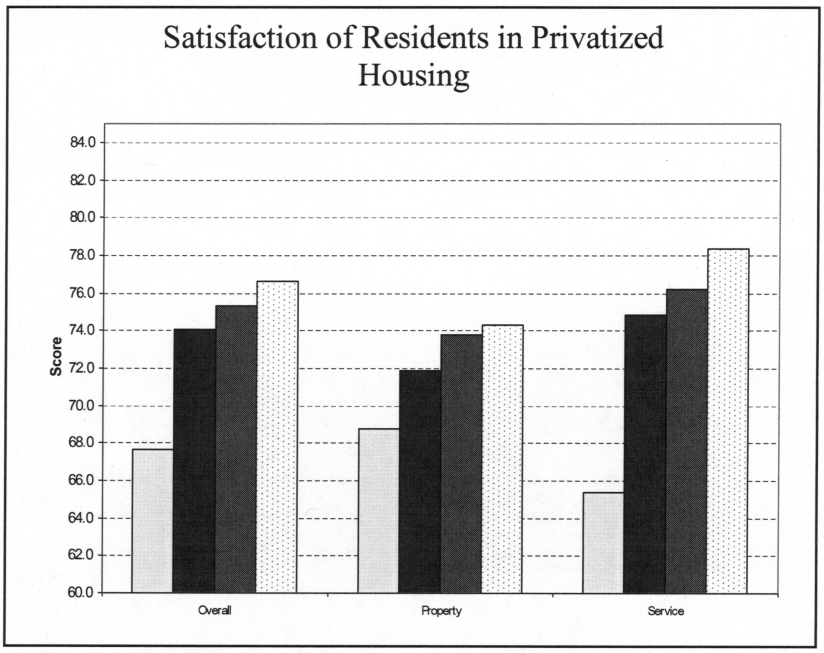
The Department awarded our first pilot unaccompanied housing privatization project to Pacific Beacon LLC in December 2006. When complete in 2009, this project will provide 941 new two-bedroom/two-bathroom apartments for E–4 and above enlisted personnel in San Diego, CA who are unsuitably housed in the private sector or who are living in Government quarters that could be used by shipboard Sailors. An existing unaccompanied housing building, containing 258 "1 + 1E" modules, was also privatized as part of this agreement. Our partner will provide additional quality of life amenities to existing buildings, such as a swimming pool. We expect the first building to be complete by the end of this year and overall project completion in 2009. I am pleased to report the facility that was privatized, "Palmer Hall," won an industry award for improved resident satisfaction based on resident surveys.

In December 2007, we executed business agreements for our second pilot project at Hampton Roads, VA. This project will build more than 1,100 new two-bedroom/two-bathroom apartments and privatize over 700 existing unaccompanied housing modules for unaccompanied shipboard E1–E3 personnel.

We are nearing completion of our evaluation of the Mayport/Jacksonville, Florida area as the candidate for third pilot project. We are also continuing to evaluate additional phases at San Diego and Hampton Roads using the public/private entities previously executed.

Managing Our Privatization Portfolio

We take seriously our responsibility to monitor the privatization agreements to ensure that the Government's long term interests are adequately protected. We have instituted a portfolio management approach that collects and analyzes financial, occupancy, construction, and resident satisfaction data to ensure that the projects remain sound and that the partners are performing as expected. We conduct meetings with senior representatives of our partners and, where necessary, resolve issues of mutual interest. We use focus groups to obtain direct feedback from residents, property managers, and Command representatives. Customer surveys show overall improvement in member satisfaction after housing is privatized. Where our projects have encountered difficulties, appropriate corrective actions have been taken. For example, we had concerns regarding performance of the private partner in our Pacific Northwest project. The partner sold its interest as a general partner to another company which has a record of good performance with military housing privatization projects.



ENVIRONMENT

Shipboard Programs

The Navy continues to convert its shipboard air conditioning and refrigeration plants from Ozone Depleting Substances (ODS) to non-ODS refrigerants. As of February 1, 2008, the Navy completed 552 of 690 air conditioning conversions and 595 of 611 refrigeration conversions. The Navy reached a major milestone in 2007 as conversions of the final aircraft carrier air-conditioning systems began. The Navy expects to complete its transition to non-ODS refrigerants by 2017.

In addition to the shipboard air conditioning and refrigeration conversion program, the Navy has taken other ODS management efforts which have reduced our Class I ODS usage by over 95 percent. For example, the Navy is designing and building the first aircraft in the world without halon for fire suppression. In recognition of these many achievements, the Navy garnered six EPA Best of the Best Stratospheric Ozone Protection Awards at the 20th Anniversary Meeting of the Parties of the Montreal Protocol in September 2007.

The Navy has also completed 168 of 334 upgrades to its plastic waste processors (PWPs), which allow ships at sea to compress plastics into a solid disk for disposal or recycling ashore. The upgraded PWPs reduce maintenance, improve reliability and throughput, and include a self-cleaning feature, giving our Sailors the best equipment available to meet no-plastics discharge requirements while at sea.

Natural Resources Conservation

The Department of the Navy's natural resources conservation programs rely on Integrated Natural Resources Management Plans (INRMP) to ensure our programs are effective in providing conservation benefits to species and their habitats while ensuring no net loss to the military mission. For example, in 2007, the United States Fish and Wildlife Service determined that the INRMPs for the Marine Corps' Townsend Bombing Range, GA, and Camp Pendleton, CA, provided a benefit to the protection of two species: the Flatwoods salamander (Ambystoma cingulatum) and tidewater goby (Eucyclogobius newberryi), respectively, and the range and base were excluded from Critical Habitat designation.

Since the Endangered Species Act, Section 4(a)(3)(B)(i), was amended in the fiscal year 2004 NDAA, U.S. Fish & Wildlife Service and National Marine Fisheries Service determined that the effectiveness of DON INRMPs outweighed the necessity to make 41 Critical Habitat designations on DON installations.

Environmental Compliance by Shore Installations

Domestically, 93 percent of Navy and 95 percent Marine Corps permits are in full compliance with Clean Water Act standards, and 98 percent of the Navy and 100 percent of Marine Corps population receives water that meets all Safe Drinking Water Act standards, both increases from recent years. The DON has made great strides in improving wastewater compliance through significant investments in infrastructure and improved management practices. For example, Marine Corps invested over $109 million in military construction funds at Camp Pendleton between fiscal year 2002 and fiscal year 2008 to meet wastewater requirements, including the construction of a new tertiary treatment system to serve the southern portion of the base. An additional $52.5 million military construction project is budgeted in fiscal year 2009 to reduce the total dissolved solids (TDS) in their drinking water.

Installation Restoration Program (IRP)

The DON has completed cleanup or has remedies in place at 83 percent of our 3,716 contaminated sites at our active installations. We plan to complete the program by the year 2014. The cost-to-complete the installation restoration program continues a downward trend with efficiencies of $600 million over the past ten years. Use of new technologies, land use controls, remedy optimizations, contract efficiencies, and a dedicated professional staff has contributed to these efficiencies. Our fiscal year 2009 request of $293 million consists of $243 million for IRP, and $50.0 million for munitions response.

Munitions Response Program (MRP)

The DON is proceeding with cleanup of Munitions and Explosives of Concern and Munitions Constituents at all Navy and Marine Corps locations other than operational ranges. We completed the preliminary assessments in fiscal year 2007 at 99 percent of the 239 known sites on 62 active installations and will complete site inspections and sampling by 2010. The data obtained from these inspections and samplings will provide the basis for developing estimates for environmental cleanup.

Range Sustainability Environmental Program Assessment

The Navy has completed environmental operational range assessments on 13 of 22 operational range complexes and is on track to complete the remaining nine operational range complex assessments in the United States and overseas by the end of fiscal year 2008. The Marine Corps has completed six range assessments and is on track to complete the remaining eight ranges in the United States by the end of fiscal year 2008, and an overseas range in fiscal year 2009. To date, neither the Navy nor the Marine Corps have identified a release or threat of a release from an operational range to an off-range area that presents an unacceptable risk to human health and the environment.

Alternative Fuel Vehicles

The Department has many initiatives to reduce its reliance on imported oil and increase its fuel conservation efforts. Over the past 5 years, the Navy initiatives have resulted in a 10-fold increase in the use of B–20 (i.e. 20 percent blend of biodiesel in petroleum diesel). The Navy has partnered with the Exchange Services to supply fuel for both government and commercial use at sites such as Naval Station Norfolk, VA. Biodiesel field testing and integration efforts are underway at several locations to address Executive Order 13423 goals, reduce greenhouse gas emissions, and to increase environmental security.

The Marine Corps has exceeded the Energy Policy Act (EPAct) of 1992 for Alternative Fuel Vehicle (AFV) requirements for the past 5 years and is a leader in DOD and among other Federal agencies in the use of biodiesel and other alternative fuels. It has reduced its consumption of petroleum by 28 percent since 1999 due in part to increased use of alternative fuels (such as biodiesel, ethanol and compressed natural gas), neighborhood electric vehicles and conservation. For their aggressive pursuit of compliance with Federal mandates well beyond published goals, the Marine Corps received the White House Closing the Circle Award in 2005 and again in 2007.

Navy Marine Mammals/Sonar R&D investments

The Navy remains a good steward of the environment by taking steps to protect marine mammals from anthropogenic sound in the water. Navy has steadily increased annual marine mammal research from $12.5 million in fiscal year 2004 to $22 million in fiscal year 2009. This long-term investment will support more than thirty universities, institutions, and technology businesses worldwide and address critical issues in marine mammal demographics (the "what, where, when, how

many, and how much" questions); support efforts to establish acoustic criteria and thresholds to more accurately measure the effects of naval activities; develop effective mitigation and monitoring methods to lessen and better understand any potential effects; and continue to refine characteristics of the sound field associated with naval activity.

MMPA National Defense Exemption

The Navy has been operating for the past year under a National Defense Exemption (NDE) issued in January 2007. Given recent court decisions in California and continuing litigation in California and Hawaii challenging the Navy's use of Mid-Frequency Active (MFA) sonar, the ability to rely on the NDE has been important to the Navy's ability to continue to test and train with MFA sonar. This limited-in-time NDE is necessary to allow the Navy sufficient time to complete the analysis and consultation necessary to support long-term compliance for Navy's MFA sonar testing and training. The Navy is preparing environmental planning and compliance documents in cooperation with the National Oceanic and Atmospheric Administration (NOAA). The process will be complete for the Southern California Range Complex, the Hawaii Range Complex and the East Coast (including the Gulf of Mexico) training areas by the time the NDE expires in January 2009. MFA sonar use as analyzed in these documents conservatively accounts for 75 percent of the Navy's testing and training with MFA sonar. The documentation for the remaining ranges will be completed later in 2009.

The NDE requires the Navy to employ 29 specific mitigation measures developed with, and fully supported by, the National Marine Fisheries Service (NMFS) within NOAA. The NDE enables the Navy to employ MFA sonar in a manner that maintains testing and training fidelity while providing protection to marine mammals. By enabling critical MFA sonar testing and training to continue in an environmentally sound manner protective of marine mammals, the NDE serves as a bridge to future compliance with the authorization requirements of the MMPA. NMFS, in recently considering the effects of Navy MFA sonar training exercises on marine mammals in and adjacent to the Navy's Southern California Operating Area, noted that the mitigation measures employed as a result of the NDE will minimize the risk of injury to marine mammals, and concluded that it does not expect the exercises to result in adverse population level effects of any marine mammal populations.

As part of the Council On Environmental Quality's (CEQ's) alternative arrangements for Navy compliance with the National Environmental Policy Act (NEPA) for the remaining exercises in the Southern California Operating Area through January of 2009, the Navy will use the NDE mitigation measures as modified by those alternative arrangements, as well as public involvement and best available scientific information to inform long-term range management decisions regarding continued testing and training with MFA sonar. However, while the MMPA has been removed as a basis for legal challenges, the Navy's ability to meet its statutory requirement to train and maintain a ready force, which includes training with MFA sonar, remains at risk due to legal challenges based on other environmental laws, specifically NEPA, the Endangered Species Act (ESA), and the Coastal Zone Management Act (CZMA), to the extent not addressed by Presidential exemption. Litigation surrounding those issues continues, with two courts recently enjoining MFA sonar use during two U.S. Pacific Fleet major exercise series. On March 31, 2008, the Department of Justice filed a petition with the U.S. Supreme Court for a writ of certiorari on the issues regarding MFA sonar training during the remaining exercises in the Southern California Operating Area through January of 2009.

RELOCATING THE MARINES TO GUAM

National interests and treaty commitments require the United States to strengthen its military capabilities in the Western Pacific. U.S. forces must be positioned to maintain stability, ensure flexibility to respond to regional threats, project power throughout the Pacific, defend our assets as well as those of our allies, and provide forces to respond to global contingencies.

The relocation of Marine Corps forces from Okinawa to Guam under the October 2005 agreement, "U.S.-Japan Alliance: Transformation and Realignment for the Future" (ATARA) is part of a broader realignment that, when implemented, will strengthen our regional posture, deter potential aggressors, and provide capabilities that can be flexibly deployed in contingencies. This is essential for the defense of Japan and for peace and security in the Pacific.

Plans for implementing the military realignment to Guam have progressed significantly. United States (USG) and Government of Japan (GOJ) representatives meet regularly to develop implementing instructions covering the programming, budg-

eting, and funding to construct operational facilities, utilities, and housing needed to realign 8,000 Marines and 9,000 dependents from Okinawa to Guam. The USG and GOJ have negotiated a GOJ contribution of $6.09 billion of the estimated $10.3 billion cost for infrastructure on Guam. We have budgeted an updated total of $62 million in various DoN accounts in fiscal year 2009 to continue planning efforts.

We continue numerous studies necessary for preparing an EIS in compliance with the NEPA. The EIS addresses the movement of Marine Corps forces from Okinawa to Guam as well as Navy efforts to construct a transient nuclear aircraft carrier-capable pier at Apra Harbor and Army efforts to locate a ballistic missile defense battalion on the island. A draft EIS is expected in spring 2009, the final EIS in December 2009, and a Record of Decision (ROD) in January 2010.

In parallel with the EIS efforts, we are developing a Guam Joint Military Master Plan (GJMMP). The GJMMP addresses the realignment of Marine Corps forces in the context of other ongoing DOD actions on Guam, such as increasing intelligence, surveillance, and reconnaissance capabilities and transient forces at Andersen Air Force Base, and the increased Navy submarine presence, and the Army effort noted above. A working level draft of the GJMMP will be complete this summer.

We are working closely with the Government of Guam (GovGuam), the Guam community, and other Federal agencies to ensure that social, economic, cultural, and other direct and indirect consequences are considered. DOD officials meet regularly with representatives from local agencies as part of a Civilian-Military Task Force on the island. We regularly meet with key GovGuam officials to coordinate compatibility with Guam's own Master Plan. Several public scoping meetings have been held and future public outreach sessions will be scheduled to ensure the community's concerns and ideas regarding environmental, socioeconomic and cultural impacts are taken into account. Federal support is also provided through DOD's Office of Economic Adjustment (OEA), which has thus far provided nearly $1.7 million in grants to GovGuam to support key planning and impact studies.

The business community, including local industry, is updated semi-annually on the relocation and acquisition effort at the Guam Industry Forum. These gatherings, held on Guam, attract large and small scale businesses and serve to facilitate networking and partnering opportunities.

DOD also ensures GovGuam's voice is heard by the rest of the Federal Government by co-chairing with the Department of Interior's Office of Insular Affairs a Federal Interagency Task Force. There are five working groups that bring together representatives from key Federal agencies such as Department of Labor, Health and Human Services, Department of State, Department of Agriculture, Environmental Protection Agency, Department of Homeland Security and others to address issues that will affect Guam during and after the military realignment. GovGuam representatives participate in each of the five working groups. I am pleased to note that GovGuam's Port Authority and the Department of Transportation's Maritime Administration are working together to achieve GovGuam's short-term vision of supporting the military realignment and its long-term goal of becoming a key intermodal transportation hub in the Pacific Rim region.

A critical concern is the availability of an adequate, trained construction workforce. With the need for an estimated 12,000 to 15,000 laborers, a small, but fully employed indigenous workforce on Guam, and a relatively low wage scale that will not attract significant numbers of workers from the continental United States or Hawaii, a significant amount of foreign workers will be required. Legislation is pending in Congress to relax the current cap on H2B visas for workers on Guam and the Marianas Islands. We will need a reliable supply of non-immigrant labor throughout the construction phase to complete the relocation of the Marines to Guam.

An additional issue of concern is the State of Guam's off-base infrastructure and public services. Although Guam is a U.S. Territory, the condition of much of its infrastructure is inferior to that found in other parts of the United States. Without major improvements to its infrastructure, Guam may not be able to adequately support the projected increase to its population. We are working with other Federal agencies and the Government of Guam through the Interagency Task Force to identify specific requirements and opportunities within the U.S. Government to finance high priority upgrades to Guam's infrastructure that support the Department's realignment. Ongoing cooperation in this regard will be crucial to ensure a successful relocation effort.

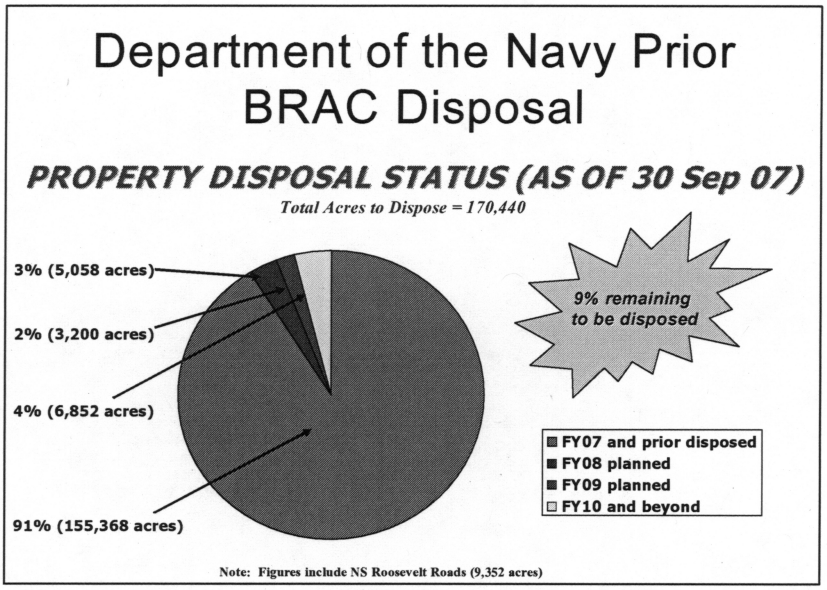
PRIOR BRAC CLEANUP AND PROPERTY DISPOSAL

The BRAC rounds of 1988, 1991, 1993, and 1995 were a major tool in reducing our domestic base structure and generating savings. The Department has achieved

a steady state savings of approximately $2.7 billion per year since fiscal year 2002. All that remains is to complete the environmental cleanup and property disposal on portions of 17 of the original 91 bases and to complete environmental cleanup on 14 installations that have been disposed.

Property Disposal

Last year we conveyed 3,363 acres in six separate real estate transactions at three prior BRAC bases. We also completed Findings of Suitability for Transfer (FOST) for 3,397 acres. The FOST certifies that DOD real estate is environmentally suitable for transfer by deed under Section 120(h) of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) (42 U.S.C. Section 9620(h)). The Department of the Navy has disposed of 91 percent of the 170,000 acres from prior BRAC actions.



The DON has spent about $3.7 billion on environmental cleanup, environmental compliance, and program management costs at prior BRAC locations through fiscal year 2007. The current cost to complete cleanup at prior BRAC locations is $1.1 billion in fiscal year 2009 through completion.

DON completed 12 CERLCA Records of Decisions (RODs) and Action Memos in fiscal year 2007, seven of which were at Alameda, CA. We sampled over 3,500 monitoring wells, and treated over 350,000 cubic yards of contaminated soil and 4.4 billion gallons of contaminated groundwater. At Hunters Point we have completed the removal of all radiological impacted sewer and storm lines on Parcel B: we removed enough soil to cover a football field 28 feet high! We teamed with the Stanford University to treat PCB contamination in sediment with activated carbon. This innovative technology has proven to be quite successful and could lead to more efficient and faster cleanup across DON.

