

**MILITARY CONSTRUCTION AND VETERANS  
AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2010**

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**TUESDAY, MAY 19, 2009**

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

The subcommittee met at 2:38 p.m., in room SD-138, Dirksen Senate Office Building, Hon. Tim Johnson (chairman) presiding.  
Present: Senators Johnson, Pryor, and Hutchison.

**DEPARTMENT OF DEFENSE**

**STATEMENT OF HON. ROBERT F. HALE, UNDER SECRETARY OF DEFENSE (COMPTROLLER)**

**OPENING STATEMENT OF SENATOR TIM JOHNSON**

Senator JOHNSON. Good afternoon. This hearing will come to order.

I welcome everyone to today's hearing to discuss the President's fiscal year 2010 budget request for military construction and family housing. Today, we will hear from the Defense Department comptroller and from the Navy.

Welcome to the students and faculty of my alma mater, the University of South Dakota.

Our procedure is to have opening statements by the chairman and ranking member, followed by an opening statement from our witnesses. In addition to the oral statement, all prepared statements from our witnesses will be entered into the record.

I request that our members limit their questions to 6-minute rounds.

Our first panel today will be the DOD comptroller, Mr. Robert Hale, and Mr. Wayne Army, the Deputy Under Secretary of Defense for Installations and Environment. Mr. Hale, Mr. Army, thank you for coming. We look forward to your testimony.

The President's military construction budget request for 2010 totals \$22.9 billion, \$2.1 billion below last year's request. I understand that the primary reasons for this decrease are decreasing requirements for base realignment and closure (BRAC) 2005 construction funding and for military family housing funding due to the progress made on privatization.

However, this committee carefully watches funding for the Guard and the Reserves, and I notice that funding for the Guard, Army

Guard is 26 percent below last year's request and 54 percent below last year's enacted level.

I am pleased to see funding increases for the other Reserve components, but I believe we can and should do more for our Guard and Reserve forces.

Today, I would like to focus on several issues in the budget request, including the status of the services' Future Years Defense Plans, incremental funding, global basing, and the Homeowners Assistance Program. When we get to Navy issues with the second panel, I am very interested in the status of the marine buildup on Guam.

We have a lot of ground to cover today. So I will limit my opening remarks.

Senator Hutchison, would you care to make an opening statement?

#### STATEMENT OF SENATOR KAY BAILEY HUTCHISON

Senator HUTCHISON. Yes, Mr. Chairman. Thank you very much.

I appreciate having this hearing, of course, and I look forward to discussing the overall construction needs that will be presented here today.

It was just a year ago, Mr. Arny, that you and Mr. Penn and General Payne were here to discuss the fiscal year 2009 request. As we begin the budget process for fiscal year 2010, there are several significant issues with the military construction budget.

As the chairman mentioned, the overall request of \$23 billion is an 18 percent decrease from the 2009 level. This includes \$7.5 billion to implement BRAC actions as that program continues to race to meet the 2011 statutory deadline.

I understand we are coming to the end of the BRAC process, but this amount is nearly 15 percent below the 2009 enacted level and does not give the services much leeway in completing the immense program on time. I am anxious to hear from Mr. Arny on this program and how we are going to meet the 2011 deadline.

Full funding of BRAC has been a priority of mine because it is the easiest target that we have had through the years. And people have borrowed from it, but we have assured that it was always paid back. So we want it to be used for making that 2011 deadline.

I also understand that the administration has a policy prohibiting the Office of the Secretary of Defense and the services from sharing the current FYDP with Congress. To go a step further, I know that the Guard and Reserve is required by law to present a FYDP to Congress but have been directed not to.

In essence, you are asking Congress and this subcommittee to invest in a MILCON program without the knowledge of how these programs will fit into the larger defense posture. I know you have a Quadrennial Defense Review taking place that will not be completed until the fall, but I think it is the responsibility of the department to work with Congress on these plans.

I don't see the wisdom of this policy, and especially since the subcommittee has a history of not allowing congressional inserts unless the project is a validated DOD requirement in a FYDP. We have been very disciplined about that.

So I will ask both of you to speak to that, and I also want to talk about the brigade combat teams being lowered to 45, which we learned—well, we have learned in the news, but also we discussed at our last hearing with the Army. But I want to know how it is going to affect the overall DOD defense posture and the MILCON master plan.

Last week, when we talked about the Army budget request, I brought up the subject of the lowering of the number of brigade combat teams. I received assurances at that time that the Army MILCON plan for the brigade combat teams at Fort Bliss has not changed and is proceeding accordingly. I was pleased to receive this assurance.

I have discussed this issue with the Secretary of Defense and the Chief of Staff of the Army because I am concerned that we have the construction already in progress at Fort Bliss for the teams, as has been provided by the Department of Defense and BRAC. The Secretary of Defense and the Chief of Staff of the Army—and if either of you can discuss these decisions, I hope that you will.

Also, the Army's desire to expand Pinon Canyon range at Fort Carson has been held up for over 3 years. Yet the Army told this subcommittee that they have not begun working on a plan B. In addition, I have to ask would it make sense to put another brigade combat team at Fort Carson if they don't have this training capacity?

Also, relocating marines to Guam. We are moving 8,000 marines from Okinawa to Guam and establishing a Joint Base Guam, combining the Navy base and Andersen Air Force Base, with the Navy as the lead. This will bring an additional 17,000 people to the island. The Government of Japan is contributing \$6 billion to the move and the United States \$4 billion.

After 3 years, we have yet to see a master plan to spend the \$10 billion and have been told that the cost could be much higher. So I think it is time for us to see if there is a master plan and that this committee be able to know what it is so that we can appropriately plan for that.

Also, it is against this backdrop that we begin to examine the budget request for military construction in the Department of the Navy. \$3.8 billion is in the Navy request and the Marine Corps, and the Marine Corps, of course, has now—it successfully completed its increase to its end strength, and we need to talk about that with the second panel.

I am anxious to hear from Secretary Penn, General Payne, and Admiral Handley about their needs and priorities for 2010. I support the Navy's emphasis on quality of life facilities, and I am sure that they remember that we talked about this last year and encouraged the Navy to do exactly that.

#### PREPARED STATEMENT

The Marine Corps' growth to 202,000, as a result of the Grow the Force initiative, certainly is well planned, and I am pleased to see that the MILCON and housing request to train and house these additional personnel and their families is going forward in an expeditious manner.

So, Mr. Chairman, I thank you for the hearing. I think that we have several items to discuss, and I look forward to hearing from the witnesses.

[The statement follows:]

PREPARED STATEMENT OF SENATOR KAY BAILEY HUTCHISON

Good morning, Mr. Chairman. I would also like to welcome our witnesses and guests. Thank you for holding this hearing today as we 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 overall construction needs of our soldiers, sailors and airmen with Mr. Hale and Mr. Army, and the needs of the Navy and Marine Corps with Assistant Secretary Penn and General Payne. It was just a year ago when Mr. Army, Mr. Penn and General Payne were here to discuss the fiscal year 2009 request. Welcome back gentlemen, it is good to see you again.

As we begin the budget process for fiscal year 2010, there are several significant issues with the military construction budget. First, the overall request of \$23 billion is nearly an 18 percent decrease from the fiscal year 2009 enacted level. This includes \$7.5 billion to implement BRAC actions, as that program continues its race to meet the 2011 statutory deadline. I understand we are coming to the end of the BRAC process, but this requested amount is nearly 15 percent below the fiscal year 2009 enacted level and does not give the Services much leeway in completing this immense program on time. I am anxious to hear from Mr. Army as to how this program is doing. We have to provide the right infrastructure for our soldiers, sailors, airmen and marines and their 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.

*Future Years Defense Program (FYDP)*

I understand that the Secretary of Defense has a policy that prohibits OSD and the Services from sharing the current FYDP with Congress. To go a step further, I know the Guard and Reserve is required by law to present the FYDP to Congress and the Secretary has directed them not to. In essence, you are asking Congress and this subcommittee to invest in a MILCON program without the knowledge of how these proposed projects will fit into the larger defense posture. I know you have a Quadrennial Defense Review (QDR) taking place that will not be completed until the fall, but I think it is the responsibility of the Department to work with Congress on these plans. I really don't see the wisdom of this policy, and frankly I am surprised at it, especially since this subcommittee has a history of NOT allowing Congressional inserts unless the project is a validated DOD requirement in the FYDP. I will ask you both to speak to this policy later in the hearing. When combined with new policy assertions, such as Secretary Gates' decision to cap the number of Brigade Combat Teams at 45, Congress needs to know how this will affect the DOD defense posture and the MILCON master plan.

*Brigade Combat Teams (BCTs)*

Last week at the hearing on the Army budget request, I brought up the subject of the Army's Brigade Combat Team stationing plan, and I received assurances at that time that the Army MILCON plan for the Brigade Combat Teams at Fort Bliss has not changed and is proceeding accordingly. I was very pleased to receive that assurance. I have discussed this issue with the Secretary of Defense and the Chief of Staff of the Army because I am concerned that we do not disrupt the extensive construction already in progress at Fort Bliss.

*Relocating Marines to Guam*

We are moving 8,000 Marines from Okinawa to Guam and establishing a Joint Base Guam, combining the Navy base and Anderson AFB, with the Navy as the lead. This will bring an additional 17,000 people to the island. The government of Japan is contributing \$6 billion to make the move and the U.S. government has promised \$4 billion.

After 3 years of asking, we have yet to see a master plan to spend the \$10 billion, and in fact, we understand the cost will be much higher. Before we commit the U.S. taxpayer to such a large move we would like to see a comprehensive master plan in order that Congress can provide the Department with the proper oversight. We

were told by the Navy and the Marine Corps that they cannot speak to the out years or show us yearly project plans because of the FYDP restriction.

A major issue holding up this planned move is the condition of the infrastructure on the island. Assistant Secretary Penn will speak to this in more detail, I'm sure, but since Mr. Arny is very familiar with the Island of Guam I look forward to his perspective.