In fiscal year 2008 we are continuing progress at Hunter's Point and Alameda, two of our Prior BRAC installations with remaining programs of considerable size. There has been a concerted effort to accelerate environmental and low-level radiological cleanups to support redevelopment initiatives. Admittedly, the radiological component has caused complications and delays not previously anticipated. In fiscal year 2008, DON will use the $50 million in additional appropriated fiscal year 2008 funds to further cleanup actions at Hunters Point, Adak, Alameda, and Treasure Island. Another $8 million appropriated in fiscal year 2008 for use on groundwater at Hunters Point will be used toward a zero valent iron treatability study. The additional funding allocated to Hunters Point will help expedite cleanup of what has proven to be one of the most unique and difficult BRAC sites for the Navy.

We have continued our success in using property sales to assist in funding environmental cleanup and property disposal as well as recover value for taxpayers from the disposal of Federal property. Through a combination of cost economic development conveyances, negotiated sales, and public sales, the DON has received over $1.1 billion in revenues from the sale of prior BRAC property. Nearly all of this revenue has been generated since fiscal year 2003. Beginning in fiscal year 2003, we have used these funds to accelerate environmental cleanup, and to finance the entire DON prior BRAC effort including caretaker costs since fiscal year 2005.

One significant property sale remains for the Navy at the former Naval Station Roosevelt Roads, PR, which is planned for fiscal year 2009. Revenue projections for Roosevelt Roads are unknown, but are expected to be well below that obtained from the sale of California property at El Toro and Tustin. In the absence of additional land sale revenue, we are resuming the need for appropriated funds in the fiscal year 2009 budget.

BRAC 2005 IMPLEMENTATION

The DON continues to move forward implementing closure and realignment plans that will eliminate excess capacity, improve operational readiness, capitalize on joint basing opportunities with our sister Services, maintain quality of service, and achieve cost savings. In contrast to prior BRAC commissions, the BRAC 2005 recommendations have fewer closures and many more realignments, particularly realignments that involve more than one component. The DON has six "fence line" closures and 81 realignment recommendations involving 129 bases.

Environmental Cost to Complete

Given the relatively few number of closures, the absence of major industrial facilities, and the extensive site characterization, analysis, and cleanup that has occurred over the last several decades, the DON's remaining environmental liabilities for BRAC 2005 are substantially less than in previous rounds of BRAC. We have spent $128 million in cleanup at BRAC 2005 locations through fiscal year 2007. Our remaining environmental cost to complete for fiscal year 2009 and beyond is $74 million and the majority of it will be spent at Naval Air Station Brunswick, ME and Naval Weapons Station Detachment, Concord, CA.

Accomplishments

Nearly all impacted communities have established a Local Redevelopment Authorities (LRAs) to guide local planning and redevelopment efforts. The DOD Office of Economic Adjustment has been providing financial support through grants and technical assistance to support LRA efforts.

One of the success stories of the past year was the establishment of Midcoast Regional Redevelopment Authority (MRRA) as the implementation LRA in Brunswick, ME. In December 2007, the reuse master plans for Brunswick Naval Air Station and Topsham Annex were adopted and MRRA began implementation of the plans in January 2008. Under the reuse plan, 51 percent of the total base property has been allocated for development (approximately 1,630 acres); and 49 percent (approximately 1,570 acres) of the base has been dedicated to recreation, open space, and natural areas.

The former main base of Naval Station Pascagoula (known as Singing River Island) reverted to the State of Mississippi on June 1, 2007. This facility was homeport to 1,000 military members and 100 civilians. Established as an operational homeport in 1992, the Naval Station fulfilled its mission to support and maintain surface combatants in the Southeast Region. The installation closed on November 15, 2006; but severe damage sustained to several buildings and the pier from Hurricane Katrina delayed the reversion to allow repair of the facilities. Through the team efforts of the State of Mississippi, the LRA, and the Navy, the repairs were awarded in January 2007 and completed in May 2007. This reversion represents 528 acres of BRAC 2005 property eliminated from the Navy's property account.

Finally, with careful management—such as deploying tiger teams to conduct independent evaluations of site conditions and requirements—we have been able to keep our cost increases down to a modest 2 percent compared to our fiscal year 2008 budget request.

Joint Basing

There will be twelve joint bases, of which the DON has the lead on four: Joint Base Anacostia-Bolling, DC; Joint Base Pearl Harbor-Hickam, HI; Joint Base Little Creek-Fort Story, VA and Joint Region Marianas, Guam. DOD issued Joint Basing Implementation Guidance (JBIG) in January 2008, stating that a memorandum of agreement for each joint base site will define the relationships between service com-

ponents. Under the joint guidance, total obligation authority and real property will transfer to the lead service prior to full implementation. A number of "table top" exercises have been conducted to facilitate a smooth transition in implementing joint basing.

Walter Reed National Naval Medical Center

Naval Facilities Engineering Command is the construction agent for the Army-lead BRAC Recommendation to relocate all tertiary (sub-specialty and complex care) medical services from Walter Reed Military Medical Center (WRNMMC) to Bethesda, Maryland. The Draft EIS public comment period closed on January 28, 2008, and a Final EIS is being prepared that will address public comments, most of which concerned traffic/congestion and homeland security. The ROD is planned for May 2008.

Two construction contracts are being prepared to meet the full requirements of the BRAC recommendation:

—Contract 1 includes design and construction of Medical Inpatient and Outpatient facilities, Medical renovations of Buildings 1–10, renovation of Building 17 to house administrative functions, and construction of parking structures. This contract is scheduled for award February 2008. Contract language precludes all construction activity until the ROD is signed so as to not prejudice the NEPA process. Award prior to ROD signature allows design to begin and gives the project better assurance of completion within the BRAC statutory deadline.

—Contract 2 includes construction of non-clinical/WTU administrative facilities, WTU and Staff Bachelor Enlisted Quarters, and a gymnasium. Contract award is planned for September 2008.

Fiscal Year 2007 Financial Execution

The DON budget for fiscal year 2007 was $690 million. The OSD Comptroller will release $54 million of that amount once the business plan for Naval Integrated Weapons and Armaments RDT&E Centers at China Lake, Dahlgren, and Indian Head is approved. As of December 2007, the overall obligation rate was approximately 66 percent, which was impacted by the fact that over 90 percent of the funding was received past the midpoint of the fiscal year. Contract awards for 11 of 51 fiscal year 2007 BRAC construction projects have been delayed pending resolution of issues related to business plans, resolution of congressional issues and refinement of project scope requirements. We anticipate having contracts in place for the remaining 11 un-awarded projects by the end of the third quarter fiscal year 2008.

Impact of the DOD fiscal year 2008 Reduction

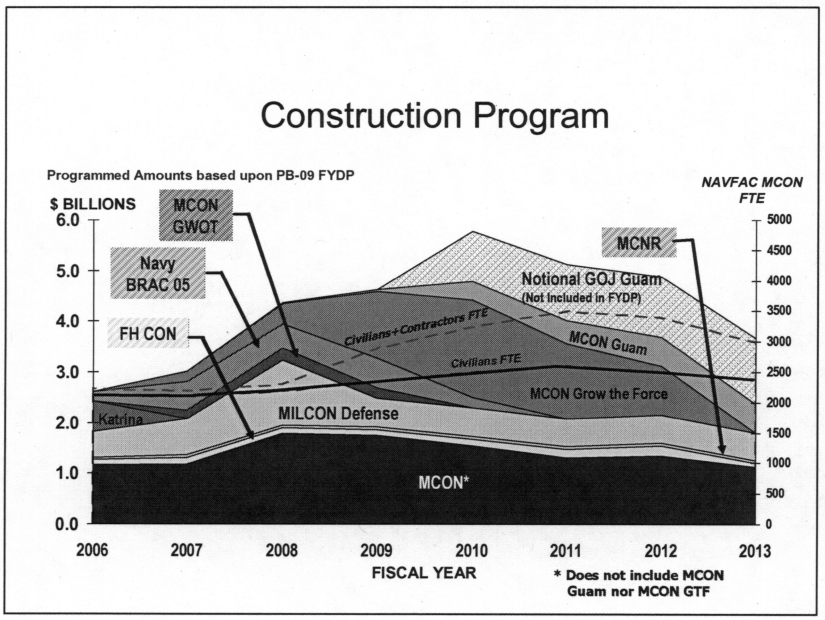
Of the DOD fiscal year 2008 Congressional budget reduction of $939 million, DON's share was determined to be $143 million. Lack of funding creates uncertainty with our civilian and military workforce, creates turmoil with the implementation of business plans and causes us to lose momentum. Finally, without full fiscal year 2008 funding the Navy's ability to fully support joint recommendations, where the business plan is led by another component, is severely degraded. We encourage the Congress to promptly restore full funding.

If funding is not restored, we will delay two BRAC construction projects ($90 million to co-locate Investigative Agencies at Marine Corps Base Quantico, VA; $7 million to relocate Navy Reserve Cargo Handling Battalion to Fort Lewis, WA) and Operations and Maintenance ($46 million) spending from fiscal year 2008 to fiscal year 2009. Without prompt restoral of these funds, the Navy will jeopardize its ability to implement BRAC 2005 by the September 15, 2011 statutory deadline.

MEETING THE CONSTRUCTION EXECUTION CHALLENGE

We have outlined how our facilities investment is at a record setting pace. Yet we are poised to accomplish this tremendous amount of work at hand. The Department's execution agent, the Naval Facilities Engineering Command (NAVFAC), has outlined an aggressive plan to accomplish the in increased volume of work.

Due to market conditions exacerbated by world-wide natural disasters, NAVFAC's execution lagged during fiscal year 2006. At the end of fiscal year 2006, total NAVFAC carry-over was $1,139 million, of which $712 million was DON. In addition, there were seven pending reprogrammings. In the subsequent 16 months, we scrubbed these requirements and used innovative acquisition strategies to reduce this backlog. As of the end of January 2008, fiscal year 2007 and prior carry-over is down to $302 million of which $186 million is DON. NAVFAC acquisition plans for fiscal year 2008 are poised to award all remaining prior year un-awarded and fiscal year 2008 MILCON and BRACON projects.



To execute the growing MILCON workload, we are utilizing successful past and innovations practices:

—Use best value source selection procedures.

—Stand-up additional, fully autonomous Officer-in-Charge of Construction offices at Bethesda, Camp Pendleton, and Camp Lejeune to focus on the concentrated workload at these locations

—Package similar and nearby projects over multiple fiscal years to achieve economies of scale. We achieved great success at Recruit Training Command complex at Great Lakes, IL using this strategy. We will do this where it makes sense while continuing to find opportunities to meet small and disadvantaged business goals.

—Incorporate "best of breed" features and standardize designs, particularly for Marine Corps BEQ projects.

—Apply Common component sourcing to minimize differences in building systems that would otherwise require multiple vendors, maintenance routines, and a wide variety of repair parts.

—Award program support contracts to augment NAVFAC's workforce, while maintaining the Governments acquisition and technical authority.

CONCLUSION

The Sea Services will operate in an increasingly dispersed environment to support the Maritime Strategy and ensure the freedom of the seas. This requires an ever strong foundation of installations from which to re-supply, re-equip, train, and shelter our forces. We must continue to make smart infrastructure investments to prepare for the future and secure the peace abroad. It has been an honor and privilege to serve this great Nation and the men and women of our Navy and Marine Corps team—the military and civilian personnel and their families.

Thank you for your continued support and the opportunity to testify before you today.

GUAM

Senator JOHNSON. What is the Navy doing, Mr. Penn, to ensure that the massive amount of construction that will take place in Guam is being integrated with and can be absorbed by the island? When can we expect to see a master plan that will detail all the

projects that are planned and how they fit with the rest of the island's infrastructure?

Mr. PENN. A preliminary draft master plan for internal DOD review should be available the end of this month. This is the first iteration of the draft master plan. We intend to complete the final document in September.

We are working with the Government of Guam, CMI, the Department of Labor, and the Department of State officials to identify the skilled workforce that we will need on Guam. We are supporting two companion bills in Congress today for the H2 Visa, controlling immigration on Guam.

General PAYNE. Sir, we have actively engaged in putting people forward to help work through the infrastructure requirements on Guam, to include not only the naval personnel, representatives from the Joint Guam Program Office and also Marine Corps personnel because it is going to be a daunting task and needs to be orchestrated very carefully with both the government and military efforts.

Senator JOHNSON. The Government of Japan has agreed to fund a portion of that, but I understand we have yet to see actual dollars from them and the $6 billion they have promised is a ceiling and not a floor.

What is the status of the Japanese contribution to Guam?

Mr. PENN. Sir, this month, my Director of the Joint Program Office was in Japan and just yesterday the negotiation team, they've been in Washington all week and I had the opportunity to speak with them yesterday.

At this time, the negotiations, as you can imagine, are very, very complex. We had anticipated about $500 million coming to us next year and right now we are in the vicinity, at least the planning vicinity, of about $475 million. So we're very close.

We think we will get to the $500 million with further negotiations and that will put us on time to start of construction in the 2010 time, fiscal year 2010 timeframe as we had planned.

GROW THE FORCE

Senator JOHNSON. Secretary Penn, the Navy's 2009 military construction budget request is $3.15 billion. It's nearly $1 billion larger than last year's spending level. Most of this increase is due to the "grow the force" initiative.

According to a recent GAO report, the majority of the new Marine Corps units will be established before permanent facilities are complete.

What is the Navy doing to bridge the gap between the time new units arrive and the completion date of the construction projects? Do you anticipate sending to Congress additional requests for temporary housing in the future?

Mr. PENN. General, would you like to respond?

General PAYNE. Thank you, Mr. Chairman. If I can take a stab at that for you. We are ahead of schedule, fortunately, in growing the force and, fortunately, there has been little to no impact, little to no negative impact on our facilities or on our MILCON Program because of being ahead of schedule.

The reason for that is that we have exceeded our retention goals in the past and so the influx or the increase in our end strength is mostly from people staying in as opposed to new recruits that we would have to provide additional BEQ spaces or additional housing. Number one.

Number two, we do have a very aggressive program for BEQs, to include 35 new BEQs that are going to be started in fiscal year 2009. We believe that we will have our BEQ rebuild program in place on schedule by 2012 and all of the facilities for "grow the force" completed by 2014.

NAVAL FACILITIES COMMAND

Senator JOHNSON. The Navy's military construction programs cannot be executed without adequate support from Naval Facilities Command.

Given the large increase in your request this year, what is the Navy doing to ensure effective management, coordination and execution of its construction programs? Does the Naval Facilities Command have enough personnel?

Admiral HANDLEY. Thank you, Mr. Chairman. To give you a perspective, they're looking—Naval Facilities Engineering Command obviously has been doing the construction for the Navy and the Marine Corps as a DOD construction agent for years, has been looking at several acquisition strategies to ramp up to meet this demand and that includes several things, such as the combining of like construction projects, looking at similar design of facilities to streamline that, but also looking at program support contracts, so that as they increase to meet this demand, they do that through a leverage contract perspective. So at the end of the surge of this construction period, they don't end up with an additional staff on board where they end up with a problem with workforce management.

So kind of a combination of looking at combining some projects. One of the biggest ones that we're looking at obviously is Guam and as we do that, we're also looking at the ability to include the housing for the immigrant workforce that would come in, the support for that workforce that would come in, also not burden the island of Guam as they do that large influx of construction as well, sir.

NNMC AND WRAMC

Senator JOHNSON. Secretary Penn, the supplemental budget request includes $218.9 million in BRAC funding to accelerate construction of the Walter Reed National Military Medical Center at Bethesda by 7 months.

What is the total projected cost of the Walter Reed Center at Bethesda, and is the Navy or the Tricare Management Activity requesting additional funding for this project in the 2009 BRAC request?

Mr. PENN. Sir, I think that's going to be a question for the record for us. I've had not had visibility on this in maybe 4 months, 5 months. So I'd be afraid to commit.

[The information follows:]

The cost to complete the Walter Reed National Military Medical Center at Bethesda is $1,112.5 million. This amount includes $936 million in Military construction funds and $3.5 million in planning and design funds as well as $173 million in operations and maintenance funds. The fiscal year 2009 President's Budget request included $234.8 million for efforts at Bethesda; an additional $208.3 million in fiscal year 2009 is also required to fund the enhancement and acceleration of the project. This requirement, along with an additional $55 million requirement for Fort Belvoir (for a total fiscal year 2009 additional amount of $263.3 million) was annotated on page 198 of the fiscal year 2009 Defense-Wide Agencies and Activities DOD Base Realignment and Closure 2005 Commission Budget Justification Material. DOD intends to seek this additional $263.3 million as these expansions are necessary for the acceleration and enhancement effort within the NCR in direct support of wartime casualties. The funds are requested for the BRAC appropriation and will be allocated to TMA to execute.

VH–71

Senator JOHNSON. Secretary Penn, the plan to replace the Marine One helicopter fleet with new VH–71 helicopters has run into significant cost overruns with the program currently on hold while the Pentagon decides how to move forward.

The Navy has recently informed the committee of large cost increases for the hangars to house these helicopters relative to changing requirements since the money was originally appropriated.

Given the uncertainty of the program, why doesn't the Navy pause the Navy Hangar Construction Program until the requirements are clarified?

Mr. PENN. Sir, we continue the construction of the hangar, the program. We have found that the cost to cancel the program, plus pay all the penalties and so forth, increases the cost significantly. So we will go ahead and continue the construction of the program.

Admiral HANDLEY. Sir, from a practical matter, depending on where each project is in the process, the termination costs often exceed the cost to complete that project and then looking at the total cost of the program which would be the restart.

So on a case by case basis, I think we take an evaluation of those, but depending on where you are in the construction process, you need to take a look at those total costs as you go forward, sir.

Mr. PENN. I think we're going to the white side now.

Admiral HANDLEY. The reprogramming package, I believe, that we've got for the Presidential helicopter has gone through some modification based on those requirements and so we'll continue to evaluate that, given these new requirements, sir.

ADDITIONAL COMMITTEE QUESTIONS

Senator JOHNSON. I would like to thank all of our witnesses for appearing before the subcommittee today. We look forward to working with you this year as the 2009 budget request process continues.

For the information of subcommittee members, if you have questions for the record that you would like to submit, please do so by the close of business on April 30, 2008.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

WALTER REED/BETHESDA NAVAL HOSPITAL—TOTAL COST

Question. Secretary Penn, the supplemental budget request includes $218.9 million in BRAC funding to accelerate construction of the Walter Reed National Military Medical Center at Bethesda by 7 months.

What is the total projected cost of the Walter Reed Center at Bethesda?

Answer. The cost to complete the Walter Reed National Military Medical Center at Bethesda is $1,112.5 million. This amount includes $936 million in Military Construction funds and $3.5 million in planning and design funds as well as $173 million in operations and maintenance funds. The fiscal year 2009 President's Budget request included $234.8 million for efforts at Bethesda; an additional $208.3 million in fiscal year 2009 is also required to fund the enhancement and acceleration of the project. This requirement, along with an additional $55 million requirement for Ft. Belvoir (for a total fiscal year 2009 additional amount of $263.3 million) was annotated on page 198 of the fiscal year 2009 Defense-Wide Agencies and Activities DOD Base Realignment and Closure 2005 Commission Budget Justification Material. DOD intends to seek this additional $263.3 million as these expansions are necessary for the acceleration and enhancement effort within the NCR in direct support of wartime casualties.

WALTER REED/BETHESDA NAVAL HOSPITAL—FISCAL YEAR 2009 BRAC REQUEST

Question. Is the Navy or the TRICARE Management Activity requesting additional funding for this project in the fiscal year 2009 BRAC request?

Answer. The funds are requested for the BRAC appropriation and will be allocated to TMA to execute.

WALTER REED/BETHESDA NAVAL HOSPITAL—COMPLETION DATE

Question. If this supplemental funding is approved, what is the projected completion date for construction?

Answer. We would expect to be able to complete construction of the new inpatient and ambulatory care buildings by October 2010. Construction of the new wounded warrior care wing will not be complete until summer 2011 due primarily to the need to phase certain portions of the project. The supplemental funding will also allow us to complete support buildings in time to meet the needs of the various medical functions as they realign from Walter Reed Army Medical Center to the new National Military Medical Center at Bethesda.

WALTER REED/BETHESDA NAVAL HOSPITAL—ROAD IMPROVEMENTS

Question. I understand that the Navy is considering asking the Defense Department to pay for some of the road and metro improvements around Bethesda to accommodate the additional traffic expected when this hospital opens. What is the status of the Navy's recommendation? What is the cost estimate for these improvements?

Answer. The Navy submitted a request on May 3, 2008 to the Defense Access Road (DAR) project office to certify two off-campus projects as eligible for DOD financing. One project would add a high-speed elevator from the Medical Center Metro Station to the western side of Rockville Pike. This would facilitate the movement of commuters from the Metro Station to the Medical Center side of Rockville Pike and thereby eliminate the need for increased capacity at the existing cross walk and ease the flow of traffic through a already heavily congested intersection. The second project would lengthen the left turn lane into the north gate of the Campus and thus reduce impact on the thru traffic proceeding south on Rockville Pike. The total cost of these two projects is estimated to be approximately $21 million. These projects are not yet programmed or funded, but if certified as eligible for DOD financing, they will be considered for inclusion in a future budget.

WALTER REED/BETHESDA NAVAL HOSPITAL—BARRACKS

Question. Given the personnel increases that the new hospital will require, has the Navy programmed for additional barracks or housing at the Bethesda Campus that will accommodate additional staff there?

Answer. The BRAC project includes the addition of a new bachelor enlisted quarters that will provide 300 new rooms. These rooms will be designed and built to Warrior-In-Transition standards. As a result, the new rooms will be able to accommodate Wounded Warriors and may also be used for staff personnel when not otherwise occupied. There are no plans to add officer housing to the Bethesda Campus.

QUESTIONS SUBMITTED BY SENATOR MARY L. LANDRIEU

FEDERAL CITY—REAL ESTATE AGREEMENT

Question. Does the Department of the Navy anticipate any problems that will delay reaching a real estate agreement with the New Orleans Federal Alliance in time to meet the BRAC Commission's September 2008 deadline, and if so, what is the nature of these problem areas and how can they be solved?

Answer. There are still many details to be negotiated before a formal lease agreement can be signed. We are currently working with NOFA to develop a simple and straightforward lease agreement that will meet our needs as well as the needs of the State within the confines of the legislation. Assuming the success of these negotiations, the Department of the Navy does not anticipate any problems that will delay reaching a real estate agreement with the New Orleans Federal Alliance (NOFA) in time to meet the BRAC Commission's September 2008 deadline.

FEDERAL CITY—LEGAL ISSUES

Question. Do you foresee any legal issues and if so what is the solution for those problems?

Answer. The current NOFA proposal does raise some legal issues that will need to be resolved in order for the Federal City project to move forward. To solve these issues, we continue to work with NOFA to develop a mutually acceptable proposal.

FEDERAL CITY—FUNDING

Question. Are there any funding issues with the implementation of Federal City?

Answer. NOFA has advised the Department that the State of Louisiana will commit up to $150 million for the development of Federal City. Governor Jindal reaffirmed a commitment of funding in his April 16, 2008 letter to DON. Navy is working with NOFA to ensure that all necessary funds will be obtained by the State as of September 30, 2008 and will be available to complete all work to meet the BRAC requirements. The $100 million ($75 million + $25 million) may not cover all the Marine Corps' facilities needs and there may be challenges in addressing any shortfall.

FEDERAL CITY—IMPLEMENTATION

Question. What assistance can this committee provide to help ensure that the BRAC Commission's recommendations are implemented and the Federal City project becomes a reality?

Answer. Given Governor Jindal's assurance that funding for the realignment will be obtained as required by the BRAC Commission's conditional recommendation, at present, no assistance from this committee is needed as we are continuing to work with NOFA to make Federal City a reality.

SUBCOMMITTEE RECESS

Senator JOHNSON. This hearing is recessed.

Mr. PENN. Thank you, Mr. Chairman.

[Whereupon, at 11:30 a.m., Thursday April 24, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

MILITARY CONSTRUCTION AND VETERANS AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2009

THURSDAY, MAY 8, 2008

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:08 a.m., in room SD–124, Dirksen Senate Office Building, Hon. Tim Johnson (chairman) presiding.

Present: Senators Johnson, Murray, Reed, Nelson, Hutchison, Craig, and Brownback.

DEPARTMENT OF DEFENSE

DEPARTMENT OF THE ARMY

STATEMENT OF HON. KEITH E. EASTIN, ASSISTANT SECRETARY OF THE ARMY, INSTALLATIONS AND ENVIRONMENT

ACCOMPANIED BY:

LIEUTENANT GENERAL ROBERT WILSON, U.S. ARMY CHIEF OF STAFF, INSTALLATION MANAGEMENT

MAJOR GENERAL RAYMOND CARPENTER, SPECIAL ASSISTANT TO THE DIRECTOR, ARMY NATIONAL GUARD

BRIGADIER GENERAL JULIA ANN KRAUS, DEPUTY CHIEF, ARMY RESERVE

OPENING STATEMENT OF SENATOR TIM JOHNSON

Senator JOHNSON. This hearing will come to order. I welcome everyone to this morning's hearing to discuss the President's 2009 budget request for military construction for the Army and Air Force. We will hear from two panels of witnesses today, beginning with representatives from the Army. Secretary Eastin, General Wilson, General Carpenter—who is from South Dakota, by the way—and General Kraus, thank you for coming today. We look forward to your testimony.

The military construction budget request for the Army this year is larger than ever. After nearly doubling last year from $2 billion to $4 billion, the active duty Army's 2009 request is a record $4.6 billion, an increase of 17 percent over the 2008 enacted level. Most of this increase can be attributed to the "grow the Army" initiative to add 74,000 soldiers by 2013. This initiative, combined with the severe stresses of two wars and the long-term strategic realignment, has required unprecedented investments in Army construction.

In light of this large request, it is all the more imperative that we closely examine how well the Army is executing its military construction program and whether its requests are appropriately prioritized to meet our military future. One area of particular concern to the committee is the deplorable conditions at some permanent party Army barracks, including those housing soldiers returning from the war, which have recently come to light. The situations that have been uncovered are, quite simply, unacceptable and I look forward to hearing from our Army witnesses how they intend to address the problem.

Senator Hutchison, would you care to make some opening remarks?

STATEMENT OF SENATOR KAY BAILEY HUTCHISON

Senator HUTCHISON. Thank you, Mr. Chairman.

It is nice to have the representatives of the Army and the Air Force for the second part of our round of hearings on our military construction appropriations for this year. I think the chairman has mentioned some of the points that I would make, but let me just say that I think the emphasis on the Army is certainly essential, given that the Army is going to grow its end strength by 65,000 active duty, 8,200 National Guard soldiers, and 1,000 reservists over the next 5 years, along with the consolidation of troops in the United States from overseas.

I do support this increase in end strength. It is the right thing to do. So it means that we do have to have the increases in military construction to assure the quality of life, which I also think is well covered in this appropriations request. You have $1.3 billion, an 85 percent increase over last year, on quality of life facilities, which I think is absolutely well placed.

The Overseas Basing Commission, as I have said many times, is a product of this committee. After traveling through some of our bases overseas and seeing the lack of training space, the separation, and the costs in foreign bases, we recommended that the foreign bases be looked at. In fact, the Department of Defense did jump right in and made good solid recommendations about moving many of our scattered facilities in Germany and Korea, consolidating the ones that did have the need and the capability. It will be much more efficient to have our overseas bases run more consolidated, as we are doing in the United States.

So the overseas basing issues, the BRAC recommendations, and the new global defense posture that focuses on expanded allied roles and new partnerships, will allow us to relocate our soldiers back to the United States. When the new emphasis on global restationing plan for the Army is completed by the end of 2011, we should see 90 percent of our U.S. Army forces based in the United States. This is a good plan and one our service members are counting on. It will provide more operational freedom of action, better training, and better family support than would be possible otherwise.

Along with BRAC, it will produce a stronger, more deployable, more efficient Army in which vast, but constantly stretched, resources of our Army can be used in the most efficient manner.

I want to mention the Army's new modular force plan, which will reorganize units into brigade combat teams. The new plan calls for five new brigade combat teams that would be stationed at Fort Bliss, Fort Stewart, and Fort Carson. I am told that the European commander wants to keep two of those BCTs in Europe for up to 2 years longer than the Army had originally planned. I would like not to see the delay at all. But I hope there is a commitment not to make that into a more permanent decision, I think the decision to move as many of our Army personnel as possible back to the United States, where there is a continuity of service and training capabilities, is the right decision. I hope that we're not backing off from that in any way, despite any European pressure on that account, particularly when we have not yet gotten very much cooperation from the Europeans in Afghanistan. I would hope that the original decision is not in any way being questioned.

Another area that I want to focus on is joint basing. We have the Air Force taking the lead in 6 of the first 12 joint basing pilot projects. I don't mean that it would be temporary, but the Air Force will be the lead in many of these bases. I think that's a good decision because the Air Force is known for taking care of its property well and operating well.

I do want to make sure that certain Army bases like Fort Sam Houston, which have quite a history and quite a cultural uniqueness, are maintained as what they are, a very historic and important part of the Army throughout the years. I think the joint base in San Antonio that will be operated by the Air Force, putting together Lackland, Randolph, and Fort Sam, is probably a good decision, as I said, because the Air Force does so well in operating. I'm sure it will be more efficient. But I don't want to lose any of the unique history of Fort Sam Houston. If somebody suggests that we modernize the old basic Fort Sam Houston structures, they're going to have trouble from me if I'm still around. So I hope that that would not be anything that would be in the offing.

So with that having been said, I thank you, Mr. Chairman, and look forward to hearing the witnesses.

Senator JOHNSON. Senator Reed.

Senator REED. Go ahead, Mr. Chairman.

Senator JOHNSON. I suggest 7-minute rounds for questions.

Senator HUTCHISON. Okay.

Senator JOHNSON. To our witnesses, thank you again for appearing before our committee. Your full prepared statement will be entered in the record. Secretary Eastin, please proceed.

Mr. EASTIN. Thank you, Mr. Chairman. I'll be brief in my opening remarks. I'm sure you'd like to get on with questioning of us on some of our matters.

A couple points I would like to make. We are, of course, very heavily involved in the BRAC process and we are committed to completing the BRAC process on time in September of 2011. To do that, however, we would appeal to you to restore about $560 million to the BRAC account which was decremented last year. Without this, it will be nearly impossible to complete many of the actions that would take place.

We've got—and most of these 59 separate actions involved, most of them of a reserve nature, reserve centers, National Guard activi-

ties, are not going to be able to be completed if we don't get some restoration of that sort of thing. So we appreciate your help in doing that if you can.

A topic on many people's minds, of course, is what we're doing with our barracks situation. General Wilson will discuss this in further detail himself, but let me assure the committee we take this very seriously. Our military construction budget alone this year, about 25 percent of it will be for the replacement of old Korean war era and earlier barracks, which are the subject of certain controversy here in the last several weeks.

So we are committed in replacing these barracks and otherwise taking care of our soldiers so that their home away from their original home is something they can be proud of.

With that, I'll turn this over, if you don't mind, to General Wilson, who can further enlighten us on where we are on the barracks matters.

General WILSON. Mr. Chairman, Senator Hutchison, Senator Reed, Senator Nelson: On behalf of the Army's senior leaders and more than 1 million soldiers that comprise our Army, thank you for the opportunity to discuss our fiscal year 2009 military construction budget.

Our MILCON request is crucial to the success of the Army's strategic imperatives, to sustain, prepare, and transform our Army, and military construction plays a key role in each of these imperatives. We must sustain our soldiers and families with programs such as the Soldier-Family Action Plan, which will standardize soldier and family programs and services, increase accessibility and quality of health care, improve soldier and family housing, ensure excellence in schools, youth services, and child care, and expand education and employment opportunities for family members.

We are establishing superb training facilities with $850 million in this year's budget for new ranges and training facilities to support our training readiness. The Army's medical action plan will integrate care and services for wounded warriors and their families and provide world-class care to our warriors in transition for reintegration into the force or transition to civilian life. We thank you for your support in this vital program.

The creation of the Installation Management Command in October 2006 continues our progress in centralized installation management and fosters more consistent, cost effective and predictable delivery of installation funding and services, and to improve these efficiencies and effectiveness we are achieving and reshaping our installations through BRAC, GDPR, Global Defense Posture Realignment, while simultaneously converting to the Army modular force, growing the Army, and assisting the Army Reserve in becoming an operational force, all of this while at war for 6 years.

Our military construction request supports this integrally woven, tightly synchronized stationing plan. In the last few years, as a result of our continuing resolutions we have lost 4 to 6 months of building time, basically delay in awarding projects. There is a provision in this year's budget, section 121, that would give us additional flexibility and I ask for your support in that new provision in this military construction bill.

Finally, I want to address the barracks situation at Fort Bragg. The recent video images are alarming and are not indicative of the standards for how we want our soldiers housed. We were not able to get the barracks to the quality of life the soldiers expected nor deserved prior to their return. This should have been prevented.

We have fixed all life, health and safety issues in Building Charlie 4122 and reprogrammed $2.9 million to Fort Bragg to inspect and correct all of the like buildings, which are 22, unlike the ones you saw on the video, and improve the condition of these barracks.

Since this incident surfaced, I ordered a sweeping inspection of over 3,300 barracks worldwide, 146,500 rooms, to ascertain the extent of the problem. All identified barracks deficiencies were ordered corrected throughout the Installation Management Command and any soldier found living in a substandard room has been relocated.

We have made changes to the way we manage our barracks by standing up maintenance teams at each installation to focus on barracks quality of life. We are placing sergeants major at directorates of public works, beginning with our 16 largest installations, to assist in barracks readiness, and we have transferred barracks ownership from deploying units to the garrison in order to better maintain them at an acceptable standard. We are now centrally managing our barracks and our training and tracking our barracks quality of life monthly.

Additionally, we have reprioritized $248 million to address our most urgent priorities, representing 48 projects across 8 installations. Mold is our largest problem, most prevalent in the Southeast, but across all of our installations. Each installation has the capability to test mold and take immediate corrective measures, including soldier reassignment. We are applying several initiatives to reduce mold growth.

I'm confident we can improve the quality of life for our soldiers serving our Nation so proudly. The Army has invested $13 billion since 1994 to modernize our barracks, get soldiers out of the old barracks and build new, modern barracks with more space and amenities. We are proud of this effort, but still have 9 years and $10 billion to go before our barracks will be brought to standard.

About 79.4 percent of our barracks were built in 1979 or earlier. Thirty-five percent are 50 to 60 years old, just like the barracks you saw at Fort Bragg. We must continually triage these old barracks to keep them livable. To cope with this challenge, the Army has invested $975 million since 2005 to sustain our barracks awaiting replacement. We will require a continual investment and leadership focus to maintain these barracks until we complete our buyout plan in 2015.

In closing, our $11.4 billion request for MILCON, BRAC, and family housing plays a critical role in allowing us to put the Army back in balance and sustain the current fight and restation our force. We thank the Congress for its unwavering support of the Army's military construction program over the years and we ask for your continued support. Our goal is to have premier installations across the globe. Our soldiers and families deserve nothing less.

Thank you. I look forward to your questions.

BARRACKS INSPECTIONS

Senator JOHNSON. Secretary Eastin or General Wilson, as you note in your testimony, the Army is now in its 16 year of a campaign to modernize its permanent party barracks. It is deeply troubling, after 16 years of this effort, that many of our soldiers are still forced to live in conditions like what recently came to light at Fort Bragg.

General Wilson, you noted the barracks inspections you recently ordered. How many soldiers were relocated as a result and can we see the results of that inspection?

General WILSON. Mr. Chairman, 13 soldiers were relocated, 8 in CONUS and 5 overseas. Eleven of these rooms were in regard to mold. This is not the black mold, but the mold that I talked about earlier. That inspection was done throughout the world, overseas and CONUS, as I related to. And yes, sir, we'll make that available to you.

[The information follows:]

BARRACKS INSPECTIONS

When the Fort Bragg video surfaced, the Army conducted a world-wide barracks inspection to ensure all rooms met life, health, and safety standards, or relocate Soldiers within 72 hours. As a result, 13 Soldiers were moved out of rooms due to mold or other unacceptable conditions. To address the immediate issue, $2.9 million in Sustainment funding was diverted so Fort Bragg could correct Building C–4122 deficiencies and other barracks on post in similar condition. Army-wide, $248 million was reprioritized, to address "worst needs" barracks at eight installations.

To avoid a repetition of the Fort Bragg scenario, the Installation Management Command is changing the way barracks are managed by transferring responsibility from deploying units to the installation garrison staff; providing senior noncommissioned officer facility oversight, in conjunction with the emerging First Sergeants Barracks Initiative; establishing and maintaining a quality of life standard focusing on living space, latrines, lounges, and lobbies; and programming funds to eliminate conditions conducive to mold growth.

Senator JOHNSON. Which barracks are in the most urgent need of repair and have you requested accelerated funding for them? How do you plan to accelerate the Army's barracks construction program to address these problems?

General WILSON. Sir, we noted 48 projects in eight of our installations in most urgent need. The method we can deal with that is to reprogram some of our sustainment dollars from other projects to these most urgent ones and that's how we plan on dealing with it.

Senator JOHNSON. How will the reduction in deployment tours from 15 to 12 months affect this situation? You will have more soldiers coming home at a faster rate. How are you going to ensure that all of them are adequately housed?

General WILSON. Mr. Chairman, you're precisely correct. As we begin to bring soldiers home from the surge, it's going to necessitate us to get in front of the problem so we avoid anything that happened at Fort Bragg. We think by the actions that we've directed, by standing up maintenance teams, placing the barracks under the garrison and public works for management, and also having monthly assessment reports to report through the operations channels and command sergeant major channels where they stand at each installation in preparation for returning soldiers,

that we will be able to address these urgent needs in the future redeployments.

GUARD/RESERVE COMPONENT

Senator JOHNSON. General Carpenter and General Kraus, a major concern for this committee has been the chronic underfunding of the infrastructure needs of our Guard and Reserve components. Last year, for example, U.S. Army Reserve and Army Guard MILCON funding saw major decreases. I'm pleased that this year's military construction request for the Army Guard and Reserve has increased, but the request still only meets about 40 percent of the requirements.

Understanding the need to prioritize in a time of tightening budgets, are the Guard and Reserve getting what they need?

General CARPENTER. Sir, Mr. Chairman, it's nice to see a fellow South Dakotan, by the way.

From the Guard perspective, we are working diligently with the Army to make sure that the Army National Guard projects are incorporated into the Army priorities. We have an adjutant general military construction GOSC that is engaged in that process.

We see the challenge for us in the Army Guard is to incorporate our needs into first of all the validated requirements for the Army and then the critical funding requirements. We are working with the Army in that process and, quite honestly, we are seeing some success.

Senator JOHNSON. General Kraus.

General KRAUS. Yes, sir. We have an aggressive program, which is 41 percent of the budget to be funded in the next, fiscal year 2009, and it takes us out with the prioritized list to 2013. What's critical for us at this point in time is that that 560 be re-added in, because it was 10 Army Reserve centers that had been shelved that we need to bring forward, and we're working on it.

FISCAL YEAR 2009 MILCON BUDGET EXECUTION

Senator JOHNSON. Secretary Eastin, your 2009 budget request for military construction is the largest ever submitted by the Army. Will you be able to execute it?

Mr. EASTIN. You're right, it is very large and it's very challenging. At Bliss alone we have $1 billion worth of military construction going on in the current year.

We've had to take a look at how we build things very carefully and basically transform that. We're proud at Bliss, for example, we are turning out one new building per week and we'll be doing that for the next several years. But it's required a complete relook of how we do construction, standardized designs, centers of excellence across the Corps, where not every region will be developing both, say, barracks and maintenance facilities and dining facilities, but we have centers that do each of those and try to standardize the design for each.

Also, much of the construction is actually manufactured in a factory and brought in and set up, so you're not doing sticks and bricks out on the posts themselves. But we're bringing them in state of the art construction methods now, and things that can be

brought in from the outside and constructed even in other States and brought in and put in place.

So we have a real organization set up there to do it. We are confident this will—in fact be done this year, and we're also confident that our BRAC time deadlines are going to be met.

Senator JOHNSON. With all the initiatives the Army has currently undertaken—Grow the Force, Global Realignment, etcetera—what is your top construction priority?

BARRACKS

General WILSON. Sir, I think it's clear our top construction priority on our installations and what we would call our pacing item would be barracks. We've got to address those 35 percent of our barracks that are 50 to 60 years old and our urgent requirement is to try to replace all of them as soon as possible.

Senator JOHNSON. Senator Hutchison.

Senator HUTCHISON. Thank you, Mr. Chairman.

BRAC

Mr. Eastin, we are working in the supplemental for the full restoration of the BRAC funding. Right now it's $780 million, $787 million, that would go into the BRAC account. If that stays all the way through the process, then are you on course to finish the BRAC requirements by 2011?

Mr. EASTIN. Senator, I sat up here last year and I said: Don't ask me tomorrow, but today we are on track everywhere to meet the September 2011 deadline. I'm happy to report that I will respond with the same—make the same response this year, that: Don't ask me tomorrow, but I know of no BRAC single action that is not going to be on track.

Some of these are going to be real challenges, but I know of none that will not be met by the 2011 deadline.