The electrical grid, water distribution system, and solid waste disposal capability are in serious need of repair and will not support the additional troops and their families. As such, will DOD pay the bill for upgrading the infrastructure for these utilities as part of the move? I think this question needs to be addressed, and without a master plan I think it will be difficult for all of us.

*Navy and Marine Corps*

It is against this backdrop that we begin to examine the budget request for military construction. The Department of the Navy's \$3.8 billion budget request and the Marine Corps' successful efforts to increase its end strength is quite significant and I look forward to the discussion with the second panel.

I am anxious to hear from Secretary Penn, Major General Payne and Rear Admiral Handley about their needs and priorities for fiscal year 2010. I fully support the Department of the Navy's emphasis on quality of life facilities, which I'm sure they remember this subcommittee requested they keep in their plans. The Marine Corps' growth to 202,000 as a result of the Grow the Force initiative certainly is well planned, and I am pleased to see the MILCON and housing request to train and house these additional personnel and their families.

Every member of this subcommittee has worked on a bipartisan basis to support our troops and their families by providing the best facilities possible so they can work and live in the quality environment they deserve. I commend the Department for making quality of life a top priority.

Thank you again Mr. Chairman for holding this hearing and I thank your staff for their assistance as well. I look forward to discussing these and other issues with our witnesses.

Senator JOHNSON. Thank you.

Secretary Hale, Mr. Arny, thank you again for appearing before our committee. Your prepared statement will be placed in the record. So I encourage you to summarize your remarks to allow for more time for questions.

Secretary Hale.

STATEMENT OF ROBERT F. HALE

Mr. HALE. Well, thank you, Mr. Chairman and Senator Hutchison, and thank the committee for all the support to our armed forces. We depend on the Congress for the resources we need to meet national security needs, and we appreciate your help.

I will provide a brief overview of the budget with a focus on military construction and then ask Mr. Arny to provide the details.

As you know, the President's base budget asks for \$533.8 billion of discretionary budget authority, up \$20.5 billion, or about a 4 percent increase which amounts to a 2.1 percent increase after adjustment for inflation.

This is a reform budget. I have worked in and around the defense budget for several decades now. We use that term loosely sometimes, but I do believe this is one of a handful of budgets that qualifies as a reform budget. If it is approved, I think it will change the way the department does business.

The base budget lays out and the Secretary has described it in terms of some themes, and let me just mention them briefly because I think they are a good context for the discussion of MILCON.

First, this budget affirms our commitment to take care of our people. For example, it fully funds all the personnel in the budget in the base portion rather than the more volatile wartime budget.

Second, the budget tries to reshape the Department of Defense to focus more on the wars we are fighting today, while maintaining a balance of conventional capability. So, for example, we have added special operations personnel, to intelligence, surveillance, and reconnaissance, and we have to pay for these. We have completed the program of record for the F-22 and C-17 aircraft and do not propose additional procurement.

And third, the budget reforms what we buy and how we buy it. There is a people side to this—for example, beefing up, reinvigorating our acquisition corps—but also a hardware side, as we looked at troubled programs in terms of cost, schedule, performance. As a result of our review, we recommended terminating or restructuring a number of programs, including the Future Combat System and missile defense.

Turning to military construction, we have asked for \$23 billion for military construction and family housing. I think it meets all three of these themes or at least supports them, specifically taking care of our people and reshaping and modernization of the force.

Overall, it is an 8.4 percent decline, as was mentioned in your opening statements. That sounds ominous, but it reflects our successful achievements, actually, in base realignment and closure and family housing privatization.

BRAC is down 14.8 percent, but we have fully funded BRAC, and we expect to meet the September 2011 deadline. Family housing is down 38 percent, but that is because, as again you know, we have moved aggressively to privatize our family housing therefore, we don't need as much family housing inventory; construction funds in our own budget.

We factor out these two categories, BRAC and family housing prioritization, MILCON is up by about 3 percent between fiscal 2009 and fiscal 2010.

The Department's base budget meets our key goals for military construction. We continue to invest in facilities that support Grow the Force, such as barracks, and brigade complexes. The base budget also provides facilities that keep pace with the fielding of new systems and capabilities as well as necessary training.

The request includes a significant investment in recapitalizing aging medical facilities and schools, such as Warrior in Transition complexes. It also contains a substantial investment in the global defense posture, including 8,000 marines moving from Okinawa to Guam.

Before I leave the base budget, let me talk about the issue of the out-year plan. We are currently conducting the Quadrennial Defense Review and the program budget review. We will develop a 5-year plan as part of the fall budget review and submit it next year. For the moment, we don't have a plan beyond fiscal 2010 consistent with administration policy.

It is not our desire to tell anyone they can't submit it. We don't have one to submit. So, for the moment, the only thing we can do is answer your fiscal 2010 questions in detail, and we can talk later

about how we will work with you in regard to other issues. Because I understand that there are issues for this committee and others.

Let me just mention briefly our wartime portion of the budget, which we now call the overseas contingency operations, or OCO. I like to call it Washington's newest acronym. We are asking for \$130 billion for overseas contingency operations. This represents our best estimate of the full cost of funding our efforts in Iraq and Afghanistan in fiscal year 2010.

I hope we do not have to submit a supplemental. But if the wartime situation changes or the President were to change his deployment plans, then we need to retain the right to request supplemental funding if necessary.

The \$130 billion for OCO includes \$1.4 billion for military construction, all in Afghanistan. Given the limited pre-existing infrastructure there, we need to build roads, runways, and parking aprons. There are a lot of things we need to build in support of our wartime effort.

I also want to express my gratitude to the Congress for the \$7.4 billion in defense-related funding that we received in the American Recovery and Reinvestment Act, ARRA, or it is easier to call it the stimulus bill. It is \$4.3 billion for facility sustainment, restoration, and modernization, another \$2.2 billion for military construction, as well as the Homeowners Assistance Program and some energy investments and RDT&E.

This additional funding will allow us to improve facilities, to reduce our backlog in a way we couldn't have otherwise done, and to help our people. For example, we are able to replace two hospitals and to construct child development centers, Wounded Warrior complexes and troop housing facilities.

I am happy to report that there are more than 4,200 projects funded by the stimulus bill in all 50 States, 2 territories, and the District of Columbia. All the projects have been identified, and we are working as hard as we can to implement them. These projects will not only stimulate the economy, they will help improve the quality of life for our service members and their families.

And lastly, Mr. Chairman, I would like to remind the committee that we recently submitted a supplemental request. The SAC has acted on it, and we very much appreciate the timely action. It includes \$0.9 billion for military construction in Afghanistan, as well as another \$1.4 billion for military construction in other critical areas, including Warrior in Transition complexes.

We stand by to assist you, both of you or any other members, on both the fiscal 2009 supplemental request and the fiscal year 2010 request. To help our troops, we ask that you enact this remaining supplemental. We would like it by Memorial Day or as soon thereafter as possible. We really appreciate the speed with which both the Senate and the House are moving on the supplemental request.

#### PREPARED STATEMENT

Again, on behalf of the men and women of the Department of Defense who are faithfully serving our Nation, thank you for your strong support.

Thank you for the opportunity to testify. And after Mr. Army completes his statement, I would be glad to try to answer your questions.

[The statement follows:]

PREPARED STATEMENT OF THE HON. ROBERT F. HALE

Mr. Chairman, members of the Committee, thank you for the opportunity to discuss the Military Construction component of the fiscal year 2010 budget request for the Department of Defense.

On behalf of the men and women of the Department, I would like to begin by thanking the Committee for your continued support of America's Armed Forces. We depend on you and other Members of the Congress for the resources we need to meet our Nation's national security requirements.

To start, I would like to provide a brief overview of our budget request and the amount we are asking for Military Construction. I will then ask Mr. Army to speak in detail about the MilCon portion of the proposed budget.

*Base Budget*

Mr. Chairman, the President's base budget requests \$533.8 billion in discretionary authority for fiscal year 2010. That is an increase of \$20.5 billion or 4 percent over the enacted level in fiscal year 2009. Taking inflation into account, the real growth in this request is 2.1 percent.

The base budget puts into action the overriding priorities laid down by Secretary Gates for the Department:

—First, it reaffirms our commitment to take care of the all-volunteer force.

—Second, it rebalances the Department's programs in order to institutionalize and enhance our capabilities to fight the wars we are in today and to defend against the scenarios we are most likely to face in the years ahead, while at the same time providing a hedge against other risks and contingencies.

—And third, it reforms how and what we buy, by promoting a fundamental overhaul of our approach to procurement, acquisition, and contracting.

The \$23.0 billion Military Construction and Family Housing portion of our request supports those strategic objectives. This request represents a decline of 8.4 percent compared with the enacted level for fiscal year 2009.

This decline can be attributed to our achievements on Base Realignment and Closure (BRAC) and housing privatization. Funding for BRAC 2005 declines by 14.8 percent, to \$7.5 billion, as we move toward completing requirements. Family housing construction declines by 38 percent, to \$2.0 billion, reflecting the transition toward housing privatization.

If we factor out those two categories—BRAC and housing privatization—we find a pattern of growth in Military Construction. The fiscal year 2010 request for this portion of Military Construction grows by 3.1 percent compared to fiscal year 2009 funding, to a level of \$13.5 billion.

The Department's base budget request meets our key goals for Military Construction. We continue to invest in facilities that support Grow the Force, such as barracks, brigade complexes, and quality of life projects. The base budget will provide facilities that keep pace with fielding of new systems and capabilities, as well as necessary training.

The request includes a significant investment in recapitalizing aging medical facilities and schools and constructing Warrior in Transition complexes. It also contains a substantial investment in our Global Defense Posture, including the relocation of 8,000 Marines from Okinawa to Guam and investments at enduring locations in the CENTCOM and AFRICOM areas of responsibility.

*Fiscal Year 2010 Overseas Contingency Operations*

As you are undoubtedly aware, the Department's fiscal year 2010 request also includes a separate request for \$130 billion to fund overseas contingency operations (OCO). This represents our best current estimate of war funding requirements, including funding for all forces currently approved by President Obama both for Iraq and Afghanistan. We do not plan on submitting a supplemental request. However, should policies or the wartime situation change significantly, the Department may need to seek supplemental funding.

The \$130 billion for the OCO budget includes \$1.4 billion for Military Construction, all of which is to be spent in Afghanistan. Given the limited pre-existing infrastructure for our troops to occupy in that country, it is necessary to construct facilities to sustain, protect, and house them. Accordingly, this request includes operational facilities, such as runways and parking aprons, as well as associated support

facilities, such as utilities, roads, housing, environmental projects, and dining facilities.

*American Recovery and Reinvestment Act*

I want to express my gratitude for the \$7.4 billion in Defense-related funding that was included in the American Recovery and Reinvestment Act (ARRA). The ARRA includes nearly \$4.3 billion for Facility Infrastructure Investments, \$2.2 billion for military construction, \$0.1 billion for the Energy Conservation Investment Program (ECIP), \$0.3 billion for Research, Development, Test, and Evaluation (RDT&E), and nearly \$0.6 billion for the Homeowners Assistance Program.

This additional funding will allow us to improve the facilities where our military and civilian personnel work and live, to enhance energy efficiency in the recapitalization and construction of facilities, and to generate needed jobs to help stimulate the Nation's economy. For example, the construction funds will enable the Department to replace two hospitals and to construct child development centers, Wounded Warrior complexes, and troop housing facilities. I am happy to report that over 4,200 projects will be executed throughout all 50 States, two territories, and the District of Columbia. Many of those projects are expected to be awarded in the near future.

These projects will not only stimulate the economy; they will also improve the quality of life of our Service members and their families. And, as Secretary Gates has said, the all-volunteer force is America's greatest strategic asset. Caring for them must be our first priority.

*Fiscal Year 2009 Supplemental*

Lastly, Mr. Chairman, I would remind the committee that we recently submitted a supplemental request to cover the remaining expenses of the war effort in fiscal year 2009, which includes \$0.9 billion for Military Construction in Afghanistan. This request also includes \$1.4 billion for other critical construction improvements, such as Warrior in Transition complexes.

We stand by to assist Members however we can on that request and on the entire fiscal year 2010 budget request, and we ask that you enact this remaining supplemental by the Memorial Day recess, or as soon thereafter as possible.

Again, on behalf of the men and women of the Department of Defense who are faithfully serving our Nation, thank you for your strong support. And thank you for the opportunity to testify here today. After Mr. Army completes his statement, I would welcome your questions.

Senator JOHNSON. Thank you, Secretary Hale.

Mr. Army.

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

Mr. ARNY. Thank you, Chairman Johnson, Senator Hutchison.

Thank you for your introduction. I am honored to appear before you today.

In the last 10 to 20 years, the Department has come a long way in improving the facilities and infrastructure in which our military and civilian workforce and families work and live. We could not have progressed so far as we have without the continuing support of Congress and, in particular, the subcommittee.

Today, we manage over 500,000 facilities, worth over \$700 billion, located on approximately 29 million acres. In comparison, about 10 years ago, we had 115,000 more facilities in our inventory, which is, in part, a testimony to our continuing efforts to right-size the Department's infrastructure to match our operational needs.

A principal program that has helped us balance the infrastructure is the BRAC authority, and using that, we have been able to close over 121 major installations and realign 79 major bases after 5 rounds. The 2005 decisions alone affect over 800 locations and include 24 major closures, 24 major realignments, and 765 lesser actions.

As of the fiscal year 2010 President's budget, BRAC represents a \$35.2 billion investment over 2006 to 2011 and \$4 billion in annual savings after full implementation.

However, it is not enough to have closed bases and moved functions. At the same time, we have tried to focus on how we conduct our business so as to become more efficient caretakers of the taxpayers' resource.

An excellent example of that is joint basing. As part of the BRAC 2005, we are required to form 12 new joint bases from 26 separate existing bases so that installation management functions will be provided by one component and not two or three as it is currently.

The joint basing implementation process is complicated. Almost 50 different areas of responsibility on these bases have been identified for consolidation, including food services, environmental management, child and youth programs, facility maintenance, and many others. But I can report that it is well on the way to achieving success.

In January 2008, we began issuing a series of joint base implementation guidance documents and, for the first time, established a set of common definitions and standards for the installation support to be provided by each joint base. We established a schedule that divided the 12 planned joint bases into 2 implementation phases. Each joint base will develop a detailed implementation plan, including the personnel and financial arrangements for the combined base.

Five joint bases involving 11 installations were placed into Phase I. They had an October 2008 milestone for initial operational capability (IOC), and this includes—I am sorry, an October 2009 date for full operating capability, or fall operational capability (FOC). This includes the transfer of personnel and funds.

The remaining 7 bases involving 15 installations were placed into Phase II with an October 2010 FOC. The services have signed all the right agreements for the first five installations, and we have reached IOC on them. And we expect FOC for the second phase in October 2010, which is well ahead of our BRAC statutory deadline.

And this is just the beginning of where I see the Department going in the application of full funding of common levels of service across all our bases.

As for housing, a decade ago, we were maintaining over 300,000 family housing units, two-thirds of which were deemed inadequate by the military departments. With this year's request, over 98 percent of DOD's housing inventory in the United States will be funded for privatization.

With regard to barracks, it was about 17 years ago that we began an ambitious modernization program to increase the privacy and amenities in permanent party bachelor housing. Using military construction funding and a Government-owned business model, we have made a lot of progress, but there is still \$15 billion to go. So we are looking at other ways to do it.

We have begun—we are looking at ways to take off on our privatization of housing to do privatization of barracks. We have seen innovative concepts where the Army has added bachelor housing quarters and senior enlisted bachelor quarters to its existing family

housing units at Fort Bragg, Fort Stewart, Fort Drum, Fort Irwin, and a fifth project is planned for Fort Bliss.

In contrast, the Navy is mainly focused on unaccompanied housing privatization to bring shipboard junior enlisted sailors ashore using a special pilot project. Their first project was begun in December 2006 in San Diego, with a second in Hampton Roads in 2007, and a third project underway for Jacksonville/Mayport.

Both of the first two have demonstrated that with the authority to pay junior enlisted members less than full housing, we can privatize single junior enlisted on a less costly basis—I would say less costly on a lifecycle basis than traditional Government-owned model. I view this as just a starting point and ask for the subcommittee's support in the department's continued progress to shift the mindset in which the Federal Government has to build and maintain to one where we only need to build and maintain what we can't privatize.

This year's—in answer to one of the questions, this year's budget does signal a banner year for MILCON with about \$23 billion in military construction, \$8 billion in facilities sustainment, restoration, and modernization. That level of military construction is very robust, especially compared to the \$8 billion to \$9 billion we were receiving only 10 years ago.

Similarly, our sustainment budget this year is also more robust. Ten years ago, we used a percentage of unsubstantiated maintenance and repair backlog to come up with our budget request, and it didn't work. Although much remains to be done, we have made steady headway over the last decade to improve the overall conditions of our facilities by using a programmatic model.

The development and use of the facilities sustainment model has given us a sound target to measure our sustainment budgets, and more importantly, we have been able to defend those budgets and defend those requirements in the budget process.

Recap has been another problem. We tried to use 67 years on a recap model that didn't work. When I was with the Navy Secretariat, we saw that when we put a large amount of money into one place, as we did after Hurricane Ivan hit Pensacola, all of a sudden, with the sudden infusion of funds, our recap rate went way below the 67 years that we all knew we had only invested money in one base. It didn't take account for the other priorities we had.

As I was dissatisfied with that model, I asked my staff to work with the services, go back to the basics, and we have reopened a dialogue using what are called "quality ratings." We are required to report these under the Federal Real Property Advisory Group, which has mandated that all Federal agencies report these in our property records. We are going to—it gives you a Q rating for every building we own.

We are looking at a method to go in, and we will start tracking those Q ratings and planning our budgets to keep those Q rating—will plan our budgets to make the Q ratings to the point where we believe they are satisfactory for all our services.

In the summer, my staff will work closely with military departments to set up the program guidelines for determining which facilities require priority funding, assessing how those Q ratings are conducted and their frequency, and, most importantly, reestab-

lishing how the Department views and uses master planning at the installation level.

Also, in cooperation with our policy secretariat, the joint staff, the combatant commands, and the services, we hope to initiate joint installation master plans in each overseas combatant commander's region.

PREPARED STATEMENT

In closing, I would like to thank you sincerely for the opportunity to testify on our installations. We believe we are working on the right issues now. And while we cannot fix them overnight, we appreciate your continued support and look forward to working with you and the subcommittee to provide the quality installations that our forces and their families need and deserve.

Thank you, sir.

[The statement follows:]

PREPARED STATEMENT OF WAYNE ARMY

*Introduction.*—Chairman Johnson, Senator Hutchinson, distinguished members of the subcommittee: I appreciate the opportunity to appear before you today to address the President's Budget request for fiscal year 2010 and to present an update on the status of our Nation's military installations.

*Overview.*—Our installations are the platforms from which America's military capability is generated, deployed, and sustained. They play an essential part in addressing two principal objectives of the Department. First, they take care of our military forces, our most important asset. Secondly, they support and enhance our capability to meet the military challenges that we face today, and those that we may face in the coming years. Our installations provide training facilities for new recruits and career service members, maintenance shops and depots to repair and refit their equipment, and quality work and living spaces that warfighters and their families deserve. Our primary focus is to ensure that our military installations are capable of supporting the missions of our forces, today and in the future. To successfully provide this support, we focus our resources on programs and initiatives that will provide the necessary infrastructure in the most effective and efficient manner.