OVERSEAS BASES

Senator HUTCHISON. General Wilson, I mentioned in my opening statement that part of the global restationing initiative was spurred by the Overseas Basing Commission that this committee on a bipartisan basis put forward. I want to ask you, because of this potential delay of two combat brigade units, are we going to bring our forces back as originally proposed by the Department of Defense, and will you be able to complete the permanent facilities that you need for the Grow the Army timelines in military construction? And is there going to be more than a 2-year delay in those two units that are scheduled to come back as part of the five?

General WILSON. Senator, there is a 2-year delay on those last two brigades and that's what we're planning. Even with that, that last brigade is coming back to Fort Bliss, the permanent construction will not be completed when they return. Our current plan will be to use the relocatables that are available until the permanent construction is completed.

Senator HUTCHISON. Do you see any lessening of the commitment to bring those troops home from Germany after the 2 years?

General WILSON. The only thing that I'm aware about was the Secretary of Defense and the President's decision to do a 2-year delay and keep them within the FYDP, and that's what we're planning for our military construction quality of life efforts based on that decision. That would be 2012 and 2013.

Senator HUTCHISON. Do you sense that there is a negotiation going on with the Europeans using the troops and the Europeans' desire to keep them there at the same time that we're trying to move them back?

General WILSON. Ma'am, I don't have any knowledge of that. I'm sure that the COCOM commander and the Joint Staff may be able to address that, but I'm not aware of it.

Senator HUTCHISON. Well, it's my fear that we are going to succumb to political pressure from local governments and the Government of Germany, and I think that would be a real mistake. I think you made the decision based on the needs of the United States and our military personnel. The Germans have been difficult to deal with in military construction, requiring more expensive construction standards, and have not been willing to help in paying for those even if they are going to be left in Germany.

So I would just say that from my vantage point, I will be looking to the Army to negotiate with the Germans in the best interests of America and not allow them to not help pay for these added standards that they are requiring and not to leave more troops there than are in the best interests of the United States and our training and our quality of life for our military.

Thank you, Mr. Chairman.

Senator JOHNSON. Senator Nelson.

Senator NELSON. Thank you, Mr. Chairman.

With the returning soldiers from the surge and with the Army growing the force 95,000 troops and facilities already behind the funding curve, as you look at this what kind of planning can you take within the budget that was presented to be able to meet all those needs? I guess Mr. Secretary.

EXECUTION PLAN

Mr. EASTIN. Perhaps General Wilson can shed a little more detail on this. But we have a very carefully laid out integrated, interdependent plan to take care of all of the construction, both for the Grow the Army, the BRAC process, the global defense repositioning activity. All of that has been taken care of, all laid out, and, as I said to Senator Hutchison, I believe all currently on time.

I know it sounds incredible that we can kind of put this kind of money in there and have this kind of activity, but right now it's all working and it's all going according to the plans that basically the Corps of Engineers, our construction agent, has put together.

Senator NELSON. General.

General WILSON. Senator, I might just add to Secretary Eastin it's challenging. It's challenging at best to coordinate and synchronize all the things that have just been said: the restationing of one-third of our Army in the United States, the BRAC, return of soldiers from overseas, Grow the Army, converting and modernizing, the Army modular force.

But we work that through what we call the Army campaign plan and we synchronize that very carefully. And we meet weekly to synchronize our Army staff elements to ensure that we are able to provide support for the war, as well as support our soldiers and families. We feel confident that we're on track to do that. It's a challenge that we have to face every day.

BARRACKS

Senator NELSON. Well, the daunting challenge of dealing with the increased requirements because of Grow the Army, returning the military from overseas, including Germany, would be sufficient to keep you busy. But is it because of all the requirements that you currently have to build and to be prepared for the additional capacity, is that the reason why maybe the eyes were taken off current facilities that fell into disrepair, that have fallen into disrepair?

General WILSON. Well, I think—it's difficult to answer that. I will tell you, we're moving soldiers and families and units and redeploying and resetting them as quickly as we can so they can get some rest, and then they have to train up for the fight. It's just in time equipping, just in time manning, and it's very taxing and very difficult for the soldiers to tend to their soldiers and to tend to the barracks management.

It makes it doubly difficult when you have 50- to 60-year-old barracks, and we just have to pay more attention to it. We fumbled on that, that one at Fort Bragg, and we put things in place so we won't do that again. It's too important to our soldiers and they deserve to come back to better billets and better barracks than they left. So we're taking extraordinary measures to try to preclude that from happening again.

Senator NELSON. Well, sir, and I applaud you for doing that, because one of the best reasons to do it, in addition to quality of life, is if you're looking to recruit and retain you certainly don't want to fumble the ball that often or you might expect that it would affect at least retention.

In terms of the barracks issue, is it appropriate for any disciplinary action to be taken that would be appropriate based on the fact that somebody at some level knew that these facilities were in disrepair and either they didn't report it or they reported it up and someone didn't act on it, if that was the case? So do you know whether any disciplinary action is appropriate in this situation?

General WILSON. Senator, I was at Fort Bragg yesterday morning and I walked through the barracks that are at question here and I talked to the division commander of the 82nd Airborne, I talked to the brigade, the chief of staff, the garrison commander and the acting corps commander. And I asked that specific question and the senior commander determined that there was a breakdown in procedures and to return the barracks to standard before the soldiers redeployed. Leaders should have prevented this avoidance.

He determined, however, there was no purposeful neglect on anyone's part. And I asked him that specifically. I talked to the first sergeant that was back trying his level best to get that, and his people, to get that together. There was a breakdown. There was not a good handoff of this unit's coming back 3 weeks earlier than planned and they didn't reset the barracks in time. But it wasn't

because they didn't care or it wasn't because they failed in their leadership.

Senator NELSON. Well, even if it's not purposeful, the breakdown would appear to be at least negligent in the process. It would seem that someone at some level was responsible who didn't through as they should have or that that responsibility wasn't assigned. Is there a question of whether the responsibility was properly assigned to the appropriate personnel?

General WILSON. I think the procedures are in place and yes, the rear detachment and the advance party that came back to get the billets ready knew that that was their mission clearly, to ready those billets for the incoming battalion. They were part of that battalion. The problem was they thought they had 3 weeks to get that particular billets ready and they were focusing on the other billets that had less time, and that's what caused the error.

Once they had 72 hours notice, they found out they are coming back, they did everything in their power to get it done. They didn't raise it to the right level that we could have said, wait, stop——

Senator NELSON. That's what I'm trying to get to.

General WILSON. They didn't sound the alarm. But it wasn't because that they failed, in the commander's eyes here, in the division commander's eyes. It's because they just did not think to call in the cavalry.

Now, what we've done, we've made changes to preclude that.

Senator NELSON. Now, which is the more important question, which was my next one: What is being done, not just in the case of Fort Bragg, but in the case of other facilities which might involve the same kind of circumstances? So what is being done so that that doesn't occur again?

General WILSON. We made several changes. One, we did a mass inspection of all barracks across the Army, in CONUS and overseas, and determined there was no—where there was life, safety, or health instances, we fixed it right away.

Then we looked at our priorities, our worst barracks, and we then put money against fixing those. We've also increased our manning at the installations, where we're standing up maintenance teams to work for the DPWs to be able to deal directly with barracks, and that's their priority of mission, is barracks.

Senator NELSON. This will be an ongoing——

General WILSON. Yes, sir.

Senator NELSON [continuing]. Requirement, an ongoing mission? Because this isn't something that you can just have one-time full inspection and expect that things will not change over the next 5 or 10 years or over the next year. So are you going to have this be more like an audit inspection or is it going to be across the board continuously over the next several years?

General WILSON. It's going to be continuous, Senator. We're funding it as a sustaining requirement at each installation and we're adding 16 command sergeant majors at our largest installations to work in the DPWs to focus on barracks. And we're turning over the barracks management, not put that on the rear detachments; we put it on the garrison and DPWs to handle in the future.

Senator NELSON. So you're reasonably hopeful, at least, if not certain, that you'll be able to catch these situations before somebody with a camera comes by and takes a picture of it?

General WILSON. Well, our effort is to preclude it from happening again and to raise the quality of life where we don't see that again. We know we have barracks like that and we know we have to reset them, and we've got to get—and yes, I'm confident we're going to get in front of it so we can reset them before the soldiers come back home.

I'm not confident that I'm going to preclude any more pictures. I just hope they give us a chance first and call us and say we've got a problem.

Senator NELSON. Thank you.

Thank you, Mr. Chairman.

Senator JOHNSON. Senator Craig.

Senator CRAIG. Mr. Chairman, thank you very much.

Mr. Secretary, thank you for being here. To all of you, I appreciate your presence. I have no questions of you other than to say we're extremely proud of our efforts at Gowan Field in Boise with our National Army Guard and our Army Reserve and the efforts that go on there. Actually, I'm waiting for the Air Force to land and I think they're in the next panel.

With that, thank you all so very much for your presence today and your candidness. We appreciate it.

Thank you, Mr. Chairman.

Senator JOHNSON. To Secretary Eastin and the rest of our witnesses: Thank you again for your testimony and for appearing before this committee. Thank you. You may be excused.

DEPARTMENT OF THE AIR FORCE

STATEMENT OF HON. KATHLEEN I. FERGUSON, DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE FOR INSTALLATIONS

ACCOMPANIED BY:

BRIGADIER GENERAL JAMES RUBEOR, DEPUTY TO THE CHIEF OF THE AIR FORCE RESERVE

BRIGADIER GENERAL STANLEY CLARKE III, DEPUTY DIRECTOR, AIR NATIONAL GUARD

Senator JOHNSON. Thank you, Mr. Chairman.

We welcome our second panel of witnesses, the Honorable Kathleen I. Ferguson, Deputy Assistant Secretary of the Air Force for Installations; Brigadier General James Rubeor, Deputy to the Chief of the Air Force Reserve; and Brigadier General Stanley Clarke III, Deputy Director of the Air National Guard.

Ms. Ferguson, I understand that Secretary Anderson was unable to join us today, but we look forward to your testimony. Thank you for coming today. You may proceed.

STATEMENT OF HON. KATHLEEN I. FERGUSON

Ms. FERGUSON. Thank you, Mr. Chairman and distinguished members of the committee. On behalf of America's airmen, it's a pleasure to be here and I appreciate the committee accepting me as a substitute on such short notice. I'll keep my opening remarks brief and begin by thanking the committee for its continued support of America's Air Force and the many brave and dedicated airmen who serve around the globe to keep this country safe.

As our Nation finds itself in both a time of war and a time of transition, the Air Force continues to evolve to ensure we stand ready to protect America and our interests. Beginning with Operations Desert Shield and Desert Storm, the Air Force has been in continuous combat operations for more than 17 years. We currently have over 22,000 airmen deployed in direct support of Operations Enduring Freedom and Iraqi Freedom. Our team is firmly committed to supporting the Air Force priorities of winning today's fight, taking care of our people, and preparing for tomorrow's challenges.

We are changing on a scale not seen since the post-cold war drawdown and for us to support these priorities we must be transformational in all we do. In order to provide global vigilance, global reach, and global power, we need high-quality warfighting platforms for our installations.

I would like to highlight just a few of the significant initiatives we are implementing to ensure installation quality and superior warfighting support well into the future. Under our Corps of Discovery effort, we are benchmarking Fortune 500 companies such as General Electric, General Motors, IBM, and Bank of America. We are learning from industry leaders and are capturing best practices

in all aspects of infrastructure, from adopting an asset management philosophy to transforming our informational technology systems.

With our organizational transformation, we are committed to making joint basing a raging success. The Air Force fully supports the spirit and intended results of the joint basing provisions of BRAC 2005. The Air Force has worked diligently with the other services and OSD to ensure that the maximum financial, facility, and personnel effectiveness can be achieved via joint basing without impacting command and control of base or mission commanders.

The Air Force has expressed concern related to the execution strategy of joint basing, which may impact mission. However, the Air Force is not advocating any position that would inhibit carrying out any BRAC recommendation.

Let me take a moment to talk about energy. The increasing cost of energy and the Nation's commitment to reducing its dependence on foreign oil had led to the development of the Air Force energy strategy, to reduce demand, increase supply, and change the culture within the Air Force so that energy is a consideration in everything we do.

The Air Force is investing in its facility energy future with $14 million in 2008 and $229 million across the Future Years Defense Program (FYDP). We've been recognized as the number one Federal purchaser of renewable energy 4 years in a row.

The Air Force is DOD's leading consumer of jet fuel and 10 percent of the total U.S. jet fuel market. To meet our jet fuel needs of the future, the Air Force is evaluating domestically sourced synthetic fuel alternatives. We've certified the B–52 to fly on a synthetic fuel blend and we're on track to test and certify the C–17, B–1, and F–22 in this fiscal year, with the entire fleet certified by early 2011.

At Nellis Air Force Base, Nevada, through a public-private partnership we installed the largest solar array in the Americas, providing over 14.2 megawatts of clean renewable power, while delivering a savings of nearly $1 million a year for the installation and the American taxpayer.

On under utilized land at Malmstrom Air Force Base, Montana, the Air Force is exploring the potential for a privately financed and operated coal-to-liquid fuels plant. We are pursuing solar energy enhanced use lease projects at Edwards Air Force Base, California, Luke Air Force Base, Arizona, and Kirtland Air Force Base, New Mexico. We are also looking into the merits of hosting a small package nuclear facility on an Air Force installation at the request of some members of the Senate.

At the same time, the Air Force recognizes that energy and the environment are tightly linked. Not only have we committed to purchase only alternative energy sources with a greener footprint than current options, the Air Force has committed to be a leader in establishing a global consortium to tackle the reduction, capture, and reuse of greenhouse gas emissions.

Being a driving force is not risk-free. Our installations are warfighting platforms which must continually perform to support the warfighter. The fiscal year 2009 President's budget request for

Air Force military construction is more than $2.1 billion, comprised of traditional MILCON, BRAC, and housing investments. Unfortunately, we face demands on our resources that require tough choices. Our challenging budgetary environment includes the increased operations, maintenance, and personnel costs, the cost of the war against terrorism, and inflation factors that reduce our overall buying power.

Those demands have forced us to self-finance the centerpiece of future dominance, a massive and critical recapitalization and modernization effort over our aging air and space force. To accomplish this, we are accepting manageable risks in facilities and infrastructure funding. The current and future readiness and capability of our Air Force to deter enemies and, when necessary, fight and win our Nation's wars depends heavily upon the state of our power projection platforms—our installations.

PREPARED STATEMENT

As the Air Force continues to modernize and recapitalize, we will wisely invest our precious funding allocated to military construction, operations and maintenance, BRAC, the environment, military family housing, and energy. This will enable us to win today's fight, take care of our people, and prepare for tomorrow's challenges.

Thank you, Mr. Chairman.

[The statement follows:]

PREPARED STATEMENT OF WILLIAM C. ANDERSON, ASSISTANT SECRETARY OF THE AIR FORCE (INSTALLATIONS, ENVIRONMENT AND LOGISTICS)

Mr. Chairman, Senator Hutchison, and distinguished members of the Committee, as our Nation and Department finds itself in both a time of war and a time of transition; the Air Force continues to evolve to ensure we stand ready to protect America and its interests. The Air Force is the preeminent force for operations beyond the bounds of earth, and is vital to the success of ground operations as well, which is being proven daily in Iraq and Afghanistan. Beginning with Operations DESERT SHIELD and DESERT STORM, the Air Force has been at continuous combat operations for more than 17 years. We cannot provide Global Vigilance, Global Reach, or Global Power without our warfighting platforms—our installations—and the airmen that construct, operate and maintain those installations. I would like to highlight just a few of the significant ways our Total Force Airmen are serving this great Nation in this capacity.

We are firmly committed to supporting the Air Force's number one priority, "winning today's fight." Approximately 25,000 airmen are currently deployed in direct support of Operations ENDURING FREEDOM and IRAQI FREEDOM. More than 2,500 are engineers. Forty percent of the engineers are serving side-by-side with our Army comrades-in-arms by filling "Joint Sourced," "in lieu of" or "individual augmentee" positions, often sharing the same level of risk while operating "outside the wire." Our heavy construction RED HORSE engineers and our Prime BEEF engineers are well-known in the AOR for their ability to build and maintain expeditionary installation weapons platforms, whether bedding down Air Force, joint, or multinational forces. Our Air Force explosive ordnance disposal (EOD) airmen make up 37 percent of Central Command's joint EOD capability in theatre and in calendar year 2007 they responded to more than 8,400 calls to destroy improvised explosive devices, unexploded ordnance, or weapons caches. Sixty-six percent of these EOD warriors are operating "outside the wire" alongside their joint peers. Our "customers," whether joint, other Federal agency, or multinational, continually let us know how impressed they are by the capabilities our combat support personnel bring to the fight. While twenty of our logistics and installation airmen have made the ultimate sacrifice in this war, we are proud to be part of the joint effort serving our Nation's call to arms.

The reconstruction effort stands alongside the operational mission in Iraq and Afghanistan. Our Air Force Center for Engineering and the Environment (AFCEE) is

successfully executing a robust program to win the hearts and minds of Iraqi and Afghan citizens and help set the conditions for more free societies. Thus far, their efforts have included the execution of more than 576 projects, worth more than $4.6 billion, to construct or repair more than 4,000 facilities, to include government and military facilities, airports, roads, schools, medical clinics, police stations, utilities systems, and more. Much of this work is being done by Iraqi and Afghan citizens making up more than 90 percent of the construction workforce and 70 percent of the project engineers. External audits have validated AFCEE's efficiency: low overhead costs in manpower and financial resources, minimized in-country presence, and successful leveraging of the latest in efficient and effective business processes.

Our capabilities are vital to the Global War on Terror and other American interests overseas. We are also leading the way in many initiatives on the home front. Let me briefly highlight a few. The Air Force is a great example of leadership in energy, facilities management, and the environment. We have been recognized as the number one Federal purchaser of renewable energy 4 years running, and we are overall number three in the Nation. We will achieve the DOD's 2014 goal for environmental restoration 2 years early. Our housing privatization efforts have leveraged more than $350 million taxpayer dollars, bringing in $6 billion in private sector investment, speeding the delivery of adequate housing to our airmen. The Air Force is solidly on track to eliminate inadequate housing overseas, having already received support from this Congress through 2007 to completely fund the elimination of inadequate stateside family housing. Our emergency responders implemented the cross-functional Air Force Incident Management System in December 2007, making us the first Federal agency to meet the Executive Order and the Department of Homeland Security directive for implementing the National Incident Management System, assuring seamless and coordinated emergency response among agencies at or near our installations. The Air Force wants to ensure that appropriate conditions exist to make Joint Basing a raging success. We have a long and successful history of working toward common goals in a Joint environment, without compromising Air Force principles and the well-being of our people. Joint Basing initiatives are no exception. Therefore, to guarantee success, each Joint Base will provide an appropriate setting to all of its assigned personnel to facilitate mission success and provide improved quality of life through consistent installation standards, currently being developed. Our Soldiers, Sailors, Airmen, Marines, DOD Civilians and their families will benefit from efficient, consistent Installation Support Services. These standards will ensure the Air Force and our sister Services continue to provide all personnel with the level of Installation Support Services they deserve. Our base commanders and their local service providers are, of course, on the front lines of our efforts to maintain and improve services. As we work with the Office of the Secretary of Defense and our sister Services, we will ensure all Joint Basing initiatives contribute to DOD's ability to perform its mission. Joint Basing allows us to build closer relationships and forge stronger ties among the Services.

While we are proud of these successes, we have much work to do. Our Air Force's biggest challenge is to modernize our air, space, and cyberspace capabilities to ensure we continue to provide our Nation with its decisive military advantage. While not optimal, we must take manageable risk in our facilities and infrastructure to free up funding for weapons modernization. We also, however, have a vision to transform and overcome these challenges.

TRANSFORMATION

Our Air Force is transforming around new concepts of operations, organizational change, and advanced technologies. Accordingly, we are on a difficult but promising journey to transform our installations support enterprise. We are changing on a scale not seen since the post-Cold War draw down. As part of our Air Force strategy to internally fund weapon systems recapitalization and modernization, we needed to reduce manpower. We took this as an opportunity to restructure our Civil Engineer and Air Force Real Property Agency (AFRPA) organizations and improve support to the warfighter. The first major initiatives to transform how we effectively manage support for our installations are largely complete. We've reorganized Civil Engineering at all levels; rebalanced the force to include manpower increases in our high-demand RED HORSE and EOD combat engineer capabilities; and centralized the execution of all MILCON, housing MILCON, and environmental restoration at the AFCEE in San Antonio, Texas. BRAC 2005 directed the relocation of AFRPA to San Antonio and we took advantage of this to restructure AFRPA at the same time, to attract new skills and ideas to preserve and improve our focus on unlocking value in our underutilized real property.