America's military installations, including both their built and natural environments, must be managed in a comprehensive and integrated manner to optimize our investment in the assets needed to accomplish the mission. In the United States and overseas, the Department currently manages over 539,000 facilities, with a plant replacement value exceeding \$700 billion, located on approximately 29 million acres of land. These assets must provide modern and safe work and training areas for our military forces, as well as quality housing.

Before updating you on our fiscal year 2010 Installations and Environment programs, I'd like to talk briefly about the impact on our military infrastructure of two extremely important challenges facing our Nation. The first of these is Overseas Contingency Operations (OCO).

*Overseas Contingency Operations.*—Military construction is a key enabler of OCO, directly supporting wartime operations by providing operational and support facilities at key locations. In April, the Department submitted its fiscal year 2009 OCO funding request for \$2.3 billion. This investment will help the Department execute realignment of forces into and within Afghanistan, by enabling strategic and operational flexibility and increasing Intelligence, Surveillance, and Reconnaissance (ISR) capabilities. The fiscal year 2009 request will also facilitate access to child care and improve support facilities for wounded warriors and their families.

The fiscal year 2010 OCO request of \$1.4 billion continues the important objective to increase the U.S. presence in Afghanistan, specifically the Regional Commands South and East. The facilities required to sustain, protect, and house these personnel include utilities, roads, housing, and dining facilities as well as environmental projects. The fiscal year 2010 OCO request will increase the capacity of air lines of communication, broaden logistics and intelligence capabilities, and provide the ability to reposition forces as the situation dictates.

*American Recovery and Reinvestment Act (ARRA) of 2009.*—The other challenge is the downturn in the economy, and in response, the ARRA of February 2009. This effort will have a significant impact on DOD's facilities. The Department is applying

the funding to enhance our ability to provide high quality installations and facilities and to improve our energy efficiency.

The ARRA includes approximately \$7.4 billion in Defense-related appropriations. The Military Construction (MilCon) and Operation and Maintenance (O&M) funds provided by the Act are available for obligation through the end of fiscal year 2013 and fiscal year 2010, respectively. The Department has identified over 4,200 projects in the following categories:

- \$4.2 billion in O&M accounts to improve, repair, and modernize DOD facilities, including energy-related improvements
- \$1.3 billion in MilCon for hospitals
- \$240 million in MilCon for child development centers
- \$100 million in MilCon for warrior transition complexes
- \$535 million for other MilCon projects, such as housing for Service members and their families, energy conservation, and National Guard facilities
- \$300 million to develop energy-efficient technologies
- \$120 million for the Energy Conservation Investment Program (ECIP)
- \$555 million for a temporary expansion of the Homeowner's Assistance Program (HAP) benefits for private home sale losses of DOD military and civilian personnel
- \$15 million for DOD Inspector General oversight and audit of ARRA execution

In addition to providing much needed facility improvements and funding for important energy research programs in support of the national effort to achieve greater energy independence, the ARRA will also contribute to our ongoing efforts to "green" DOD's built infrastructure. In their baseline MilCon programs, the Military Services have taken the lead in ensuring a sustainable future for the Department by directing that new construction meets both the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) Silver Certification standard and the Federal Leadership in High Performance and Sustainable Buildings Memorandum of Understanding. In executing ARRA projects, this type of forward thinking directly translates to 115 projects and \$2.3 billion in the MilCon and military family housing construction programs designed and built to LEED Silver Certification standards.

DOD is committed to ensuring that ARRA funds are expended responsibly and in a transparent manner that will further job creation, economic recovery, and the overall improvement of our military infrastructure. Over the coming months, we'll be keeping the Congress and the public apprised of our progress in executing these funds.

*Facilities Investment.*—Now I would like present an overview of our Installations and Environment programs beginning with MilCon and related facilities investments. The fiscal year 2010 MilCon and Family Housing Appropriation request totals \$23 billion, which is a decrease of \$1.9 billion from the fiscal year 2009 budget request, but still compares very favorably with historic trends. The decreased funding is primarily in the Base Realignment and Closure (BRAC) and Family Housing programs, which I will discuss in more detail shortly. The budget request will enable the Department to respond rapidly to warfighter requirements, enhance mission readiness, and provide essential services for its personnel and their families. In addition to new construction, this funding will restore and modernize enduring facilities, while eliminating those that are excess or obsolete. A large part of the funding is targeted for initiatives to support the realignment and increase in endstrength of forces, projects to improve and update facilities, and projects needed to take care of our people and their families, such as family and bachelor housing, Warrior in Transition housing, and child development centers.

#### COMPARISON OF MILITARY CONSTRUCTION AND FAMILY HOUSING REQUESTS

[President's Budget in Millions of Dollars—Budget Authority]

	Fiscal year	
	2009 request	2010 request
Military Construction .....	11,283	12,835
NATO Security Investment Program .....	241	276
Base Realignment and Closure IV .....	393	397
Base Realignment and Closure 2005 .....	9,065	7,480
Family Housing Construction/Improvements .....	1,457	489
Family Housing Operations & Maintenance .....	1,741	1,444
Chemical Demilitarization .....	134	147
Family Housing Improvement Fund .....	1	3

## COMPARISON OF MILITARY CONSTRUCTION AND FAMILY HOUSING REQUESTS—Continued

[President's Budget in Millions of Dollars—Budget Authority]

	Fiscal year	
	2009 request	2010 request
Energy Conservation Investment Program .....	80	90
Homeowners Assistance Program .....	5	23
TOTAL .....	24,400	22,515

We are continuing ongoing initiatives to reshape and resize our infrastructure, and at the same time, we recognize that there will be localized growth in the facilities footprint to accommodate changes in force structure, end strength, and weapons systems. These efforts include facilities to support Army Modularity, Army and Marine Corps Grow-The-Force initiatives, and bed-down of new weapons systems such as the Joint Strike Fighter.

While our basing initiatives continue the process of reconfiguring our overall physical plant, and acquiring facilities for future requirements, we cannot lose sight of the importance of maintaining and modernizing our existing facilities. It is imperative that we continue to invest in our existing infrastructure, and plan for the appropriate level of investment in all our facilities going forward.

Facilities sustainment has been and continues to be the most important program to support the overall health of our inventory of facilities. Sustainment funds regularly scheduled maintenance and major repair or replacement of facility components expected periodically throughout the life cycle of a facility. Investing in sustainment prevents deterioration, maintains safety, and preserves performance. As you know, we use the Facilities Sustainment Model (FSM) to estimate the funding requirements for our facilities. The model uses benchmark costs from public and private sources which are updated on a regular basis. Our goal continues to be full sustainment of our facilities to optimize our investment and ensure readiness. The fiscal year 2010 President's Budget provides \$7.8 billion for sustaining the Department's significant inventory, representing 91 percent of the FSM requirement.

The second key element of our facilities investment program is recapitalization, which includes restoration and modernization, and is funded primarily with O&M and MilCon appropriations. Restoration includes repair and replacement work to restore facilities damaged by inadequate sustainment, natural disaster, fire, accident, or other causes. Modernization includes alteration of facilities to implement new or higher standards, accommodate new functions, or replace building components that typically last more than 50 years. The Department remains committed to maintaining a rate of investment in facilities recapitalization that will improve, modernize, and restore existing facilities, and replace them when it is more economical to do so. To that end, we're refining the way we calculate the required investment for recapitalization, and more closely aligning it with the actual condition of each facility. We will keep you apprised of our progress as we develop the new methodology.

## SUSTAINMENT AND RECAPITALIZATION REQUEST

[President's Budget in Millions of Dollars]

	Fiscal year	
	2009 Request	2010Request
Sustainment (O&M-like) <sup>1</sup> .....	7,482	7,799
Restoration and Modernization (O&M-like plus) <sup>1</sup> .....	1,780	2,035
Restoration and Modernization (MilCon) .....	8,102	6,527
TOTAL SRM .....	17,364	16,361

<sup>1</sup> Includes Operation 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)

Separate and distinct from the BRAC process, we continue to right-size our inventory through the elimination of excess and obsolete facilities. The Military Departments continue to maintain and execute robust disposal and demolition programs to improve the safety and aesthetics of our installations, to ensure that only essential facilities are retained, and to reduce overall operating costs. In fiscal year 2008, the Department eliminated 6 million square feet of unneeded facilities. Another 5.5

million square feet is projected for demolition in fiscal year 2009. The fiscal year 2010 request includes almost \$200 million to eliminate approximately 8 million additional square feet of unneeded infrastructure.