We are also transforming our business processes, infrastructure, and technology to enable us to operate our installations within reduced funding levels and thereby continue to support our weapons modernization and recapitalization initiatives. Our approach includes producing efficiencies in enterprise-wide business processes while reducing by 20 percent, by the year 2020, the funding required for sustaining and maintaining our $243 billion physical plant. Let me emphasize installation support funding has already been reduced by 14 percent in the last 3 years; now we are figuring out ways to live within this funding level for the long haul and not impact our standards. Not only are we elevating internal best practices to the strategic level and using the Air Force Smart Operations for the 21st Century toolkit of "LEAN" and "Six Sigma" process improvement methods, we are also incorporating best practices from our strategic partnership with leading private sector companies, called the "Corps of Discovery."

Our installations organization established "Corps of Discovery" teams to visit companies such as GM, IBM, GE, Bank of America, ExxonMobil, CB Richard Ellis, Jones Lang LaSalle, Archibus, and others. We found we share many of the same challenges in maintaining our operational or primary mission edge while effectively balancing investment in infrastructure. Through this mutually-beneficial relationship, these patriotic companies are sharing their invaluable transformation "lessons learned." We are centering our transformation strategy on these key "lessons learned," such as strategic sourcing and real estate management from a portfolio perspective. Leading edge companies manage their real estate and physical plant with a holistic and integrated asset management approach that enables them to better articulate and manage risk while supporting their company's mission. We recently reorganized our installations organizational structure and people around Asset Management. True transformation, takes years, and these companies have proven the value of this long-term investment. Their knowledge and experience is proving invaluable to us as we transition to the asset management approach, which is also playing a key role in installations transformation.

Maintaining our installations within current funding levels requires an aggressive approach to efficiently utilize our physical assets and target limited funding on the most critical portions of our physical plant. An asset management-based operation allows us to attach value to our built and natural environment. This business case analysis approach will provide better decision making in a resource constrained environment. Our asset management initiatives to reach this goal include utilities privatization; energy conservation; redesigned incentive-based consolidation, demolition, and demolition in situ programs; housing privatization; and others. Finally, we have initiated a focused effort to identify opportunities where Enhanced Use Lease (EUL) authority can help us find ways to leverage our physical plant value while providing a mechanism to offset facilities and utilities operations and maintenance costs, especially energy costs. As a force multiplier, we are leveraging our Air Force Real Property Agency to be our center of excellence for identifying and acting upon EUL opportunities across the Air Force. Following on the tremendous success of the construction of the largest photovoltaic solar installation in the Americas at Nellis AFB, NV, we are pursuing five major energy-related EUL projects: solar energy at Edwards AFB, CA; Luke AFB, AZ; and Kirtland AFB, NM; and a prospective nuclear energy project at a location yet to be identified.

Successful implementation of transformed business processes that will drive these physical plant utilization initiatives requires an enabling information technology (IT) system. We are transforming IT systems to support reengineered business processes and maximize the efficiency of our work force. Our benchmarking found integrated workplace management systems commonly used at these Fortune 500 companies, and we are examining how these IT systems could enable our own transformation. Launched the first part of this year, our IT acquisition strategy is leveraging key insights from the "Corps of Discovery" partnerships, and will also leverage capable commercial-off-the-shelf systems. While meeting executive, department and Air Force requirements for real property accountability systems and data transparency, the new Agile Installation Management IT system will enable enterprise-wide reengineered business processes centered on the complete lifecycle of asset management.

As you can see, we are transforming enterprise-wide, from core business processes to organizational structure and IT systems. We are also providing leadership to our government and even the private sector, from purchasing and producing alternative energy, to housing privatization and asset management. We are making process changes at every level, resulting in resource savings and more efficient operations. At the heart of all of our efforts are of course our customers. Exceeding the expectations of our warfighters, their families and the communities that support our instal-

lations, in terms of cost, quality of service and delivery, stands as the centerpiece of our installations business model.

These efforts are the means by which we are meeting the enormous challenges of today and the foreseeable future, and they ultimately enable us to sustain and modernize the world's best air, space, and cyberspace force. These transformational changes will help us maintain our focus on our Air Force's three overarching priorities: winning today's fight, taking care of our people, and preparing for tomorrow's challenges.

FISCAL YEAR 2009 AIR FORCE MILCON, BRAC, ENVIRONMENTAL, OPERATIONS AND MAINTENANCE AND FAMILY HOUSING PROGRAMS

Air Force facilities, housing, environmental, and BRAC programs are key components of our support infrastructure. At home, our installations provide stable training environments as we equip and reconstitute our force. Both our stateside and overseas installations provide force projection platforms to support Combatant Commanders (COCOMs), from homeland defense sorties over New York, to strike missions in Iraq. Our installations are weapons systems and in order to support our base-centric concept of operations, the Air Force has developed an infrastructure investment strategy that focuses on enabling COCOMs to win today's fight, take care of our people, prepare for tomorrow's challenges, implement BRAC, protect and restore our natural environment, drive energy efficiency and independence, sustain our infrastructure, and strive to recapitalize our aging infrastructure. We are the DOD's leader in expeditionary combat support and continue that role with pride. Our total force military construction, family housing, environmental, energy, and sustainment, restoration, and modernization programs are paramount to successful operations and maintaining the quality of life that our men and women in uniform and their families deserve.

The fiscal year 2009 President's Budget (PB) request for Air Force military construction is more than $2.1 billion, comprised of traditional MILCON ($988 million), BRAC 2005 ($734 million) and housing investments ($396 million). Unfortunately, we face demands on our resources that require tough choices. Our challenging budgetary environment includes: increased operations, maintenance, and personnel costs; the cost of the war against terrorism; and absorbing inflation factors that reduce overall buying power. These factors have forced us to self-finance the centerpiece of future dominance—a massive and critical recapitalization and modernization effort of our aging air and space force. To accomplish this, we are accepting manageable risk in facilities and infrastructure funding. The Total Force MILCON portion ($988 million) of the Air Force fiscal year 2009 PB military construction request reflects our highest construction priorities. This request includes $935 million for active military construction, just over $34 million for the Air National Guard, and $19 million for the Air Force Reserve. In addition, this budget carefully balances our facility operations and maintenance accounts for sustainment, restoration, and modernization with military construction programs to make the most effective use of available funding in support of the Air Force mission, while keeping "good facilities good." The Air Force Total Force sustainment funding in fiscal year 2009 is $2 billion, 90 percent of the amount called for by the Facility Sustainment Model. The fiscal year 2009 Total Force restoration and modernization (R&M) funding is $514 million—an increase of approximately $168 million over last year's request.

The Air Force fiscal year 2009 PB request of $396 million for the Military Family Housing investment program balances new construction, improvements, and planning and design work, and completes the funding to eliminate inadequate housing overseas. We cannot allow our current housing stock to fall into disrepair. Therefore, in addition to the $396 million requested for housing investment, we request nearly $599 million for operations and maintenance, for a total housing investment of just under $1 billion.

To continue our proactive and responsive environmental quality and restoration programs, the fiscal year 2009 PB request includes $1,015 million for direct-funded non-BRAC environmental programs. In addition to the $435 million we requested for traditional environmental restoration activities, the fiscal year 2009 PB request includes $367 million for environmental compliance activities and projects, $82 million for pollution prevention initiatives, $53 million for funding environmental conservation activities, $61 million for munitions response activities, and $17 million in investments in promising environmental technologies.

The Air Force is investing in its facility energy future, with $14 million in 2008 and $229 million more across the FYDP. These monies are lead-turning important initiatives such as establishing Resource Efficiency Managers Air Force-wide and enhancing our aggressive utility rate and Energy Savings Performance Contract

management teams to ensure we are getting the best value for every tax-payer dollar. We also are investing in the highest payback energy conservation initiatives such as upgrading our energy-intensive aircraft paint hangars; decentralizing heat plants; recommissioning facility heating, ventilating and air conditioning systems; and installing ground-source heat pumps. We expect the return on investment on these initiatives to be 2.5 to 1 or, a savings of approximately $550 million by 2015.

To continue our aggressive BRAC implementation schedule, the fiscal year 2009 PB request includes $1.2 billion for BRAC-related activities, of which $734 million is construction. The Air Force is lead for 64 BRAC business plans and has equity in 16 additional business plans. Full support of this funding request is critical to ensure we remain on track to meet the requirement for compliance by 2011.

Sound investment in our installations postures the Air Force to support our priorities of winning today's fight, taking care of our people, and preparing for tomorrow's challenges. We believe the fiscal year 2009 PB proposal will provide the funds to ensure our installations continue to serve as effective power projection platforms that enable the continued success of our core Air Force missions.

WINNING TODAY'S FIGHT

The Air Force's first priority is to win today's fight. We plan to invest $222 million on 14 projects that support and enhance the Air Force's ability to deliver intelligence, maintenance, and operational capabilities to our COCOMs. The Air Force is executing five projects directly contributing to winning today's war within the CENTCOM area of responsibility (AOR). CENTCOM's AOR is the geographic and ideological heart of today's fight. A war without borders, it spans 27 countries in the Central Asian region of the world. The five projects in CENTCOM's AOR provide much-needed in-theater aircraft maintenance as well as appropriate parking, fueling, and cargo handling space. An additional eight projects in the contiguous United States (CONUS) provide critical infrastructure necessary to continue to deliver, grow, and improve the high demand for an Unmanned Aircraft System presence in current and future operations. The Air Force will also construct a large vehicle inspection station to greatly improve the force protection and operational capability of the forces at RAF Lakenheath in the United Kingdom.

TAKING CARE OF OUR PEOPLE

The Air Force sees a direct link between readiness and quality of life. The Air Force is committed to creating and maintaining a consistent, high quality, and safe environment in locations where airmen work, train, reside, and recreate. Our Total Force Airmen are the most valuable assets we have in winning today's fight and ensuring our air, space and cyberspace dominance. We must continue to recruit, train, develop, and retain the best America has to offer. As our Air Force becomes more capable, more efficient and more lethal, so will our airmen. The quality of life we provide for our airmen and their families is a distinct determining factor in how long they remain in our service. The sacrifices our airmen and their families make are enormous. We are deeply committed to providing every Airman and their family with the best possible quality of life as they serve our Nation. In this year's budget we strive to promote a wide spectrum of projects that take care of our airmen and their families; from quality family housing for our families, quality dormitories for unaccompanied airmen, functional fitness centers, and safe child development centers, to realistic training and operational facilities.

Workplace

The Air Force is fully committed to the ensuring the safety and protection of human health for all of our personnel, both on and off duty. The Air Force evaluated its current injury and illness rates for airmen and determined implementation of the Occupational Safety and Health Adminstration's Voluntary Protection Program (VPP) would improve upon that commitment. VPP implementation historically results in a major reduction in illness/injury compared with non-VPP sites in like industries, and reductions on the order of 50 percent are not uncommon. The Air Force formalized this commitment to VPP last August through signing of a partnership agreement between the Air Force and OSHA. The agreement included a commitment to reduce civilian and military workforce injuries and illness by at least 3 percent per year and to expand participation in VPP and increase awareness of the value of effective safety and health management. Currently, 20 Air Force installations have begun work toward implementing the elements of VPP, and five will be ready to apply for formal OSHA evaluation and designation in 2008—Altus AFB, OK; Hanscom AFB, MA; Tinker AFB, OK; Robins AFB, GA; and Eielson AFB, AK. Eventually all Air Force installations both in the continental United States and

overseas will use this tool. To make sure the Air Force is gaining from others who have improved workplace safety, we are working closely with civilian companies who have proven their commitment to the highest level of health and safety performance. We have already learned from these companies and have used their experiences to improve our safety processes, and also have found VPP implementation a common element at these high-performing organizations. Our ultimate goal is to make VPP a way of thinking both on duty and off duty for our airmen. VPP is one way to give our airmen the safest possible environment in which to work and live.

Energy

The Air Force Model Energy Base Initiative is testing the breadth of initiatives and best practices in facility management, aviation fuel reduction, and ground vehicle management. McGuire AFB, NJ and Barksdale AFB, LA are the two bases selected to demonstrate the effectiveness of comprehensive efforts by the Air Force to implement its energy strategy. McGuire AFB was selected because it represented for the Air Force a base with an Air Mobility mission in a region with a large heating load in the winter. Barksdale AFB represents an air combat mission with a large cooling load in the summer. The Air Force will be disseminating lessons learned and best practices throughout the organization as they become available, and will share with our sister services and other energy partners.

Under the Air Force Smart Operations for the 21st Century processes, we have established the HQ Air Force Energy Senior Focus Group and Provide Infrastructure Working Group which look at four strategic pillars to maximize our energy efficiencies: Improve current infrastructure, improve future infrastructure, expand renewables, and manage cost. We have established metrics to track compliance with executive orders and Air Force guidance.

We are continuing our aggressive stance with five major energy-related EUL projects: solar energy at Edwards AFB, CA; Luke AFB, AZ; and Kirtland AFB, NM; and a prospective nuclear energy project at a location yet to be identified.

Family Housing

The Air Force Family Housing Master Plan details our Housing military construction, operations and maintenance, and privatization efforts. To implement the plan, our fiscal year 2009 budget request for family housing is just under $1 billion. Consistent with Department of Defense Strategic Planning Guidance, the Air Force is on track to fund projects through 2009 that will eliminate inadequate overseas housing.

For fiscal year 2009, the requested $396 million for our housing investment program will replace and improve more than 2,100 housing units at eight overseas bases. An additional $599 million will pay for operations, maintenance, utilities and leases to support the family housing program.

We have used the privatization authorities granted by Congress to accelerate our family housing improvement program. By fiscal year 2009, the Air Force will privatize 41,500 housing units, and with the funding of the fiscal year 2009 PB the Air Force plans to privatize an additional 4,300 housing units. The Air Force projects it will have strategically leveraged more than $350 million in government investment to bring almost $6 billion in private sector total housing development. That is $16 of private investment for each public tax dollar. The Air Force is evaluating the privatization of remaining CONUS installations where feasible.

Unaccompanied Housing (Dormitories)

The fiscal year 2009 total Air Force requirement for dormitory rooms is 60,200. We have made great progress using the three-phased investment strategy outlined in our Dormitory Master Plan (DMP). Phase I, now construction complete, eliminated central latrine dormitories. With the fiscal year 2007–2009 MILCON programs we have the necessary funding to complete Phase II of our DMP, which is our permanent party and pipeline dorm room shortage (deficit), by building new dormitories. In Phase III, now underway, we will replace existing dormitories at the end of their useful life with a standard Air Force-designed private room configuration under the "Dorms-4-Airmen" concept. Our "Dorms-4-Airmen" concept capitalizes on our wingman strategy and keeps our dorm residents socially and emotionally fit.

Our fiscal year 2009 Program reflects this strategy. The $104 million request for dormitory investment will replace or construct more than 1,400 rooms for unaccompanied personnel at three CONUS bases. We are equally committed to providing adequate housing and improving the quality of life for our unaccompanied junior enlisted personnel as we are to our families.

Fitness and Child Development Centers

The Air Force maintains its strong commitment to the "Fit-to-Fight" program. Fitness and exercise is a regular part of airmen's lives as they prepare to meet the rigors of the expeditionary environment. Our goal is to replace at least one fitness center per year until we have the resources to do more. This year we will construct a new fitness center at Dover AFB, Delaware.

We also remain committed to our Air Force families and we are dedicated to providing them with adequate and nurturing child care facilities. The most urgent need in 2009 is at Columbus AFB, Mississippi. Its current facility only meets half of the childcare requirement and is being supplemented by a leased trailer. Our $8 million fiscal year 2009 MILCON project will construct a Child Development Center to provide supervised care for 128 infants and preschool children.

Operations and Training

Our MILCON program supports our expanded view of quality of life for airmen by providing facilities from which to train in and operate. New Security Forces Operations and Communications facilities in Burlington, Vermont will provide the men and women of the Air National Guard in one of our most stressed career fields with functional, up-to-date facilities to meet necessary training and day-to-day operational requirements. This year's program also includes a 56-position Combat Arms Training and Marksmanship facility at Maxwell AFB, Alabama to supplement the existing, undersized, high-demand range. The range enables the continuing improvement of our Air and Space Basic Course by providing combat-focused training to our junior officers. Finally, a recapitalization project at the Air Force Academy concludes the phased upgrade of the Fairchild Hall academic building.

Environmental Management Programs

Our environmental management programs continue to ensure our most basic quality of life needs are being met for our airmen and surrounding communities: clean air, clean drinking water, and healthy working and living conditions for our workforce and base residents. We are also implementing refinements to our environmental management approach to incorporate best practices where we find opportunities. All Air Force installations have put in place and continue to utilize their Environmental Management Systems to identify environmental aspects of base operations, assess their impacts, and allow commanders to make informed decisions and investments to reduce environmental risks and compliance costs. Also, last year, I challenged our installation commanders to significantly reduce new environmental enforcement actions, and I'm proud to tell you we cut our new enforcement actions by 39 percent from fiscal year 2005 to fiscal year 2007—a major success story. We intend to cut enforcement actions by another 14 percent in fiscal year 2008.

PREPARING FOR TOMORROW'S CHALLENGES

Our third priority is to prepare for tomorrow's challenges. Our 2009 MILCON program is a direct reflection of our strong commitment to the current and future success of our Air Force and is heavily weighted toward preparing for tomorrow's challenges by addressing our most critical modernization and recapitalization needs. The $493 million fiscal year 2009 Total Force military construction program consists of 32 projects that are essential to modernization and recapitalization,

The F–22 Raptor is the Air Force's primary air superiority fighter and key enabler, providing operational access, homeland and cruise missile defense, and force protection for joint forces. Combat-capable Raptors are in full rate production on the world's only 5th generation production line. Elmendorf AFB, AK will be the second operational Raptor base, and Holloman AFB, NM will be the third. We are constructing 13 projects to continue to beddown the world's premier fighter at a cost of $197 million. The F–35 Lightning II Joint Strike Fighter is our 5th generation multi-role strike fighter aircraft optimized for air-to-ground attack. The F–35 will recapitalize combat capabilities currently provided by the F–16 and A–10, and will complement the capabilities of the F–22. A student dormitory project at Eglin AFB, FL continues the beddown for joint F–35 training squadrons. To provide the best possible training to our aircrews by using a professional adversary force of pilots and controllers, the Air Force is pressing forward with its vision for a more robust Aggressor program. Constructing a squadron operations facility and aircraft maintenance unit at Nellis AFB, NV supports the beddown of a full 24-aircraft F–16 Aggressor squadron.

Our Tactical Air Controllers are embedded with ground forces, directing Air Power in support of ground operations. This year's MILCON program provides the 3rd Air Support Operations Group with a Joint Air Ground Center at the unit's host Army installation, Fort Hood Texas. This facility supports the U.S. Army's brigade

transformation and provides Air Force Tactical Air Controllers with the training space required to support the critical Close Air Support mission.

We are modernizing and recapitalizing our facilities in support of large-frame aircraft as well. The C–17 continues its outstanding support for humanitarian operations and the Joint warfighter. The addition and alteration of simulator facilities at Charleston, AFB, SC and McChord AFB, WA will greatly improve the program's training efficiency. A MILCON project at Cheyenne, WY constructs a C–130 squadron operations facility to support daily 24-hour operations for airborne firefighting, aeromedical evacuation, and homeland defense missions. Tinker AFB, OK is also receiving a hangar to satisfy scheduled maintenance requirements for Air Force Reserve and Air National Guard associate KC–135 units.

Intelligence, Surveillance, and Reconnaissance (ISR), communications, and space systems play an ever-increasing role in what we do. The Total Force Initiative (TFI) Information Operations Squadron Facility at New Castle, Delaware will provide real-time information operations mission support, analysis, and feedback of reconnaissance missions around the world supporting commanders in the field.

Depot Maintenance Reengineering and Transformation (DMRT) remains essential to revitalizing depots using "LEAN" principles to increase aircraft availability by reducing depot cycle time, defects, and costs. This program has played a significant role in transforming our industrial base to more effectively support warfighter requirements. The 2009 program supports the DMRT initiative with two projects, one at Robins AFB, Georgia and one at Tinker AFB, Oklahoma, together totaling $73 million.

The 2009 military construction program has five other infrastructure modernization projects worth $109 million. These projects cover the spectrum from a SOCCENT headquarters facility at MacDill AFB, Florida and personnel moves in the National Capitol Region, to an infrastructure project on Guam that enables the relocation of a Combat Communications unit from Kadena AB, Japan to Andersen AFB, Guam. These projects recapitalize our aging infrastructure and enable us to support our vision for a modernized force.