*Global Defense Posture.*—Now I'd like to tell you more about our initiatives to provide the right military facilities in the right location with the right capabilities, beginning with the status of our global restationing efforts. As we continue with planned posture changes to meet our world-wide missions, the Department is improving its ability to contend with post 9/11 security challenges and developing more relevant relationships and forward capabilities for 21st century expeditionary operations. The fiscal year 2010 MilCon request supports the Department's efforts to strengthen our forward military presence, including facilities and infrastructure, and to transform overseas legacy forces, Cold War basing structures, and host-nation relationships into a flexible 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 flexible ground force capabilities to support NATO's own transformation goals. The European Command's transformation and recapitalization efforts will require investments in fixed facilities, mobility, prepositioning of equipment, and interoperability. Future infrastructure requests will enable the elimination of substandard housing and will include projects that support continued transformation efforts.
- Shifting our European posture south and east by transforming the 173rd Airborne Brigade in Italy, and establishing infrastructure support for rotational presence in Romania and Bulgaria. Permanent Forward Operating Sites and other training facilities in Romania and Bulgaria have projected completion dates of 2009 and 2011, respectively. In addition to supporting a full-time training effort, Joint Task Force-East provides the logistical base for United States Air Forces in Europe and Special Operations Command Europe exercises in Eastern Europe and Eurasia.
- Continued progress toward 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, and will shape our strategic posture throughout the Asia-Pacific region. While Japan is shouldering most of the costs associated with the planned posture changes per the Defense Policy Review Initiative (DPR), U.S. MilCon funds are necessary to complete remaining facility construction and other infrastructure needs on Guam. MilCon funding will provide projects such as utilities and airfield pavement to bed-down Marine aviation at Andersen Air Force Base, wharf improvements, and the relocation of a military working dog facility at Naval Base Guam. Investments are also needed to improve off-base infrastructure, including selected roads and bridges required for throughput of necessary construction materials.
- Continued consolidation and restructuring of forces on the Korean peninsula to strengthen our overall military effectiveness and to prepare for transitioning wartime operational control of Republic of Korea (ROK) forces to the ROK military forces by 2012. This includes relocating U.S. troops out of Seoul, returning most of Yongsan Army Garrison to the ROK, and consolidating remaining troops into two hubs south of Seoul. This effort positions U.S. forces to better conduct combat operations should deterrence fail on the Korean peninsula, and makes the U.S. presence less intrusive on the Korean people. We anticipate the ROK to continue funding much of the facilities and infrastructure construction for this transition in accordance with the amended Land Partnership Plan and Yongsan Relocation Plan. However, MilCon funding is needed at Camp Humphreys to support U.S. Army forces relocating from camps north of the Han River.
- Developing basic infrastructure and capabilities for current and future operations in the U.S. Central Command area of responsibility and other overseas contingency operation areas.
- Enhancing contingency access through an array of sites in Africa that serve as focal points for combined training, capacity building, and broadened relationships with host nations and other partners. MilCon funding is needed at Camp Lemonier, the Department's enduring Forward Operating Site in Djibouti, to support such requirements and improve infrastructure needs within the U.S. Africa Command.

The Department continues to maintain and strengthen host-nation partnerships supporting these posture changes. The fiscal year 2010 global defense posture projects ensure strengthening of forward capabilities for OCO and other expeditionary non-traditional missions, commitment to alliance goals and collective de-

fense capabilities, and enhanced deterrent capabilities for addressing future security challenges.

*Base Realignment and Closure (BRAC) 2005.*—In addition to our global posture realignments, we continue to execute BRAC 2005, the largest round 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 required that the Department begin implementation of each recommendation within two 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. The Department continues to monitor BRAC implementation to ensure we are meeting our legal obligation.

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 required that we appropriately assess the increased military capabilities we are achieving through these recommendations.

We accomplished that requirement and, through BRAC, are significantly enhancing each capability. Two locations, Fort Bliss, Texas, and Naval Air Station (NAS) Brunswick, Maine, highlight what we are achieving. Fort Bliss is the largest operational Army BRAC movement. Approximately 15,000 Soldiers and their family members will move to Fort Bliss and the surrounding communities, and construction of BRAC operational facilities is moving ahead as planned in preparation for the arrival of the 1st Armor Division at Fort Bliss. In September 2008, Soldiers of the 1st Brigade, 1st Armored Division took occupancy of the first Brigade Combat Team (BCT) Complex. Soldiers of the 4th Brigade, 1st Armored Division are now in temporary facilities and eagerly await completion of the second BCT complex scheduled for September 2009. The Army has programmed the construction of several quality of life facilities to support this growth including dental/health clinics, a hospital, a child development center, a commissary, a physical fitness center, and youth centers.

The closure of NAS Brunswick will reduce operating costs while allowing the single-siting of the East Coast Maritime Patrol (VP) community at NAS Jacksonville, Florida. NAS Jacksonville and NAS Brunswick are collaborating to ensure seamless relocation of five aircraft squadrons along with the realignment of the maintenance functions and various mission support groups. In preparation for the arrival of the first Brunswick aircraft, a new type II hangar construction project is on track for completion this month. It will be the home for the first returning Brunswick VP squadron which is currently deployed. The hangar, the Navy's largest, will provide maintenance spaces for all five Brunswick squadrons and will also be able to support the future transition to the P-8 Poseidon multimission maritime aircraft.

A key component of this BRAC round was rationalizing medical infrastructure. This rationalization was needed to address the transformation in healthcare that has occurred since these facilities were constructed, and to adapt our facilities to the continuing changes in warrior care. At one end of the scale, BRAC enabled the Department to close seven small and inefficient inpatient operations, converting them to ambulatory surgery centers. BRAC also enabled DOD to realign medical operations from McChord Air Force Base, Washington, to Fort Lewis, Washington, and to transform the Medical Center at Keesler Air Force Base, Mississippi, into a community hospital. On the larger end of the scale, BRAC enabled DOD to realign two of its major military medical markets: San Antonio, Texas, and the National Capital Region (NCR). The strategic realignments in San Antonio of Brooke Army Medical Center and Wilford Hall medical center, and in the NCR of Walter Reed Army Medical Center and the National Naval Medical Center at Bethesda, Maryland, address critical needs to realign and consolidate key clinical and clinical research capabilities, undertake serious facility modernization requirements, as well as better matching facility locations and capabilities, achieving medical advances, and adapting to changing needs of wounded warriors.

For the NCR, the fiscal year 2010 costs (including the \$263 million included in the fiscal year 2009 supplemental request) are \$2.4 billion. As is the case with San

Antonio, costs rose due to construction inflation, wounded warrior lessons learned, and unforeseen costs as the construction process has unfolded.

Unique to the NCR is the effort to enhance and accelerate construction at Bethesda and Fort Belvoir, Virginia, as a result of lessons learned and the Department's commitment to implement the recommendations of the Independent Review Group (IRG) on Rehabilitative Care and Administrative Processes at Walter Reed Army Medical Center and National Naval Medical Center Bethesda. The IRG's April 2007 report recommended a variety of measures to improve medical care and that DOD accelerate BRAC projects in the NCR. In order to implement the report's recommendations and incorporate other war-related lessons learned, the Department committed to create Warrior Transition Unit facilities at the Bethesda Campus to enhance wounded warrior care, especially the outpatient convalescent phase. The Department also committed to enhancing inpatient facilities at both Fort Belvoir and Bethesda. These enhancements, together with a commitment to accelerate construction to ensure that the new facilities will be operational as soon as possible, required the investment of an additional \$679 million. The fiscal year 2008 supplemental appropriated \$416 million.

The BRAC 2005 Commission Report also calls for the transfer of installation management functions from 14 designated installations to 12 other installations to create 12 Joint Bases. Joint basing calls for installations that share a common boundary or are in close proximity to consolidate installation management functions and the delivery of installation support functions while considering best business practices and ensuring warfighting capabilities are preserved or enhanced. The 12 Joint Bases will be established in two phases, with Full Operational Capability (FOC) for Phase I bases in October 2009 and Phase II bases in October 2010. At FOC, total obligation authority and real property will transfer from supported Component(s) to the supporting Component.

The Department is using this opportunity to create the conditions for more consistent and effective delivery of installation support through Common Output Level Standards (COLS), which establish joint definitions, standards, and performance metrics for each identified installation support function that will be consolidated at each Joint Base.

In its entirety, the BRAC program is substantial. As of the fiscal year 2010 President's Budget it represents a \$35.4 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 \$21.1 billion (in constant fiscal year 2005 dollars) with annual recurring savings of \$4.4 billion. The COBRA model used in the analysis estimated costs based on standard factors to array the relative merit of options—it was never intended to be budget quality nor used for implementation planning. When compared to our current requirement, there is a \$14.3 billion or 68 percent increase in COBRA-estimated costs. The increase was fully funded in the President's fiscal year 2010 budget request, and results primarily from inflation, changes in MilCon, environmental restoration and program management costs not included in COBRA, additional O&M to support fact-of-life cost increases, and construction for additional facilities to enhance capabilities and/or address deficiencies. The savings decrease is primarily a result of revised personnel eliminations.

Almost 70 percent of the BRAC 2005 program supports MilCon requirements compared to 33 percent experienced in the previous rounds. In the BRAC 2005 round, DOD has now made decisions to:

- Use new construction vs. renovated space (existing space diverted to other needs)
- Accommodate changes in unit sizes, functions or responsibilities by increasing facilities, changing configurations, or building additional facilities
- Accept inflation factors exceeding previous planning factors (delayed implementation compounds the inflation increase).

*Assisting Communities.*—As we execute BRAC 2005, we continue to abide by the DOD policy that when implementing DOD actions that seriously affect the economy of a community, every practical consideration shall be given to minimizing the local impact. To that end, DOD provides economic adjustment assistance through its Office of Economic Adjustment (OEA) to help communities help themselves, using the combined resources of Federal, State, and local governments and private sector to support local initiatives.

OEA, through the Defense Economic Adjustment Program (DEAP), continues to work with States, territories, and more than 147 communities across the country impacted by the Department's continuing closure, downsizing, and mission-growth actions.

Over two dozen locations are looking at unprecedented increases in military, civilian, and contractor personnel as a result of BRAC 2005, Global Defense Posture Realignment, Army Modularity, and Grow-the-Force activity. For most locations, OEA is providing overall planning support for personnel, procurement, and construction activity to prepare local adjustment strategies, including growth management plans, to support local mission growth. The challenge for many of these locations is to respond to myriad hard (road, schools, houses, water and sewer) and soft (public services, health care, child care, spousal employment) infrastructure issues that directly bear on the quality of life for our warfighters, their families, and the homeowners, businesses, and workers in the surrounding communities.

A primary concern, particularly at this time of economic uncertainty, is how to apply scarce Federal, State, and local public resources with those of the private sector to carry out adjustments in local facilities and public services, workforce training programs, and local economic development activities. Needs for public investment, such as road improvements, water and sewer infrastructure, and school construction have emerged and OEA is working with each affected State and region to document these needs and bring them to the attention of other Federal Agencies for their consideration and assistance. To date, OEA has found over 50 critical projects that are ready to move forward, but need a total of \$1.7 billion in Federal or other support. Communities also identified over 300 other mission-growth-related projects in various planning phases, at a total cost of \$7 billion that had incomplete funding strategies. While OEA is presently bringing these needs to the attention of the U.S. Departments of Transportation, Commerce, Education, and Agriculture as the cognizant agencies where assistance might be made available, they are also seeking to update the information to account for current economic strains and those other growth efforts that may have information available.

OEA, on behalf of DOD, has recognized Local Redevelopment Authorities (LRAs) for 116 locations to: provide leadership and speak on behalf of the impacted area with one voice; identify the impacts of closure across local businesses, workers, and communities; plan redevelopment and other economic development activities to lessen these impacts; and direct implementation of the redevelopment plan to respond to these actions. Approximately 96 redevelopment plans have been completed to date. When completed, redevelopment plans are submitted as part of a statutorily-mandated homeless assistance application to the U.S. Department of Housing and Urban Development (HUD), who, in turn, must review each application for compliance with statute prior to Military Department property disposal and the redevelopment effort going forward.

The redevelopment plan is also significant at the Federal level because: (1) the Military Departments dispose of buildings and property in accordance with a record of decision or other decision document and, in preparing this decision document, give substantial deference to the LRA's redevelopment plan; and (2) other Federal agencies are to afford priority consideration to requests for Federal assistance that are part of the plan under Executive Order 12788, as amended, "Defense Economic Adjustment Programs."

As with the growth-impacted communities, OEA is presently working with affected closure and downsizing communities to identify specific needs for "public" investment and expects to have a working estimate of those needs by this summer. In the past, these needs have included demolition, road alignments, infrastructure development, etc. With disposal for these locations yet to occur, communities will need some additional support from the U.S. Departments of Commerce (Economic Development Administration (EDA)), Labor ((Employment Training Administration (ETA)), and Agriculture (Rural Development Administration) through fiscal year 2014.

The ability to support State and local economic adjustment activities, including road construction, infrastructure development, demolition and site preparation, workforce development, and general economic development is beyond the Department's capacities. Accordingly, the Department relies upon the Economic Adjustment Committee (EAC), through DEAP, as directed by Executive Order 12788. The EAC is comprised of 22 Federal Departments and Executive agencies, and among its functions is to: coordinate interagency and intergovernmental adjustment assistance; serve as a clearinghouse for the exchange of information between Federal, State, and local officials involved in the resolution of economic adjustment concerns resulting from DOD actions; and, afford priority consideration to requests from Defense-affected communities for Federal assistance that are part of a comprehensive base redevelopment or growth management plan.

In response to previous BRAC activity, approximately \$1.9 billion in Federal assistance was provided to assist affected States, communities, workers, and businesses. EDA, ETA, the Federal Aviation Administration, and OEA were the source

of this funding. The response to date for BRAC 2005 has consisted of approximately \$212 million, primarily from OEA and the Department of Labor. The BRAC support has concentrated on worker assistance, community economic adjustment planning for growth and downsizing, and coordinating public benefit property conveyances for downsizing communities.

The EAC is chaired by the Secretary of Defense, and the Secretaries of Commerce and Labor are co Vice-Chairs. If affected States and communities are to benefit from these Federal resources, it will be important for the cognizant Federal programs to adequately source their staff and program budgets to respond. To date, we have not had much response to assist either growth- or downsizing-impacted areas. Moreover, the current Federal response to the national economic crisis has placed even greater stress on the cognizant agencies, with the effect of further subordinating needed attention for Defense-impacted communities. Accordingly, the intergovernmental coordination of adjustment assistance under the EAC will continue to be reviewed to further improve overall responsiveness to the needs of these States and communities.

The Department has used the full range of transfer and conveyance authorities to dispose of real property made available in prior BRAC rounds (1988, 1991, 1993, and 1995). Property disposal is complete at 205 of 250 prior BRAC locations where property became available for disposal, and local redevelopment efforts in turn have resulted in the creation of over 143,700 jobs, more than offsetting the 129,600 civilian jobs that were lost across 73 prior BRAC locations where OEA is monitoring redevelopment activity.

Improving The Quality of Housing. Just as the Department works to maintain the fabric of communities affected by BRAC, we also work to maintain the communities of our military installations. At the same time that our military installations must support the operational needs of warfighters, they must also provide for the quality of life of our Service members and their families. Access to quality, affordable housing is a key 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 the sale of units no longer needed. Privatization also 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 10 to 1, with \$2.5 billion in Federal investments generating \$25 billion in housing development at privatized installations. The fiscal year 2010 President's Budget request includes \$2.0 billion for Family Housing, a decrease of \$1.2 billion below the fiscal year 2009 enacted amount, for continued efforts toward reduction of inadequate units, operation and maintenance of government-owned housing, and the privatization of over 2,400 family housing units. Over 600 of these units support the Grow-the-Force initiative.

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 MilCon 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 fifty years. With privatization deal structures and an income stream in place, full revitalization will be completed within a five to ten-year initial development period.

Military family housing requirements are changing at multiple installations due to BRAC, Global Posture, Joint Basing, and Grow-the-Force. While some installations may find they have a surplus of housing, others may experience a deficit. No matter where military family housing is needed, our Service members and their families need access to safe, desirable, and affordable housing. The Military Services continue to evaluate installation housing requirements, and the opportunities to meet additional housing needs through privatization continue to expand.

The fiscal year 2010 budget request also includes funding to eliminate inadequate family housing outside the United States. The budget request reflects a MilCon cost of \$52 million for the Army to construct 138 family housing units in Baumholder, Germany.

As it has increased the quality of family housing, privatization is also helping the Military Services provide quality housing for our unaccompanied Service members. To date, the Army has added bachelor officer quarters and senior enlisted bachelor

quarters to its existing family housing privatization projects at Fort Bragg, North Carolina; Fort Stewart, Georgia; Fort Drum, New York; and Fort Irwin, California. A fifth project is planned soon at Fort Bliss, Texas. In contrast to the Army, the Navy is mainly focusing its unaccompanied housing privatization efforts to bring shipboard junior enlisted sailors ashore using a special pilot authority (10 USC 2881a). The first unaccompanied housing privatization pilot project was awarded in December 2006 at San Diego, the second was executed in December 2007 at Hampton Roads, Virginia, and a third project is under consideration at Jacksonville-Mayport, Florida. Both of the awarded Navy pilot projects have demonstrated that, with partial Basic Allowance for Housing authority, privatization of single, junior enlisted personnel housing is less costly on a lifecycle basis than the traditional Government-owned model. The pilot projects have also demonstrated that through privatization, single members can enjoy a quality living environment more equitable with housing for their married counterparts and commensurate with the sacrifices they are asked to make.

**Energy Management.** Just as we take responsibility for caring for our human resources, the Department also takes responsibility to wisely manage its energy resources. By aggressively implementing energy conservation measures, we are avoiding costs while improving utility system reliability and safety. The Department developed comprehensive policy guidance incorporating the provisions of the Energy Security and Independence Act of 2007. This 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 arise.

The Department's efforts to conserve energy are paying off. DOD is the largest single energy consumer in the Nation and consumed \$3.95 billion in facility energy in fiscal year 2008. DOD facility energy consumption intensity has decreased nearly 11 percent since 2003. Our program includes energy efficient construction designs, aggregating bargaining power among regions and the Services to achieve more effective buying power, and investments in cost-effective renewable energy sources.

DOD has significantly increased its focus on purchasing renewable energy and developing resources on military installations. 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. Even though the increasing cost of Renewable Energy Certificates drove down the percentage of renewable energy consumption in fiscal year 2008, I am pleased to report that the Department remains ahead of the curve, achieving 9.8 percent renewable energy procured and produced for fiscal year 2008.

Renewable energy projects are consistently more expensive than similar conventional energy sources, resulting in limited opportunities that are lifecycle cost effective. Still, 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 \$86 million out of the \$120 million provided for ECIP in the ARRA funding for 2009. Plans call for ECIP funding to increase \$10 million per year, from \$90 million in fiscal year 2010 up to \$120 million in fiscal year 2013, and renewable energy projects will continue to be a high priority.

The Department began tracking water consumption in fiscal year 2002. While the Energy Policy Act of 2005 did not articulate a specific water reduction goal, Executive Order 13423 includes a requirement of 2 percent water reduction per year. By fiscal year 2007, DOD reduced total water consumption by 27 percent or 43.8 million gallons per year. While we continue to strive to exceed requirements, our prior achievements have set the baseline low, so continuing the trend will be a challenge. Even with the reduced baseline, DOD achieved a 2.9 percent reduction in water intensity in fiscal year 2008.

**Environmental Management.**—In addition to our commitment to managing our energy requirements, we also recognize our natural infrastructure as a priority. The Department sustains the environment on our installations, not only to preserve these lands for our future generations, but also to maintain current and future readiness. The Department practices integrated planning to preserve the land, water, and airspace needed for military readiness while maximizing critical environmental protection. We maintain a high level of environmental quality in defense activities by integrating sustainable practices into our operations, acquisition of materials, and weapon systems. We protect and conserve natural and cultural resources and restore sites to productive reuse on more than 29 million acres. We strive to protect and to sustain the environment while strengthening our operational capacity, reducing our operational costs, and enhancing the well being of our soldiers, civilians, families and communities.

## COMPARISON OF ENVIRONMENTAL PROGRAMS REQUESTS

[President's Budget in Millions of Dollars—Budget Authority]

	Fiscal year	
	2009 request	2010 request
Environmental Restoration .....	1,506	1,475
Environmental Compliance .....	1,660	1,618
Environmental Conservation .....	330	323
Pollution Prevention .....	163	103
Environmental Technology .....	212	225
Base Realignment and Closure (BRAC) .....	455	554
<b>TOTAL</b> .....	<b>4,327</b>	<b>4,298</b>

Over the past 10 years, the Department has invested nearly \$42 billion in our environmental programs. In fiscal year 2008, we obligated \$4.3 billion and in fiscal year 2009 we are executing another \$4.5 billion for natural and cultural resource conservation, pollution prevention, cleanup, compliance, and environmental technology. The fiscal year 2010 budget request of \$4.3 billion will enable us to continue to demonstrate leadership in protecting and preserving the environment on our installations.