BASE REALIGNMENT AND CLOSURE

The ongoing implementation of Base Realignment and Closure recommendations is among the Air Force's efforts to transform the Total Force. In this round of BRAC, 78 percent of our required actions involve the Air Reserve Component while in past rounds; fewer than 20 percent involved the Air National Guard and Air Force Reserve. This transformational effort across the force will ensure the Air Force is more lethal, agile, and capable of maintaining total dominance in air, space, and cyberspace domains.

Joint Basing

We have a long and successful history of working toward common goals in a Joint environment, without compromising Air Force principles and the well-being of our people. Joint Basing initiatives are no exception. Therefore, to guarantee success, each Joint Base will provide an appropriate setting to all of its assigned personnel to facilitate mission success and provide improved quality of life through common standards, currently being developed. Our Soldiers, Sailors, Airmen, Marines, DOD Civilians and their families will benefit from efficient, consistent Installation Support Services standards. These standards will ensure the Air Force and our sister Services continue to provide all personnel with the level of Installation Support Services they deserve. Our base commanders and their local service providers are, of course, on the front lines of our efforts to maintain and improve services. A Senior Joint Base Working Group, led by the Deputy Under Secretary of Defense (Installations & Environment), is developing policy to implement joint bases by September 15, 2011, in accordance with BRAC law. The group is in the process of defining common standards for delivery of service of installation support functions before they are transferred. Once standards and corresponding performance metrics are established, the bases will develop formal support agreements and implementation plans in order to proceed with the joint base construct.

San Antonio Medical Merger

In San Antonio, TX, the Air Force is the lead for implementing one of the most complex sets of BRAC recommendations in history. Along with our sister Services, and the TRICARE Management Activity, we continue to make significant strides to change the way military health care is delivered, and to consolidate all Services' enlisted medical education and training from across the United States onto a single campus at Fort Sam Houston, and to centralize a significant part of military medical research.

Execution of BRAC recommendations in San Antonio is fully funded and on-schedule. On January eleventh of this year, the Corps of Engineers broke ground on a $92 million Battlefield Health and Trauma Research facility which will be integral to developing life saving medical care for our war-fighters. Additionally, beginning this year, we will begin constructing instructional facilities, dining facilities, and dormitories in direct support of world-class training for our Joint medics. Just this month, two dormitory contracts have been let in support of this effort.

BRAC 2005 Execution Report Card

Managing and executing the multi-million dollar program, with diverse interests, locations, and economic influencers involved, is a major endeavor. As a result the Air Force underwent an effort to identify, analyze and define its requirements and the assets needed to implement its program.

The Air Force has executed 80 percent of our fiscal year 2007 BRAC MILCON projects, with the total contract awards staying within 99 percent of the original programmed amount. I am content with the current working estimates for our unexecuted fiscal year 2007 projects and confident we will award the projects and stay within budget. Current working estimates for the Air Force's fiscal year 2008 BRAC MILCON projects again show we should execute within our overall programmed amount.

The $939 million Omnibus reduction to the Department of Defense BRAC 2005 account must be restored. If left unfunded, the reduction will result in the Air Force receiving $235 million less than required in fiscal year 2008. The Air Force will experience delays and disruptions in construction and the movement of our people and assets. Delays will impact our ability to meet mandated completion deadlines and could ultimately result in a failure to complete mandated actions. Prompt action and restoration of full funding will permit us to stay on course in executing our obligations for timely completion of the BRAC recommendations as approved by the Congress. We solicit your support in advocating that action occur.

AIR FORCE REAL PROPERTY AGENCY BRAC AND REAL ESTATE

The Air Force is a Federal leader in the implementation of the real property management principles outlined in Presidential Executive Order 13327, Federal Real Property Asset Management. We aggressively manage our property assets to deliver maximum value for the taxpayer, support to the Air Force warfighter, and improved quality of life for our airmen and their families. The Air Force is achieving these priorities through two fundamental efforts: (1) completion of our BRAC property disposal mission; and (2) leveraging the value of our non-BRAC property assets using a suite of property management and disposal tools.

The Air Force has successfully deeded 85 percent of the 87,000 acres of legacy Air Force BRAC property to date. The highly successful reuse of Air Force base closure property led to the creation of tens-of-thousands of jobs in the affected communities. To complete the clean up and transfer of remaining property, the Air Force is partnering with industry leaders on innovative business practices for its "way ahead" strategy. These include an emphasis on performance-based environmental remediation contracts, using such performance-based contracts on regional clusters of BRAC bases, and innovative tools such as early property transfer and privatization of environmental cleanup. Our objectives remain constant and clear: (1) provide reuse opportunities that best meet the needs of the Air Force and local communities, (2) move the process along smartly in each situation to get property back into commerce as soon as practical, and (3) provide transparency throughout the process. Of the 32 legacy BRAC bases slated for closure, the Air Force has completed 19 whole-base transfers. The remaining 13 are targeted for transfer by 2010.

As the Air Force transfers BRAC property for civic and private reuse, it is paramount that we ensure any past environmental contamination on the property does not endanger public health or the environment. The Air Force will continue to fulfill this most solemn responsibility, as reflected in our fiscal year 2009 request of $120 million for legacy BRAC clean up activities.

At our non-BRAC Air Force installations, we continue to reshape our infrastructure to meet the demands of the 21st century. The Air Force seeks fair market value for disposal or outgrants of property, and uses new tools, such as Enhanced Use Leasing, or EUL, authority, to optimize our resources and obtain value from our underutilized or excess capacity—value we can return to the warfighter.

EUL constitutes a rapidly growing segment of our efforts to leverage the value of our property assets. EUL allows the Air Force to lease military property that is currently underutilized, but that is still needed for future mission needs, to private industry and public entities in exchange for cash or in-kind consideration that will provide certain services, facilities, or property repair and renovations to the Air

Force. EULs are win-win scenarios for all involved. Through EUL projects, developers can establish long-term relationships with private and government partners who are potential tenants with specific real estate needs. Additionally, developers can receive market rates of return on design, construction, maintenance, tenant leases and property management activities. The Air Force Enhanced Use Lease Program is active with 21 projects undergoing feasibility studies across the Nation. A 10 USC 2869 exchange is another asset management tool, allowing the Air Force to work with communities to find effective win-win solutions to the disposal of BRAC and non-BRAC property. Communities benefit from receipt of real property, in exchange for which, value is returned to the Air Force in the form of approved MILCON projects. The Air Force is actively engaged in 2869 exchanges at Lynn Haven, FL and Norwalk, CA.

FEDERAL FACILITY AGREEMENTS FOR CLEANUP

The Air Force is fully committed to the protection of human health and the environment, to be good steward of taxpayer dollars and to full compliance with applicable law at all of its facilities and for all programs, including cleanup The Air Force has committed to protection of human health and the environment and the Air Force has established an aggressive, internal goal to have cleanup remedies in place at all active installations by the end of fiscal year 2012. That is 2 years ahead of the current DOD goal.

MAINTAINING OUR FACILITIES AND OPERATIONAL INFRASTRUCTURE

The Air Force remains focused on sustaining, restoring, and modernizing our operational infrastructure. Through our "Corps of Discovery" partnerships, we have been benchmarking the "best of the best" asset managers that our country has to offer. We are finding and implementing ways to manage better, utilize resources more wisely, leverage private sector investment potential, and use smart information technology. Our aim is to effectively manage assets by optimizing resources to deliver operational infrastructure for the warfighter at our installations and ranges. In 2009, we have focused sustainment funding on keeping our "good facilities good" and targeted limited Restoration and Modernization (R&M) funding to fix critical facility and infrastructure deficiencies to maintain readiness.

Our sustainment program is aimed at maximizing the life of our facilities and infrastructure in order to preserve our existing investment. Without proper sustainment, our facilities and infrastructure rapidly wear out. Additionally, commanders in the field are driven to use other operations and maintenance (O&M) accounts to address facility requirements that impact their mission capabilities.

When facilities require restoration or modernization, we use a balanced program of O&M and military construction funding to make them "mission ready." Unfortunately, restoration and modernization requirements in past years exceeded available O&M funding, causing us to defer much-needed work. It is important for us to steadily increase the investment in restoration and modernization in order to halt the growth of this backlog, while fully funding sustainment to maximize the life of our facilities and infrastructure.

The Air Force Total Force sustainment funding request in fiscal year 2009 is $2 billion, 90 percent of the amount called for by the Facility Sustainment Model (FSM). The fiscal year 2009 Total Force R&M funding request is $514 million, a much needed improvement over our fiscal year 2008 PB request. This is an area where the Air Force is taking manageable risk given our other budgetary priorities.

DEMOLITION OF EXCESS, OBSOLETE FACILITIES

In addition to modernizing and restoring worn out facilities, we also demolish excess and obsolete facilities. This ensures funds are focused on facilities we need, not on sustaining those we do not. For the past 10 years, the Air Force has aggressively demolished or disposed of facilities that were unneeded or no longer economically viable to maintain. From fiscal year 1998 through fiscal year 2007, we demolished 27.3 million square feet of non-housing facilities and infrastructure at a cost of $303 million in O&M funding. This is equivalent to demolishing more than three average size Air Force installations and has allowed us to target our O&M funding on facilities we need for the long-term mission. As part of its transformation vision, the Air Force will continue to aggressively identify opportunities to eliminate excess and obsolete facilities.

PLANNING AND DESIGN/UNSPECIFIED MINOR CONSTRUCTION

This year's Air Force MILCON request includes $88 million for planning and design, of which $8 million is for military family housing. The request includes $71 million for active duty, $5 million for the Air National Guard and $4 million for the Air Force Reserve. These funds will allow us to complete the design work for fiscal year 2010 construction programs and to start the designs for fiscal year 2011 projects, allowing us to award contracts in the year of authorization and appropriation.

This year's request also includes $28 million for the Total Force unspecified minor construction program, which is our primary means for funding smaller projects.

ENERGY STRATEGY

The increasing costs of energy and our commitment to reducing our dependence on foreign oil have led to the development of the Air Force energy strategy—to reduce demand, increase supply, and change the culture within the Air Force so that energy is a consideration in everything we do.

In view of this commitment, the Air Force is implementing aggressive demand side fuel optimization and energy efficiency initiatives on each of our three energy sectors: aviation operations, ground transportation and support equipment, and installations. We are also assuring energy supply side availability of fuel for our aircraft, ground vehicles and equipment, and our facilities through initiatives such as testing and certifying our aircraft to use synthetic fuel and exploring public-private partnerships so that renewable sources of energy are available. Third, and perhaps the most important element of our energy strategy, we are ensuring that our strategy transcends the present to create a lasting culture of change in all airmen so that energy becomes a consideration in all we do through the strong involvement of our senior leadership, changes to our training and curricula at all levels throughout the Air Force and communication efforts so that every Airman knows the importance of what they are doing to conserve energy.

Synthetic Fuel

Taking the lead to reduce dependence on foreign oil, the Air Force is evaluating a broad range of energy alternatives and the Air Force Synthetic Fuels Initiative is a key part to our energy strategy. As the DOD's leading consumer of jet fuel, we are currently engaged in evaluating alternative fuels and engine technologies leading to greater fuel efficiency. We've certified the B–52 to fly on a synthetic fuel blend, and are on track to test and certify the C–17, B–1 and F–22 in the near future, with the entire Air Force fleet certified by early 2011.

Reduction of Facility Energy Usage

The Air Force has an aggressive facility energy conservation program that achieved an impressive 30 percent reduction in energy use over the past 20 years. Your Air Force is the Federal Government's largest purchaser of "green power" and the third largest in the Nation overall. Thirty-seven of our bases purchase green power—at Dyess AFB, TX, Fairchild AFB, WA, and Minot AFB, ND, 100 percent of the electrical energy purchased came from renewable sources.

Public-Private Partnerships and Energy Enhanced Use Leases

The Air Force continues to look for opportunities at our installations for installing and developing renewable energy projects for wind, solar, biomass, waste-to-energy, landfill gas and geothermal power as well as commercial-scale ethanol and biodiesel fuel plants.

At Nellis AFB, NV, through a public-private partnership with Powerlight, a subsidiary of Sun Power Corporation, we installed the largest solar photovoltaic array in the Americas. It became operational in November and produces over 14.2 megawatts of clean, renewable, power. Overall, this renewable source of power results in a cost savings of nearly $1 million a year for the installation and the American taxpayer. Similar solar energy EUL projects we are pursuing at Edwards AFB, CA; Luke AFB, AZ; and Kirtland AFB, NM; would utilize a private-public partnership where private industry would utilize Air Force property in return for in-kind considerations.

Nuclear Energy

Given the energy requirements of our air bases, as well as the unique demands of some of our remote installations, small modular nuclear reactors seem to provide a viable option to meet our future energy demands. We believe that the market is best suited to identify technological and economic winners. We expect the nuclear power project to be commercially funded and financially viable with normal commer-

cial risk. In all cases, the Air Force would not develop, design, own, operate, or be the licensee for the nuclear power plant. We are in the process of gathering and assessing responses to a Request for Information from industry. The current estimate is that any plant built and operated pursuant to this initiative could be operational in latter half of next decade. Under ideal circumstances the Air Force intends to sign one or more letters of intent with viable consortiums by October 2008.

Alternative Vehicles and Fuels

We currently have over 5,200 FlexFuel vehicles in our fleet and nearly 8 percent of our diesel fuel is B20, which is a blend of 80 percent conventional diesel and 20 percent renewable bio-fuels. We spent approximately $10 million on alternative fuels alone for ground vehicles and equipment in fiscal year 2007 and have budgeted over $100 million over the next 5 years for alternative fuel and low-speed vehicles.

Greenhouse Gas Emissions

The Air Force recognizes that energy and environmental management decisions are essentially two sides of the same coin; the interdependence between the two areas is clear. While our overall energy strategy is driven by the imperative to ensure the security and sustainability of mission critical energy resources, likewise, our environmental management strategy is looking beyond the regulatory paradigm to ensure mission needs are supported by sustainable environmental practices.

As an Air Force with global reach and alliances, we are well aware of the international concern regarding greenhouse gas emissions, and recognize the importance placed on greenhouse gas emissions management by our allies, global partners, and here in the homeland. In order to make proactive, informed decisions about greenhouse gas emissions management with respect to energy use, alternate energy options, as well as chemical use, land management and process improvement opportunities, the Air Force has initiated a comprehensive greenhouse gas inventory to identify overall greenhouse gas emission sources from a "top down" aggregate energy use perspective, as well as from a detailed "bottom up" perspective, identifying greenhouse gas emissions from material usage and process activities. Further, we are identifying and quantifying biological carbon sequestration on our Air Force properties so that biological sequestration opportunities are understood as we manage over 9.8 million acres of Air Force installations and military range lands. We intend to complete our first comprehensive inventory by September 1st of this year.

The Air Force is positioned to be a significant player in solving the global carbon dioxide issue. We are reaching out to others to partner in establishing a "man on the moon" scope project to address the reduction, capture, and reuse of greenhouse gases. We need to push for a holistic look at emissions from all energy sources. This will allow for the examination of all emissions across the lifecycle and then we can prioritize opportunities to drive true, measurable emissions reductions.

UTILITY PRIVATIZATION

Turning to utilities privatization, similar to our efforts in privatizing housing, the Air Force is privatizing utilities where it makes economic sense and does not adversely affect readiness, security, or mission accomplishment. Because installations are key to our operational capabilities, our network of bases provide necessary infrastructure for deploying, employing, and sustaining air and space operations and redeploying and reconstituting the force afterwards. Reliable utility systems are critical infrastructure components and essential to air operations and quality of life at every Air Force base. Additionally, these systems must be consistent with modern technology to optimize energy conservation. We believe privatization offers an important tool in the toolbox for simultaneously meeting both these requirements.

To date, under Office of the Secretary of Defense's utilities privatization program, the Air Force has conveyed 14 systems under 10 U.S.C. 2688 and six additional systems using standard FAR clauses, for a total of 20 privatized systems with a plant replacement value in excess of $300 million. We are currently evaluating an additional 335 systems for privatization. Additionally, where market conditions may have changed, we plan to re-solicit 145 systems previously determined "uneconomic." We anticipate possibly privatizing another ten systems in fiscal year 2008. By the time the program concludes, we now anticipate more than half of about 500 systems could be privatized. During the course of this process, we further expect many competitive solicitations will end up as sole source procurements from local utility companies.

CONCLUSION

The current and future readiness and capability of our Air Force to deter our enemies and, when necessary, fight and win our Nation's wars, depends heavily upon

the state of our power projection platforms—our installations. As the Air Force continues to modernize and recapitalize, we will continue to wisely invest our precious funding allocated to military construction, the environment, operations and maintenance, BRAC, military family housing, and energy. This will enable us to win today's fight, take care of our people, and prepare for tomorrow's challenges. Thank you Mr. Chairman and distinguished members of the Committee for you support of the Air Force.

Senator JOHNSON. Secretary Ferguson, the active duty Air Force's military construction request for 2009 is 19 percent below last year's enacted level. I fear that the Air Force may be charging up a bill that is going to come due in future years by neglecting infrastructure needs in favor of other things. According to your testimony, the Air Force has been self-financing the effort to modernize its air and space force by accepting manageable risk in facilities and infrastructure funding. That sounds like to me the Air Force has made a decision to cannibalize its military construction funds to buy airplanes. Is that the case?

Ms. FERGUSON. No, Mr. Chairman, I don't believe it's the case that we are cannibalizing our MILCON. Our fiscal year 2009 budget request is about the same level as our fiscal year 2008 budget request. What we have also done is we have funded our sustainment to a 90 percent level, which funds our facilities to keep good facilities in good condition. We've also increased our funding by $168 million over our fiscal year 2008 budget request in modernization and restoration, which takes care of the major infrastructure upgrades that need to occur on an installation such as roofs and pavements.

Senator JOHNSON. In 2006 the request for Air Guard MILCON was $165 million, almost five times larger than this year's Guard request of only $35 million. The Air Guard's budget request for military construction has fallen by 80 percent in only 3 years. How do you justify that?

General CLARKE. Thank you, Mr. Chairman and committee members. The Air National Guard is serving overseas as well as at home, accomplishing missions, everything from defense support of civil authorities to the overseas missions, and we appreciate the support that we've had in the past and the Congressional adds we've gotten to ensure that these world-class airmen in the Air National Guard can continue to do those missions at home and abroad.

The funding levels, obviously we're in the total strategy of recapitalizing our force as well. We have aging airplanes in the Air National Guard. So when we look at the future—and I talk to my fellow guardsmen and we hear loud and clear from the State TAGS and in the National Guard Bureau that there is a need to accomplish MILCON projects, but also we're very concerned about the recapitalization.

I heard this quote from one of my guardsmen out in the field, that said: Would you rather be in a 50-year-old building or would you rather fly a 50-year-old airplane? So we understand the recapitalization and the need to be a part of that. So we've taken the risk in the MILCON area as well. We think that's prudent.

However, we also realize that there are MILCON needs out there that we need to have addressed, particularly with regard to the new missions under the total force initiative concept, that we'd like

to see funded in the future, and we look forward to your help on that, please.

Senator JOHNSON. The Air Force Reserve has seen even more drastic cuts. Its entire budget request this year is for three projects, for a total of $19 million, a decline of 76 percent in the last 3 years. Is your justification similar to that of the Air Guard?

General RUBEOR. Yes, Mr. Chairman, it is. Like the Air National Guard, we're very proud of the contributions of our Air Force Reserve members, very much committed to the fight along with our active duty and Guard partners. I will tell you that we have been looking at this issue hard. We've had some very constructive negotiations with the active duty. We've made some changes on how we're going to allocate Air Force Reserve and Air National Guard MILCON projects. That's going to be a change not only in the upcoming fiscal year, but also in the out years. It's going to provide us more opportunities to take a look at additional projects and increase the number of projects that are in the FYDP.

So I think we've recognized the fact that there were some problems that led us to this year's very small MILCON, but we've taken steps to address that and I'm very satisfied, the Air Force Reserve is very satisfied with the changes that we're proposing.

Senator JOHNSON. Secretary Ferguson, in January the Deputy Secretary of Defense issued an initial guidance to the services to begin joint basing implementation. Is the Air Force committed to the joint basing concept?

Ms. FERGUSON. Mr. Chairman, the Air Force fully supports joint basing and is committed to making it a success. Major General Eulberg and myself have participated in all meetings that Mr. Arny has chaired since he has come on board. We have worked with the other services developing the common operating level standards, and we are fully behind joint basing.