In fiscal year 2008, the Military Services invested \$353 million in conservation programs to protect natural and cultural resources located on and near our installations. Our cultural resources include archeological sites, historic buildings, relics of prior civilizations, artifacts, and other national historic treasures.

In 2008, the Department inventoried 480,706 acres and found 6,118 new archaeological sites. The Department has surveyed a total of 8,082,925 acres and has found 112,774 archaeological sites. The Department treated 2,602 of the sites to include stabilization, rehabilitation, monitoring, and protection in 2008. In 2009, the DOD will continue to sustain and manage its archeological and historic cultural resources. Some of the current activities include preserving the fabric, systems, historic character, and function of the DOD-built environment; maintaining readiness while protecting our heritage by incorporating cultural resources into installation planning; and consulting in good faith with internal and external stakeholders.

The Department is also protecting its older properties, not only for historical interest, but for continued active use to support today's operational requirements. Over 32 percent of DOD's 344,000 buildings are over 50 years old, and by 2025, more than 67 percent of the Department's buildings will exceed 50 years of age. Buildings that have passed the 50 year benchmark present a challenge to the Department, but also offer the potential for cost-savings and resource conservation. By using historic buildings and properties, instead of building new structures, the Department reduces its environmental footprint while retaining the properties' historic features. DOD's Cultural Resources Program ensures balance between responsible stewardship of this significant legacy with meeting the demands of defending our Nation.

Our installations also steward some of the finest examples of rare native vegetative communities, such as old-growth forests, tall grass prairies, and vernal pool wetlands. As of April 28, 2008, the U.S. Fish and Wildlife Service (USFWS) listed 1,317 species as either threatened or endangered within the United States, nearly 350 of which inhabit DOD lands. DOD has a greater density of listed species than any other Federal agency: some 40 threatened or endangered species are found only on DOD installations. The Department prepares and implements Integrated Natural Resource Management Plans (INRMPs) for each installation with significant natural resources, that include land management and other actions to protect these endangered species. These plans, developed in coordination with the USFWS and State fish and wildlife agencies, have helped the Department avoid critical habitat designations at 35 installations because the plans provide protection equal to or greater than what would be obtained if critical habitat had been designated for these endangered species. When coupled with our conservation efforts to protect species at risk and common species and their habitats before they become rare, INRMPs have provided increased flexibility in how DOD conducts its mission activities.

The Department is executing \$344 million in fiscal year 2009 conservation efforts, of which \$215 million is planned for recurring continuous conservation management activities, such as preserving habitat for at risk species and habitat vulnerable to global climate change. Additionally, \$129 million is planned for non-recurring one-time projects such as installation of exclusion devices to protect endangered of at-

risk species habitats, development of automated acoustic technologies for monitoring migratory birds, and shoreline protection projects. Fiscal year 2009 Cultural Resource projects include identifying design efficiencies and LEED equivalence standards for historic buildings, and producing historic context studies for Cold War sites in the Pacific and rural industrial sites on DOD lands in the Southeast.

The Department is requesting \$323 million for fiscal year 2010 conservation efforts, which includes \$209 million in recurring funds for continuous conservation management activities and \$114 million in non-recurring funds for one-time conservation projects associated with threatened and endangered species, wetland protection, or other natural, cultural, or historical resources.

Since 1984, the Department has obligated \$40 billion in the Defense Environmental Restoration Program (DERP), including an fiscal year 2009 appropriation of \$1.5 billion. Through DERP, the Department has restored 74 percent of those areas on installations or Formerly Used Defense Site (FUDS) that have been impacted by past defense activities, in cooperation with State agencies and the U.S. Environmental Protection Agency. DERP consists of two categories of sites; (1) Installation Restoration Program (IRP) sites which contain hazardous substances, pollutants, and contaminants, and (2) Military Munitions Response Program (MMRP) sites which contain unexploded ordnance and discarded military munitions. The Department applies a risk-based prioritization process to determine the order of cleanup for both IRP and MMRP sites. By the end of 2008, the Department had completed cleanup on 82 percent of IRP sites on active installations, 69 percent of IRP sites on FUDS, and 74 percent of IRP sites on installations closed or realigned in the first four rounds of BRAC and BRAC 2005. In fiscal year 2009, we are executing approximately \$1.5 billion at active and FUDS locations and another \$525 million at BRAC bases for environmental restoration efforts. These expenditures should enable us to complete cleanup at an additional 619 sites at active and FUDS locations and 154 sites at BRAC bases.

For the MMRP, DOD has completed cleanup of military munitions at 33 percent of sites at active installations, over 58 percent of BRAC installation sites, and 34 percent of FUDS. By cleaning up our sites on a "worst first" basis, we have significantly reduced the potential risk associated with many of the sites in our inventory. As we continue to make cleanup progress, we are emphasizing optimization of performance. Optimization efforts include considering green remediation technologies, reducing the number of cleanups involving long-term management, and achieving site close out in a timely manner. These efforts will reduce our long-term liability and ensure the expeditious return of these properties to productive reuse. Our fiscal year 2010 budget request of \$1.5 billion will help implement these improvements while continuing to make progress to complete our cleanups and close out the properties.

The fiscal year 2010 budget request of \$103 million for pollution prevention will enable DOD to continue to meet our solid waste diversion and recycling goals while reducing our operating costs. Striking a balance between mission requirements and environmental quality, the Department employs long-term solutions to eliminate hazardous material use in operations and weapon systems acquisition, promote the use of alternative fuels, and implement innovative pollution prevention technologies to reduce pollution to our air, water, and land. In 2008, the Department invested \$162 million in pollution prevention programs, including recurring requirements such as solid waste diversion and recycling, hazardous material reduction, and green procurement. In fiscal year 2008 the Department diverted 3.9 million tons or 63 percent of our solid waste from landfills, avoiding approximately \$260 million in landfill costs. Additionally, the Department has reduced hazardous waste disposal by 37 percent from calendar year 1996 to 2007. The Department is also effectively managing air quality, reducing hazardous air pollutant emissions at our installations by 24 tons from 2006 to 2007. To further reduce waste and resource consumption, in 2008 the Department updated its Green Procurement Program (GPP) strategy, which encourages Military Services to purchase environmentally preferable products and services. Through the GPP, the DOD has become a leader in green procurement, and we continue to make further improvements to GPP, most recently issuing policy direction requiring DOD contracting officers to use a contract provision giving preference to bio-based products. In fiscal year 2009, we are executing \$165 million for pollution prevention, with another \$103 million planned for fiscal year 2010. These levels of investment will enable DOD to continue to meet our diversion and recycling goals while reducing our operating costs.

In fiscal year 2008, the Department obligated \$1.54 billion for environmental compliance activities, including an \$83 million MilCon investment in new construction projects to build drinking water facilities, wastewater treatment facilities and above ground fuel storage tanks that comply with Safe Drinking Water and Clean Water

Act requirements. Clean water and clean air are essential to the health and well being of our communities and ecosystems. DOD management practices reduce discharged pollutants, leverage water conservation opportunities, and protect watersheds. Our drinking water program has consistently provided over 3,550,000 men, women, and children living and working on our installations with safe drinking water. The Department also manages over 1,600 water pollution control permits for our wastewater and storm water treatment systems, which achieved an overall 95 percent rate of compliance in 2008. Our fiscal year 2009 appropriation included another \$1.67 billion to upgrade treatment facilities and meet new and expanding permit requirements. Our fiscal year 2010 budget request of \$1.6 billion will enable the Department to continue to sustain our air, water, and land resources to maintain operational readiness and enhance the health and welfare of surrounding communities, and the natural environment.

*Emerging Contaminants.*—Our experiences with mission and environmental consequences associated with perchlorate, ozone-depleting substances, and other chemicals with evolving regulatory standards indicate a need to establish a program to make earlier, better-informed, risk management decisions regarding these emerging contaminants (ECs). 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 the mission.

We have established a three-tiered process to (1) look “over-the-horizon” and identify chemicals and materials with evolving science and regulatory interest; (2) assess the risks to human health, the environment, and DOD’s mission; and (3) develop appropriate risk management options for DOD program managers. Twenty-one EC impact assessments have been completed for chemicals that include explosives, fuel constituents, corrosion preventatives, fire-fighting 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 lifecycle analyses regarding less toxic alternative chemicals for use in weapons platforms, systems and equipment. A significant recent example of a risk management action is a new DOD policy to minimize the use of hexavalent chromium, a known carcinogen, throughout DOD.

Because of the many national policy issues related to ECs, we continue to work with a number of Federal and State regulatory agencies, industry, academia, and professional organizations. In particular, we formed an EC working group with the Environmental Protection Agency (EPA) and the Environmental Council of States (ECOS) to address and discuss EC issues. Four important work products, including procedures for dealing with new ECs, have been completed and endorsed by all parties and are publically available on the ECOS, EPA, and DOD websites.

We are also working in partnership with a new Industry-University Cooperative Research Center, initiated by the National Science Foundation, to focus on emerging contaminant research. Some of this effort will be geared to helping Federal agencies and industry use safer chemicals and materials for improved long-term sustainability.

*Sustaining the Warfighter.*—All of our efforts with regard to both our built and natural infrastructure are because, simply put, our Nation’s warfighters need the best training and equipment available. This means sustaining our vital training and test range and installation infrastructure. Incompatible land use in the vicinity of DOD installations and ranges continues to challenge training and testing sustainability. Particular challenges from incompatible land use include noise complaints from new neighbors, concerns about smoke and dust, diminished usable airspace due to new structures or growing 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 has demonstrated that effective training of U.S. troops has a direct impact on their success on the battlefield. Reliable access to operational ranges and supporting installations is needed to sustain that training. In 2002, Congress provided statutory authority to use O&M funds to create buffers around our ranges and installations. Using this authority, DOD established the Readiness and Environmental Protection Initiative (REPI), and has worked with willing partners to cost-share compatible land use solutions that benefit military readiness and preserve natural habitat. In fiscal year 2005, REPI leveraged \$12.5 million of O&M Congressional funding to secure \$55 million worth of buffer land and easements, encom-

passing 13,939 acres at seven installations. In fiscal year 2006, with \$37 million of O&M funding, REPI secured over \$93 million worth of buffer land and easements, encompassing 33,521 acres.