There was a kickoff video telecommunications conference that Mr. Arny hosted that we all participated in about 4 weeks ago with all 26 installations that make up the 12 joint bases. We will also travel out to Washington State in just a few weeks at the end of June to have a kickoff meeting, a further kickoff meeting, in person with all the services, OSD, senior staff from each one of the services here in the Pentagon, the major commands, and each one of the 26 installations, to further the joint basing implementation efforts.

Senator JOHNSON. What is your understanding of how the joint basing process will work?

Ms. FERGUSON. OSD has issued the joint basing implementation guidance, has issued the templates for the MOAs and the supplemental guidance. There's basically two phases of implementation for the bases. The first phase, the MOAs, are scheduled to be signed later this year, in September of this year, with an initial operating capability (IOC) of January 2009 and full operating capability (FOC) in October 2009.

The phase two bases will start at the same time, but will have MOAs signed in September 2009, with IOC, in January 2009—I'm sorry, January 2010, and FOC in October 2010.

Senator JOHNSON. Senator Hutchison.

Senator HUTCHISON. Mr. Chairman, I'm going to pass for now and I will submit my questions for the record. I'm sorry, I missed your testimony, so I hate to jump in here if you've answered my questions already. Thank you very much.

Senator JOHNSON. Senator Nelson.

Senator NELSON. Thank you, Mr. Chairman.

Madam Secretary, as we all know, Cyber Command is critical to our Nation's defense and some of the asymmetrical threats that we're going to encounter in the future will involve countering threats in this virtual domain. General McCaffrey recently said: "There is no such thing as a secure computer system. Attacks could negate current U.S. military supremacy in the field and cripple the Nation's transportation, water, electrical, financial, and trading systems."

One of the greatest threats we currently face is an attack on our computer systems. General Pace recently said: "I know what we can do to other people, which means that eventually they can do it to us."

While we support a very thorough process to select the location, which is a facilities question, the location of the headquarters for Cyber Command, why does it appear that the process keeps being pushed to the right as opposed to continuing to have pressure to establish that location as soon as possible, given the need to protect against cyber space attacks that we're most certainly going to have, if we're not having them already? There is a general belief that we're already experiencing some of this, at least testing us to see whether or not we're prepared to deal with it.

So I guess the question is: Why do we wait for a final decision to 2009 as opposed to moving it forward, particularly with respect to facilities?

Ms. FERGUSON. Thank you for the question. We are following the National Environmental Policy Act for the selection of the beddown location for Cyber Command. We're taking a little bit different approach also, in that we're incorporating a lot of community involvement in the basing decision as we go through this.

My boss, Secretary Anderson, sent initial letters out to 18 States for 17 locations, to the governors and also information letters to each one of the congressional delegations (CODELs,) announcing what we would be doing and how we would be doing that. The initial letter went out. We're anticipating sending another letter out the middle of next week providing additional guidance to the local communities on the information that we will be considering as the Air Force works through our base selection process.

Later this year, Air Force Cyber Command Provisional, with support from major commands, will be going out and doing site visits at the locations. It is anticipated that site surveys, the NEPA process, the data, and the final basing decision will take about 6 to 9 months to complete.

Senator NELSON. Well, I understand the process and I guess I support it. But it seems that the process is delaying as opposed to accelerating the determination of a location. It would seem that the Air Force could have winnowed down the location to fewer than 18 sites. By adding more sites it just has extended the whole process because of the complications that you get with having more things

to review. An egalitarian approach makes some sense, but in this situation it seems to me that the primary objective is to find a facility, find a location, establish a facility, and have the command fully operational as soon as possible.

Ms. FERGUSON. What I can do is I can take that back for the record.

[The information follows:]

CYBER COMMAND LOCATIONS

Initial efforts by the AFCYBER planning and basing team were focused on the urgency of standing up the new command. For this reason, the initial basing criteria focused on utilizing existing facilities. Then, SECAF asked us to consider "virtual" and "distributed" operations based on corps of discovery with industry leaders. So we developed an interim location basing strategy—focused on quickly activating the command, in a distributed ops fashion (supporting the AFCYBER mission in the near-term). This interim solution will provide more operational capability in the near-term and enabled the development of the non-traditional basing approach to solicit State and local feedback on potential permanent location basing alternatives.

Listed below are the potential candidate bases identified by 18 States for further information gathering and analysis for the proposed permanent basing of Air Force Cyber Command:

—Barksdale, LA
—Beale, CA
—Hanscom, MA
—Hill, UT
—Iowa (on behalf of Offutt)
—Keesler, MS
—Kirtland, NM
—Lackland, TX
—Langley, VA
—Little Rock, AR
—NORAD (Colorado Springs), CO
—Offutt, NE
—Pennsylvania ANG bases
—Maxwell, AL
—McGuire, NJ
—Michigan ANG bases
—Whiteman, MO
—Wright-Patterson, OH

Senator NELSON. I think I've already extended it to the record back there, too. But I thought maybe you might have some enlightenment as to why we would expand the process at a time when it's critically important to get the location established and put in place as soon as possible.

Ms. FERGUSON. I think we're looking at all potential opportunities for where we might bed down this and following the NEPA and the environmental impact assessment (EIA) process to ensure that we do the right thing as we make the selection for this key mission.

Senator NELSON. The facility will be a driving factor, I hope, as well as just a location of the command.

Thank you.

Senator JOHNSON. Senator Craig.

Senator CRAIG. Mr. Chairman, thank you very much.

Deputy Secretary Ferguson, Generals, thank you for being with us. I'm going to be very specific on a very specific project today at Mountain Home Air Force Base, and I brought along pictures, because pictures in this instance are worth a thousand words.

So, Mr. Chairman, I'll be specific because I'm talking about an air base that our Commander in Chief awarded as the top air base in the world last year, and we're very proud of Mountain Home for

a lot of reasons. The men and women that make it up are the first reason. But secondarily, we have a uniqueness there that is one of the top training ranges in the world now, that the world wants to come and play on; and not just our Air Force, but other air forces, Singapore and Israeli, German, because of its uniqueness.

But inside that base is a problem and it's a problem I've talked about with all of you for a long time and it's now time to get it fixed. It's a building, a building that has been literally condemned since the 1990s, with risk of roof falling in. It's the Logistics Readiness Center.

Bring on the pictures, please. For the last 5 years, the Idaho Congressional delegation has suggested that this become a top priority for this facility. You know, Ms. Ferguson, I talked about efficiencies of energy. This used to house, at least co-locate, at least seven different activities on the base. We've had to take them out of there and spread them all over the base, and we use lots of energy moving people around. The reason is that people who work in this building now have to wear hard hats for fear of something falling on them. I've been in the building and I was required to wear a hard hat while I was there.

Yet this building is still operable until it gets four inches of snow on it, and then we evacuate everybody for risk of the roof falling in.

Now, I know that we send our soldiers on very dangerous missions. The greatest danger to some of Mountain Home airmen and women is entering this building on base.

I don't know how to make my point other than to suggest this. Last year Congressman Mike Simpson of the Second District, working on the other side of the Rotunda in the Appropriations Committee, put $1.593 million in to start the process. And yet the Air Force said, no, you can only have 35 percent of the funding because Congress hasn't funded the whole. We wanted to start the process, get the logistics, the design and all of that ready, and yet we were handicapped in doing that.

I don't know any other way to impress upon the Air Force the reality of this problem. It is a significant problem at a world class air base and it's a significant problem that now we've had to go in and shore up with wood because they need to continue to use it. We have an armory in there for firearms and all of that kind of thing, and a housing, encasement, if you will, for them that we're not going to move anywhere else for that matter.

We're not talking about a huge ticket item. We're talking about a reality and a risk in a world-class base that is a factor now of human life.

I finally said to the base folks: Okay, I'm going to drop the anchor on this one and I'll do everything I can with this committee to get it solved. But I'm pleading with you to adjust a very minor amount of priorities here when it comes to dollars and cents to replace this facility, because we now have spread out all over the base when it needs to be co-located there for efficiency, for energy savings, and I applaud you for what you've said on energy.

Secretary Anderson and I visited about small nuclear and their future can give our bases anywhere in the world that potential in time, and that technology is now moving toward development,

small modular reactors. That will play in time and I'm glad the Air Force is doing what it's doing.

But efficient as we might want to become, this is the most—this is the most egregious example of inefficiency I've seen to date. Your reaction?

Ms. FERGUSON. Senator Craig, we have funded the design and have begun the design for the replacement facility at Mountain Home. It is undergoing right now—it will be 35 percent designed in October. The cost for the replacement facility, as you pointed out, is right about $20 million and we anticipate it will be in our fiscal year 2010 submission to the Congress.

Senator CRAIG. You plan to submit it in fiscal year 2010?

Ms. FERGUSON. Right now, we have not got the fiscal year 2010 program from the major command yet. But what we have heard is that it's Air Combat Command's number one priority within the command for this year. So given that, we would anticipate that would be in our fiscal year 2010 submittal to the Congress.

Senator CRAIG. How do we nudge you along?

Ms. FERGUSON. I think you just did.

Senator CRAIG. Oh, oh, is that what I just did?

Ms. FERGUSON. But we still have a long way to go. I have to caveat that it's still a long way to go between now and when the President's Budget (PB) comes over here. But what I am hearing now that is what Air Combat Command will come in with. As the committee well knows, we've continued to take risks in infrastructure, but we will be going into budget deliberations shortly as we go through the next 6 months or so.

But what we're hearing from Air Combat Command is they have made that their number one priority in the command, and so we should see that when it comes up. We should see that at our level in the District of Columbia when it comes up from Air Combat Command.

Senator CRAIG. Well, I've been focused on this for a long while. I waited until after BRAC 2005 to see how we survived and we survived with obvious flying colors, and immediately within a short time after that recognized as one of the top air bases in the world and certainly in the country.

Like I say, it's a lot more about people than it is about facility, but at the same time facilities are critical.

Well, I'll take that as more than a maybe and I'll follow you very closely to make sure that happens. And if we can nudge it along here, I'll make every effort to do that.

Thank you.

Thank you, Mr. Chairman.

Senator JOHNSON. Senator Murray.

STATEMENT OF SENATOR PATTY MURRAY

Senator MURRAY. Thank you very much, Mr. Chairman.

Thank you all for being here this morning. During the BRAC process the Army National Guard and the Army Reserves had projects that were joint-funded projects. However, in the regular MILCON world it's very difficult to have a joint project for the Army National Guard and the Air National Guard. As I understand it, each service would have to include their portion of the

funding in their own budget at the same time, and that just is not easy to do and there's no real process to efficiently pay for joint projects.

What is the possibility of creating a joint 5-year budget to manage joint MILCON projects?

Ms. FERGUSON. That's really a question I can't answer. It's really a question that the comptroller and Mr. Arny would need to answer. That's something that's beyond Air Force control. I can take that and bring that back.

[The information follows:]

JOINT FIVE-YEAR MILITARY CONSTRUCTION BUDGET

The organization best suited to respond to this question is the Office of the Under Secretary Defense Comptroller (OUSD–C). The OUSD–C has the visibility into all of the Service Components MILCON project requirements and capabilities to determine whether creating a joint 5-year budget would be possible or in the best interests of the Department of Defense.

Senator MURRAY. I would very much appreciate it. I think we have to look at it. I assume you think it's a problem?

Ms. FERGUSON. It's easier to work within service. It's harder to work combined across the services for joint MILCON.

Senator MURRAY. Well, I am curious how——

Ms. FERGUSON. It's not impossible.

Senator MURRAY. Okay. Well, I'm curious how each of the services decides what MILCON requests go forward in a given year. Is a percentage of each one of these MILCON requests set apart for reserve component requests?

Ms. FERGUSON. What the Air Force does is we look overall at the requirements, at the new mission beddown requirements, and those are—I don't want to say they're funded off the top, but those get a fairly high priority as they go through, those projects to bed down the F–22, Joint Strike Fighter, C–17. Those are needed to bed down the weapons systems at the installations.

The current mission dollars—and General Rubeor mentioned this a little while ago. We've changed our process within the Air Force to allocate more dollars to the Guard and Reserve, particularly in the out-years, so that they compete for Congressional adds.

Senator MURRAY. Given the utilization of the Guard and Reserve at this time, doesn't it make sense to put some percentage in place or make sure that they have a higher priority?

General RUBEOR. The answer to your question, ma'am, is yes, there is a formula. It's based on plant replacement value.

I want to go back just a second, though. For the Air Force Reserve, our most efficient model is what we call the Associate model. A lot of folks have heard about TFI, Total Force Integration, and that's kind of what I'm talking about. We are at our most effective when we are on an active duty base and the active duty owns the equipment and the infrastructure and we just provide manpower. It is a very cost-effective model for the U.S. taxpayer.

The vast majority of our force is in that model and it is growing. We used to have it primarily restricted to the mobility assets, C–5s and C–141s. We're growing it now into the tanker business. We're growing it into the bomber business, growing it into the fighter business. We're doing a lot of innovative stuff.

For instance, we are now associating with the Air National Guard. At Tinker Air Force Base, Oklahoma, we own the airplanes and the Air National Guard is associating with us. They are providing the crews and training on that platform.

So that particular model, I don't think it receives enough attention. Again, it's the big part of our business. Whenever the active duty gets infrastructure and gets MILCONs and gets all of those things, we benefit because we use those facilities as part of this TFI.

So the very small part of our business is when we own the base, and we have about 10 of those. There are five air reserve stations and five air reserve bases. When you talk about MILCON, that's where we're at and that's where we probably need some attention. And we've already addressed that with the active duty Air Force.

That formula, which again to your point is basically a thing called plant replacement value. You take a look—and there's a lot of ways to do this, but this is the way we've chosen to do it. And oh, by the way, we're looking at that, and it is the right model.

But for today, for this budget submission, we have 4 percent of the active duty plant replacement value. So you take your budget and multiply it and that's how we get it.

Senator MURRAY. Okay, great. I want to move on because I don't have that much time.

Ms. FERGUSON. If I could just add just one comment to what General Rubeor said. When you look at what the active component has put in as part of Total Force Integration and what it benefits to the Guard and Reserve components, it's been about $1.3 billion between fiscal year 2006 and 2009, and that is kind of buried in what the committee sees. But that number was just verified and documented by GAO, about 70 projects totaling over a billion dollars that support both.

Senator MURRAY. Thank you.

Let me go to another topic. In Secretary Anderson's written testimony that the committee has been provided, he mentioned that his third priority is preparing for tomorrow's challenges. I wanted to ask you about that because the Air Force has stated that MILCON for the KC–X tanker will include modification and new construction of buildings, new hangars, new ramps, and moving fuel hydrants. What preparation have you done for meeting that challenge?

Ms. FERGUSON. It might be better to take that for the record, but I can tell you we have not—within the installations community, we have not worked that yet.

[The information follows:]

MILITARY CONSTRUCTION FOR KC–X

With respect to Military Construction (MILCON), the Air Force evaluates MILCON requirements and estimates the funding through an iterative process. As the program progresses through System Development and Demonstration (SDD) and aircraft basing decisions are finalized, the initial MILCON estimates will be updated to reflect specific MILCON projects. This refinement is a normal part of the process.

The Air Force calculated and took into consideration MILCON cost estimates for active duty bases, overseas locations, guard, and reserve components. Since a basing strategy has not been finalized, the Air Force conducted site surveys of several existing tanker bases. These surveys were used as a basis for estimating MILCON costs for 10 bases, which included four Air National Guard/Air Force Reserve bases

and two overseas locations. The Air Force is confident in this initial MILCON estimate and will continue to refine it based on specific requirements as basing decisions are made. It's important to note that MILCON cost estimates were not considered in isolation by the source selection team, but were included as a component of the Most Probable Life Cycle Cost, accounting for approximately 2 percent of the total costs.

Senator MURRAY. So there's been no preparation for that?

Ms. FERGUSON. For individual bases, that is correct.

Senator MURRAY. Did you or your office or anybody have a role in setting the requirements or the scope of the MILCON need for the KC–X?

Ms. FERGUSON. No.

Senator MURRAY. So you were not involved in that at all. So we've got really tight budgets here. We've got to plan for costs on the horizon. We need to know what the costs are for that, and it's surprising to me that no one asked any of you ever what the costs for the MILCON would be.

Ms. FERGUSON. The source selection team that made the selection for the KC–X, did consider that as a factor. I do not have that, but we can get that from the acquisition community.

Senator MURRAY. Well, let me ask, did the active duty and Reserve component provide any cost estimates for their side of this?

Ms. FERGUSON. I don't know the answer to that.

Senator MURRAY. You don't know. Well, Secretary Wynne responded to some written questions and said that one member of the National Guard Bureau participated in the development of the requirements and supported the KC–X source selection as a subject matter expert. Do you know what expertise that member of the National Guard Bureau has regarding military construction? Do any of you know who that was or what their expertise was?

General RUBEOR. No, ma'am.

Ms. FERGUSON. We'll have to go back and find that out.

Senator MURRAY. No idea? Well, okay. Well, there's going to be costs associated either with the 767 or the Airbus plane, and I want to how the difference in size and weight of the two tankers was considered when this was evaluated. There's construction costs for hangars, for ramps, for taxiways. How was that input given? Does anybody know?

Ms. FERGUSON. We'll have to take that for the record. None of the members on this panel are aware of that.

Senator MURRAY. Well, Mr. Chairman, I do find that very troubling. This is a major MILCON request. It has major MILCON impacts. We were told that the costs of all of this were taken into account and it's troubling to me that this is going to have a huge impact on this committee and our future responsibilities, and certainly we need to know that.

So I will submit some other questions for all of you regarding that, that I think this committee needs to understand in our future obligations. Construction as I understand it would need to begin in 2009 or 2010 in order to be ready for the first delivery of this tanker if it goes forward. That's going to have a huge impact on this committee, Mr. Chairman.

I realize my time's out. I have some questions I will submit for the record on this and I hope we can get timely responses.

Senator JOHNSON. Senator Brownback.

Senator BROWNBACK. Thank you very much, Mr. Chairman.

My questions are along the same line, that I would like to know about as well, the bid on this. The Air Force said they took the bigger Airbus plane because, one of the primary factors being, okay, it carries a bigger payload. That was the Air Force's—in the Air Force's announcement as I understand it. But that bigger plane requires bigger hangar space that's going to have to be adjusted. If it's going to carry the bigger load, it may well require strengthening of runways and aprons to hold it up. Is that correct?

Ms. FERGUSON. Since I did not participate in this, I would be guessing to answer the question. But what I will do is I will go back and get the folks that were on the acquisition selection team to go forward and provide the responses to that.

[The information follows:]

MILITARY CONSTRUCTION FOR KC–X

The KC–30 and KC–767 aircraft are larger than the KC–135 and will require a similar degree of MILCON. The estimated MILCON costs are source selection sensitive and cannot be disclosed here but the costs are higher for the KC–30 when compared to the KC–767. MILCON costs were similar for fuel hydrant relocations, training devices, and simulators. The majority of cost differences were in hangar modifications and ramp upgrades. It's important to note that MILCON cost estimates were not considered in isolation by the source selection team, but were included as a component of the Most Probable Life Cycle Cost, accounting for approximately 2 percent of the total costs.

Senator BROWNBACK. Isn't this something you prepare for all the time? I mean, it seems like if you're going to buy a new weapon system—you were talking about bedding down other weapons systems—that you would be preparing for that now.

Ms. FERGUSON. Quite honestly, our installations offices don't get involved until after the selection of the aircraft. We don't normally get involved at the beginning. Not to say that there was engineers that were involved in the acquisition. It's just not those of us that are sitting here at the table today.

So I apologize. We'll have to get back to you on the questions specifically to the KC–X and the selection process and the engineering criteria, analysis, and assumptions that were used going into the selection process.

Senator BROWNBACK. Let me ask General Clarke because it's active duty, it's Guard and Reserve that fly a lot of these tankers. Have you done, has your group done, an assessment of what you're going to have to change spacewise, either landing or hangars for the new aircraft?

General CLARKE. No, sir, not at the National Guard Bureau level. But the States themselves obviously once they heard about the selection started looking at their facilities and started determining where they might fit in the source selection after the announcement. To my knowledge, the National Guard Bureau itself has not done any type of analysis like that.

Senator BROWNBACK. What have you heard back from the States, though? If they are doing this assessment, then they must have something that they've assessed.

General CLARKE. I would say that most of them would tell you that either tanker probably would not fit in their existing facility. They're all built for KC–135 size or smaller type aircraft. So I don't

think that they would tell you that the existing facilities would accommodate either tanker.

Senator BROWNBACK. Have they said anything about the bigger, the Airbus plane, since it is a bigger plane that it will require more space or reinforcing of runways?

General CLARKE. Yes, sir, in some locations that may be true. I don't have any analysis, though, to back that up.

Senator BROWNBACK. Have they told you that?

General CLARKE. Only anecdotally. They have not come forward with any metrics per se to say this is what we've measured and looked at as far as weight on the ramp, taxiways and things that you brought up, sir.

Senator BROWNBACK. They have done no official assessment?

General CLARKE. To my knowledge, no, sir.

Senator BROWNBACK. General, this seems kind of odd to me. This is a $40 billion contract and it's not been hidden from the public. So it's kind of known. And it's a bigger plane, and your guys know how to handle planes.

General CLARKE. Yes, sir.

Senator BROWNBACK. I've got a group of them in my State who do a fabulous job. So I've got to think they've been all over this thing about now, where are we going to put this thing? And you've got no assessment?

General CLARKE. To my knowledge, no, sir, we don't. No, sir.

Senator BROWNBACK. Now, that seems to be intentional, that you have no assessment.

General CLARKE. Intentional on the part of the National Guard Bureau, sir?

Senator BROWNBACK. Yes.

General CLARKE. Oh, no, sir, not at all.

Senator BROWNBACK. Does that make sense to you, that you're going to have a big new plane and you haven't assessed where you're going to put it?

General CLARKE. To my knowledge, sir, we were never given any direction to go look at this. We don't have any funding to go out and send teams to analyze it. We don't have any way to do this at the base level other than maybe just to do an overprint of the size of the aircraft against existing facilities.

Senator BROWNBACK. Have you made a request for that assessment to be done?

General CLARKE. No, sir. No, sir.

Senator BROWNBACK. Why not?

General CLARKE. Sir, we're going to work with the Air Force and the Air Mobility Command when they finally make the selection of where we're going to put these aircraft in their road map. But at this time it would be speculative to say where these airplanes are actually going to go at this time. We have no idea where they might be bedded down.

Senator BROWNBACK. Well, I guess I would—I'm sitting here on a MILCON committee thinking there's going to be a big price tag on this and you guys are going to submit it. And it seems like we ought to have it as part of the overall estimate, because either plane is going to be different than your current one. So that you would think you would do an assessment, here's what it would be

for the Boeing, the 767, and here's what it's going to be for the Airbus A–330; and that you would have that so you would know, because these are going to be in a lot of bases in this country and a lot of bases around the world. My guys, they're going all the time.

So I'd kind of think you would do that now.

Ms. FERGUSON. My understanding is that was done as part of the source selection evaluation. It just was done by a different group than the three of us up here, and MILCON cost were considered as one of the factors in their evaluation. But we will have to get the level that that was provided and the information, whatever the acquisition selection team can provide, and get that back to you.

Senator BROWNBACK. But none of you were involved in this?

Ms. FERGUSON. None of the three of us were involved.

Senator BROWNBACK. Why weren't you involved? I mean, you would be the ones to be in charge of doing it, right?

Ms. FERGUSON. We work the execution piece. We typically don't get involved in the selection of the new weapons systems. We work the beddown piece, but we don't get involved in the up-front end.

Senator BROWNBACK. When you come back for all the upgrades on this, I may have some real questions for you then, too, of why we weren't preparing for the billions on this.

Thank you, Mr. Chairman.

ADDITIONAL COMMITTEE QUESTIONS

Senator JOHNSON. I would like to thank all our witnesses for their appearances before the subcommittee today. We look forward to working with you this year as the 2009 budget process continues.

For the information of subcommittee members, if you have questions for the record that you would like to submit please do so by the close of business on May 15, 2008.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

FYDP CUTBACKS

Question. As I noted at the hearing, I am deeply concerned over the declining level of military construction funding requested for the Air Guard and Air Force Reserve. The Future Years Defense Plans (FYDPs), for the Guard and Reserve have been severely cut; over the next 5 years, the Air Guard has proposed only 40 projects, or an average of 8 per year. The Air Force Reserve has proposed only 13 projects, an average of less than 3 per year. By the Senate's rules, we cannot appropriate money for projects that are not in the Services' FYDPs. Thus, even if Congress wants to increase funding for the Guard and Reserve above the request, there are very few eligible projects to put money toward.

Why have the FYDPs for the Air Guard and Air Force Reserve been cut back so drastically? Whose decision was that?

Answer. Air Force leadership corporately decided to take risk in infrastructure in order to fund higher priority requirements, such as modernizing and recapitalizing our aging aircraft fleet. This decision reduced the total Air Force Military Construction program greatly over the fiscal year 2009–2013 FYDP. Corporately we are taking steps to change how Air National Guard and Air Force Reserve Military Construction projects are allocated which will increase the number of Guard and Reserve Military Construction projects in the FYDP.

GUARD AND RESERVE CONSTRUCTION REQUIREMENTS

Question. Please provide the Committee with a list of Guard and Reserve military construction (MILCON) requirements that have been left out of the FYDP.

Answer. In order to recapitalize and modernize the fleet, the Air Force started "taking risk in infrastructure" in the fiscal year 2008 President's Budget (PB), which resulted in a reduced MILCON FYDP. With a larger FYDP, all components would have been able to list more MILCON projects. Using the fiscal year 2006 PB as a representative size FYDP, the additional Air National Guard and Air Force Reserve projects may have included the projects below in the current FYDP.

The Air National Guard MILCON projects highlighted below represent those projects that may have been included in a larger FYDP ($350.6 million). The other projects listed below are additional Air National Guard MILCON requirements (part of the overall MILCON backlog).

[In millions of dollars]

State	Location	Project Title	Cost
AL	MONTGOMERY	TFI-Replace Squadron Ops Facility	8.9
AL	MONTGOMERY	Replace Fuel Cell/Corrosion Control	7.8
AR	FORT SMITH	Repl Civil Engineer Complex	9.0
AZ	DAVIS MONTHAN	TFI-Predator Beddown—FOC	6.7
AZ	FORT HUACHUCA	TFI-Predator LRE Beddown	11.0
CA	SCLA	TFI-Predator FTU LRE Beddown	8.4
CO	BUCKLEY	ADALWpn Rel Shp, Bldg 805	3.3
CT	BRADLEY	TFI-cNAF Beddown	9.2
DE	NEW CASTLE	Replace Fuel Cell Hangar	11.2
DE	NEW CASTLE	Replace Acft Maintenance Shops	11.6
DE	NEW CASTLE	Joint Forces Ops—ANG Share	1.5
DE	NEW CASTLE	Replace Maintenance Shops	11.2
FL	MACDILL	Construct Vehicle Maintenance Facility	2.6
GA	SAVANNAH	Relocate ASOS	7.7
HI	HICKAM	TFI–F–22 Hangar, Squad Ops and AMU	48.0
HI	HICKAM	TFI09F0922 Weapons Load Crew	7.0
HI	HICKAM	TFI09F0922 Upgrade Munitions	18.0
HI	HICKAM	TFI09F0922 Infrastructure Support	6.7
HI	HICKAM	TFI09F0922 Flight Sim Facility	19.0
HI	HICKAM	TFI09F22-Aircraft Parking Apron	12.0
IA	DES MOINES	Replace Comm Facility	5.9
IA	DES MOINES	ADAL Security Forces	4.6
IL	CAPITAL	Relocate Base Entrance	6.1
IL	CAPITAL	TFI09cNAF Beddown	12.4
IN	FORT WAYNE	ASE and GP Shop Addn	4.2
IN	FORT WAYNE	Add To Fire/Crash/Rescue	2.0
IN	HULMAN	TFI09ASOS beddown	4.4
KS	FORBES	Replace Squad Ops Facility	9.5
KS	MCCONNELL	TFI-Expand DCGS Facilities	8.9
KY	LOUISVILLE	TFI09CRG Facility	7.1
LA	HAMMOND	Upgrade Comm and Supp Fac	5.0
LA	NEW ORLEANS	Replace Security Forces Fac	5.2
MA	BARNES	ADAL Aircraft Maintenance Hangar	10.6
MA	OTIS	TFI09cNAF Beddown	4.7
MA	MILFORD	Joint Forces Headquarters—ANG Share	1.5
MD	MARTIN STATE	Composite Trng Facility	6.5
MD	ANDREWS	Replace Munitions Storage complex	14.0
ME	BANGOR	Add/Alter Fire Crash/Rescue	5.1
ME	BANGOR	Replace KC09135 Hangar and Shops	28.0
MI	SELFRIDGE	ADAL Squad Ops	9.3
MI	W K KELLOGG	TFI09cNAF Beddown	9.2
MN	DULUTH	Load Crew Trng/Weapons Release	8.0
MN	MINN ST PAUL	Aircraft De-icing Apron	1.5
MO	WHITEMAN	TFI09B092 Ops and Trng	6.4
MO	LAMBERT	TFI09cNAF Beddown	8.4
MS	JACKSON	Security Forces/med training	7.7
MS	KEY FIELD	TFI09cNAF Beddown and AFFOR	17.0
NC	STANLY	Upgrade ASOS Complex	2.4
NE	LINCOLN	Joint Forces Headquarters—ANG Share	1.5
NH	PEASE	Replace Squadron Operations	9.8

[In millions of dollars]

State	Location	Project Title	Cost
NJ	MCGUIRE	Replace Base Civil Engineer	9.5
NJ	MCGUIRE	TFI—Upgrade CRG Facility	4.2
NJ	ATLANTIC CITY	Dining Hall and Services Facility	8.4
NM	KIRTLAND	ADAL Security Forces Bldg 1062	1.7
NV	CREECH	TFI09UAS Squad Ops	2.2
NY	GABRESKI	Communications Facility	5.8
NY	STEWART	Security Forces/Mobility Fac	9.5
NY	FT DRUM	TFI-Reaper LRE Beddown	2.0
OH	TOLEDO	Small Arms Range	4.0
OH	TOLEDO	Construct Band Facility	2.0
OH	TOLEDO	Repl Sec Forces Complex	8.5
OH	TOLEDO	Replace Fire/Crash/Rescue Station	5.4
OH	TOLEDO	Munitions Storage Complex	11.6
OR	KLAMATH	Security Forces Facility	5.0
OR	KLAMATH	Add to Fire/Crash/Rescue Station	1.5
PA	WILLOW	TFI09cNAF Beddown	9.2
RI	QUONSET	Medical Training/Dining Hall	9.9
SC	MCENTIRE	Joint Forces HQ–ANG Share	1.3
SC	MCENTIRE	Wastewater Treatment Facility	1.5
SC	MCENTIRE	Expand Arm/Dearm Pad	3.0
SC	MCENTIRE	Construct CATS and CATM	1.3
TN	MEMPHIS	BCE Maintenance/Training Complex	7.4
TN	NASHVILLE	TFI-Intel Squadron Facility	6.0
TN	NASHVILLE	TFI-Establish C–130 FTU	6.3
TX	ELLINGTON	Security Forces Facility	5.5
TX	ELLINGTON	TFI09ASOS Beddown	6.8
TX	TBD	TFI-Predator LRE beddown	7.0
TX	FORT WORTH NAS JRB	ECM Shop Addition, B1675	1.1
UT	SALT LAKE	Upgrade ESC Complex	8.8
UT	SALT LAKE	Replace Composite Fire Station	12.0
VA	LANGLEY	TFI09F0922 Ops and Trng Fac	6.5
VT	BURLINGTON	ADAL Fire Crash/Rescue Station	5.8
WI	GEN MITCHELL	Upgrade Corrosion Control Hangar	4.7
WI	VOLK FLD	Replace Troop Trng Quarters	9.8
WV	SHEPHERD FLD	C095 Aircraft Upgrade Taxiways	10.0
WV	SHEPHERD FLD	C095 Avionics Shop	4.3
WV	YEAGER	AGE and Security Complex	11.0
WV	YEAGER	Replace Communications Training Facility	5.4
WY	CHEYENNE	Vehicle Maint & Deploy Process	7.5
TOTAL			681.1

The Air Force Reserve MILCON projects highlighted below represent those projects that may have been included in a larger FYDP ($153.6 million). The other projects listed below are additional Air Force Reserve MILCON requirements (part of the overall MILCON backlog).

[In millions of dollars]

State	Location	Project Title	Cost
AL	Maxwell	AERIAL PORT SQUADRON FACILITY	4.9
AL	Maxwell	AIRCRAFT PARKING RAMP	15.7
AL	Maxwell	LOGISTICS/AGE/AVIONICS FACILITY	4.3
AL	Maxwell	SHORTFIELD RUNWAY	12.9
AL	Maxwell	SQUADRON OPERATIONS/OG/OSF FACILITY	7.0
AZ	Luke	AEROMEDICAL STAGING SQUADRON FACILITY	4.7
CA	Travis	C17 & C5 ALTER FOR RESERVE TRAINING FACILITY.	5.0
CA	March	INDOOR SMALL ARMS FIRING RANGE	5.9
CA	March	JOINT REGIONAL DEPLOYMENT CARGO CENTER	7.0
CA	Beale	940 ARW CONSOLIDATED TRAINING FACILITY	4.2
CA	Travis	COMMUNICATIONS TRAINING FACILITY	2.3
CA	Travis	AIRLIFT CONTROL FLIGHT TRAINING FACILITY	2.4
CA	March	RESERVE LODGING FACILITY	10.9

[In millions of dollars]

State	Location	Project Title	Cost
CA	Travis	RESERVE RECRUITING SQUADRON	2.2
CA	March	WIDEN TAXIWAY A	9.1
CA	March	CONTROL TOWER	10.3
CA	March	C–17 ASSAULT STRIP	7.9
CA	March	CLEAR ZONE DRAINAGE	10.1
CA	March	UNDERWING HIGH EXPANSION FOAM (HEF) SYSTEM.	3.1
CO	Peterson	SECURITY FORCES FACILITY	5.0
FL	Homestead ARB	DINING FACILITY	6.0
FL	Patrick	MAINTENANCE WORKSHOP COMPLEX	10.0
FL	Patrick	WING HEADQUARTERS FACILITY	10.5
FL	Homestead ARB	ENTRY CONTROL COMPLEX	9.5
FL	Homestead ARB	ADD/ALTER COMMAND POST BUILDING 360	2.1
FL	Homestead ARB	EXPLOSIVE ORDNANCE DISPOSAL FACILITY	3.2
FL	Homestead ARB	AERIAL PORT SQUADRON FACILITY	6.7
FL	Homestead ARB	ADD VISITING QUARTERS BUILDING 410	3.9
FL	Homestead ARB	STORAGE FACILITY OPS/MX	2.3
FL	Homestead ARB	RESERVE LODGING FACILITY	11.0
FL	Homestead ARB	RESERVE LODGING FACILITY	11.0
FL	Homestead ARB	RESERVE LODGING FACILITY	11.0
GA	Dobbins	FIRE STATION AND SECURITY COMPLEX	10.2
GA	Dobbins	WING HEADQUARTERS FACILITY	4.3
GA	Dobbins	FITNESS CENTER	4.0
GA	Dobbins	RESERVE LODGING FACILITY—PHASE 1	16.5
GA	Dobbins	RESERVE LODGING FACILITY—PHASE 2	16.5
GA	Dobbins	RESERVE LODGING FACILITY—PHASE 3	15.5
GA	Dobbins	PURCHASE AICUZ CLEAR ZONES	34.0
GA	Dobbins	EXPLOSIVE ORDNANCE DISPOSAL FACILITY	3.1
GA	Robins	HQ AFRC COMPLEX PHASE 1	100.0
GA	Robins	HQ AFRC COMPLEX PHASE 2	50.0
HI	Hickam	624 RSG HQ FACILITY	12.2
IN	Grissom	ADD/ALTER AIRCRAFT MAINTENANCE HANGAR	9.8
IN	Grissom	SECURITY FORCES SQUADRON FACILITY	7.4
KS	McConnell	RESERVE TRAINING FACILITY 931 ARG	1.6
LA	Barksdale	B–52 FUEL CELL MAINTENANCE DOCK	12.8
LA	Barksdale	WING TRAINING FACILITY	2.8
MA	Westover	SQUADRON OPERATIONS FACILITY	10.0
MA	Westover	RESERVE LODGING FACILITY	10.5
MA	Westover	WING HEADQUARTERS FACILITY	8.4
MA	Westover	INDOOR SMALL ARMS FIRING RANGE	6.7
MA	Westover	DINING FACILITY	7.7
MA	Westover	RESERVE LODGING FACILITY	10.8
MA	Westover	AEROMEDICAL STAGING SQUADRON FACILITY	5.2
MA	Westover	RESERVE LODGING FACILITY	7.7
MA	Westover	RESERVE LODGING FACILITY	10.0
MA	Westover	PAVEMENTS AND GROUNDS FACILITY	3.7
MA	Westover	OVERRUNS AND SHOULDERS RUNWAY 15/33	4.7
MA	Westover	VEHICLE MAINTENANCE FACILITY	6.3
MA	Westover	LAND ACQUISITION BASE PERIMETER	4.0
MN	Minn-St Paul	AERIAL PORT SQUADRON FACILITY	7.5
MN	Minn-St Paul	PARKING RAMP—VEHICLE	11.0
MO	Whiteman	MUNITIONS MAINTENANCE FACILITY	2.2
NC	Seymour Johnson	OPERATIONS GROUP FACILITY	6.3
NC	Seymour Johnson	COMMUNICATIONS SQUADRON FACILITY	5.6
NJ	McGuire	AIRLIFT CONTROL FLIGHT FACILITY	3.9
NJ	McGuire	ADD/ALTER WING HEADQUARTERS BLDG 2217	5.7
NJ	McGuire	CIVIL ENGINEER TRAINING FACILITY	6.4
NY	Niagara Falls	RESERVE APRON	13.3
NY	Niagara Falls	AFRC/ANG BASE OPERATIONS FACILITY	3.3
OH	Youngstown	RESERVE LODGING FACILITY—PHASE 3	9.4
OH	Youngstown	INDOOR SMALL ARMS FIRING RANGE	9.4
OH	Youngstown	MISSION SUPPORT COMPLEX	4.4
OH	Youngstown	SECURITY FORCES SQUADRON FACILITY	4.0
PA	Pittsburgh	RESERVE LODGING FACILITY—PHASE 1	9.2

[In millions of dollars]

State	Location	Project Title	Cost
PA	Pittsburgh	WING HEADQUARTERS FACILITY	9.8
PA	Pittsburgh	RESERVE LODGING FACILITY—PHASE 2	8.6
PA	Pittsburgh	MODIFIED SMALL FITNESS CENTER	6.1
PA	Pittsburgh	ADD/ALTER WEST APRON REPLACEMENT	9.1
PA	Pittsburgh	DINING FACILITY, RECREATION CENTER AND RESERVE LODGING—PHASE 3.	17.5
PA	Pittsburgh	RESERVE LODGING FACILITY—PHASE 4	13.0
SC	Charleston	ADD/ALTER AEROMEDICAL FACILITY	2.5
SC	Charleston	RED HORSE HQ AND ENGINEERING FACILITY	3.5
SC	Charleston	ADD/ALTER 315TH SQUADRON OPERATIONS FACILITY.	4.3
SC	Charleston	RED HORSE AIR FIELDS AND VEHICLE MAINT	8.6
TX	Lackland	433 AW HQ FACILITY	5.8
TX	Lackland	CONSOLIDATED MAINTENANCE FACILITY	15.2
UT	Hill	RESERVE TRAINING COMPLEX	5.5
UT	Hill	AERIAL PORT SQUADRON FACILITY	3.0
WA	McChord	AEROMEDICAL STAGING SQUADRON FACILITY	2.8
TOTAL			834.9

QUESTION SUBMITTED BY SENATOR WAYNE ALLARD

TRANSITION FROM CHEYENNE MOUNTAIN TO PETERSON AFB, CO

Question. Mr. Anderson, as you continue to transition from Cheyenne Mountain to Building 2 at Peterson AFB, I'm concerned about force protection. In the FYDP for fiscal year 2010, the Air Force has included a plan to acquire 23 acres surrounding Building 2 specifically for force protection. I have requested that the funding be made available in fiscal year 2009, as I believe it to be a vital project for Peterson. If this funding is not included for fiscal year 2009, what are your plans to move forward with protecting the area surrounding Building 2?

Answer. We are aware of the security concerns around building number two at Peterson Air Force Base, CO. The 23-acre land acquisition military construction (MILCON) project is part of the solution to provide force protection. We are currently in the process of building our fiscal year 2010–2015 Program Objective Memorandum. The Air Force Corporate Structure will make every attempt to place its most urgent MILCON requirements in the fiscal year 2010 MILCON program as part of fiscal year 2010–2015 Program Objective Memorandum build and will consider this project during its deliberations of the Air Force fiscal year 2010–2015 MILCON program build.

CONCLUSION OF HEARINGS

Senator JOHNSON. This hearing is recessed.

[Whereupon, at 11:35 a.m., Thursday, May 8, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]

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