Overall in fiscal year 2007, REPI initiated 27 projects in 17 States; in fiscal year 2008, REPI funded 36 projects in 19 States. Already, \$23.2 million from fiscal year 2007 and fiscal year 2008 funding has secured \$74 million of buffer land, encompassing 28,378 acres. For fiscal year 2009 REPI identified an additional 39 projects in 21 States for funding. Congress appropriated \$56 million for REPI in fiscal year 2009. Such REPI and partner funding has resulted in projects providing clear benefit to the military mission, such as protecting the Navy's one-of-a-kind La Posta Mountain Warfare Training Facility in California; keeping training areas open at Marine Corps Base Camp Lejeune, North Carolina; and buffering live-fire training ranges at Fort Carson, Colorado.

After several years of implementing REPI projects, DOD 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, as in the case of the installations noted above, have proven effective in relieving military training and testing activities from encroachment pressures and in strengthening joint readiness.

According to RAND, REPI also helped improve the natural environment and the quality of life in communities where the projects were located. The environmental benefits of REPI projects have included helping to preserve habitat, biodiversity and threatened and endangered species; protecting wildlife corridors; and safeguarding water quality and supply. REPI also was shown to improve local economies and the reputation of installations with surrounding communities; for example, the project near NAS Fallon in Nevada has helped preserve productive local agricultural land and the continued viability of local farms.

Many of the challenges facing DOD are also of mutual concern to other Federal agencies and State governments. These issues can and do cross administrative boundaries, demanding cooperative action at the regional level. The Department is partnering regionally with State governments and Federal agencies to identify and address such shared concerns. These partnerships are proving essential to sustaining our ranges and installations, as well as to furthering our partners' goals and missions. For example, DOD 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 military and other Federal agencies in this important regional 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. A similar effort is now getting underway in the southwestern United States, a region of critical military training and testing importance that is facing myriad growth and environmental challenges.

DOD continues to work closely with other Federal agencies to sustain military readiness. One major thrust is to ensure that wind farm projects and energy transmission corridors are compatible with military readiness activities. The Department also coordinates with the Department of Homeland Security to ensure that our military readiness activities and infrastructure in border regions are compatible with new security measures. The Department's sustainability program continues to reach out to non-Federal partners, working regularly with State, county, and local governments, Tribal, and non-governmental organizations on issues of mutual concern to seek win-win solutions. Meanwhile, overseas, DOD continues to develop mission sustainment procedures with host nations. The Department looks forward to further building upon all of these efforts to ensure that warfighters' current and future training and testing opportunities remain unrivaled.

Additionally, DOD's Office of Economic Adjustment (OEA) has managed the Joint Land Use Study (JLUS) program since 1985. JLUS is a cooperative land use planning effort between affected local governments and military installations that seeks to anticipate, identify, and prevent growth conflicts by helping State and local governments better understand and incorporate technical data developed under Service Air Installation Compatible Use Zone, Range Air Installation Compatible Use Zone, Operational Noise Management Program, Encroachment Action Plan, and Encroachment Control Plan studies into local planning programs. When a Service believes an installation may be experiencing incompatible development problems, or that there is likelihood for incompatible development that could adversely affect the military mission, the Service may nominate the installations for a JLUS to OEA. All the Services takes advantage of the JLUS program, finding it an effective tool for

bringing communities and the military together to mutually address development issues and needs.

*Safety and Health Risk Management.*—A significant responsibility associated with Installations and Environment is the management of the Department's safety and health programs. Over the last year, the Department experienced some improvement in its safety and health performance, but we have a way to go.

In 2005, the Department published policy (DOD Directive 4715.1E) that required implementation of management systems for safety and health (similar to environmental management systems described by the International Standards Organization (ISO) 14000 series of standards) emphasizing the integration of safety and health into day-to-day operations. By "operationalizing" safety and health, we make safety a part of every process and operation.

We are encouraging commanders to meet and exceed tough performance-based criteria for a managed safety and health system and proving it by achieving "Star" recognition in the Occupational Safety and Health Administration's Voluntary Protection Program (VPP). Installations holding VPP Star Status undergo an independent review of their programs and must be among the best, having injury and illness rates at or below the national average. So far, the Department has 22 Star Sites to date; we anticipate more than 36 Star Sites by the end of fiscal year 2009 and we further expect that number to increase every year. Recently, the Pentagon began its journey toward Star recognition.

Operationalizing safety applies to every aspect of the Department's missions. In preparing for basing changes on Guam, we, through the Department of Defense Explosives Safety Board, developed a comprehensive Military Munitions Annex to the Guam Joint Military Master Plan. This effort sought to fully harmonize the receipt, storage, maintenance, transportation, and use of military munitions by the Department of Defense and Department of Homeland Security organizations on Guam. Explosives safety risks on Guam have been identified and strategic recommendations will result in risks from military munitions being eliminated or mitigated. Furthermore, operationalizing safety improves the entire operation, by improving munitions support to execution of war plans and contingencies and optimizing munitions processes. We are continuing this effort by integrating explosives safety into all facets of operational planning.

In the area of Strategic Human Capital Management, my organization, along with the entire Department, is focused on human capital planning emphasizing improved competency-based workforce planning. In establishing "Functional Community Managers" for: Safety and Health, Explosives Safety, Fire and Emergency Services, and Expeditionary Environment Safety and Occupational Health (ESOH), we will implement a comprehensive strategy to ensure a strong safety and health workforce that is able to meet the challenges of today and the future. Our Functional Community Managers, bringing first hand knowledge of competencies needed, work in partnership with the Department's Human Resource experts to ensure the Department is positioned to acquire and retain the talent it needs to meet current and future mission requirements.

The ability to send our people home from work healthy and safe is of paramount concern. The number of civilian injuries is one measure of our success in managing safety and health. For our civilian employees, we reduced the lost time injury rate over the last five years by 13 percent. We continue to seek improvements to prevent all mishaps and the resulting injuries and losses. Operating motor vehicles continues to be the most significant mishap threat to our military members. We have reduced the number of military fatalities for all privately-owned motor vehicles on public highways from 308 in fiscal year 2002 to 260 in fiscal year 2008—a 16 percent reduction. However, for motorcycles, we are part of a national trend in increasing motorcycle fatalities. Nationally, motorcycle fatalities increased by 58 percent from 2002 to 2007. DOD fatalities increased from 71 to 124 for fiscal year 2002 to fiscal year 2008—a 75 percent increase. We are continuing to develop programs and initiatives to address this negative trend.

Operating military vehicles in Iraq and Afghanistan is also a significant risk, with 24 motor vehicle fatalities in fiscal year 2008—a reduction from a peak of 59 motor vehicle fatalities in fiscal year 2005. Our military members have met the combined threats from Improvised Explosive Devices and poor roadways with increased training and experience in operating tactical vehicles, and by improved survivability of crashes from increased seat belt use, gunner's harnesses, and rollover training.

In early 2009, Installations and Environment published policy that defines "all-hazards" emergency management for DOD installations worldwide. DOD installations now have consistent guidance to improve their compatibility with their civilian counterparts and a management structure focused on preparing for and responding to emergencies regardless of the hazard. Our ability to seamlessly interact with ci-

vilian responders will make us much more effective in times of disaster. We are continuing to work with other offices in DOD to eliminate unnecessary redundancy and confusion at the time of an emergency and provide holistic emergency response on and around our installations.

*Integrating Business Management.*—Accomplishing the diverse missions of the Installations and Environment community requires integration across organizational boundaries. We have made great progress with our initiatives to improve the efficiency of the Department's business processes. We are working to develop and implement common data standards across the Military Departments and Defense Agencies, modernize business systems, and enable audit-ready processes. In the Installations and Environment community, we have three key business transformation efforts: real property accountability, environmental liabilities, and hazardous materials information management.

The Department manages almost 60 percent of the Federal Government's buildings and structures—over 539,000 assets worldwide. Each Military Department has a separate system to manage their share of this property. Several years ago we conducted research and hired a top ranked information technology firm to help us develop our business system modernization strategy. We determined, based upon the firm's recommendation and the Military Service leadership's concurrence, that building a single system would not be the optimal solution. Instead, we decided to develop DOD-wide standards and upgrade or replace the existing systems so that they can be interoperable across DOD. To achieve this goal, we developed common data standards and reengineered business processes. As of September 30, 2009, all of DOD's primary real property systems will be interoperable, ensuring that accurate, timely, and reliable real property information is available for more transparent management decision making.

In addition to the data and business process standards initiatives, we are also working to modernize our systems. Many of the existing, government-built legacy systems use outdated technology and do not apply current industry best practices. Led by my organization, the Military Services are in the process of acquiring new commercial off-the-shelf systems or upgrading their current systems to comply with the standards. To further integrate real property information for Department-level analysis, my office is building the real property data hub that will provide real-time accessibility to data.

Uniquely identifying each of our real property assets is fundamental to real property accountability. Our Real Property Unique Identifier Registry is at full operational capability. These unique identifiers allow us to establish linkages within our systems between facilities, equipment and people. The registry includes address information on all DOD installations and sites and we are working with other DOD functional communities to ensure that physical location information used across DOD comes from one authoritative source—the Registry.

The ability to share data with the communities that surround our installations is a key component in our ongoing efforts to sustain military readiness. My organization is working with stakeholders across the Federal Government on aligning geospatial data standards so that data sharing can take place between the local and Federal communities. We have recently integrated geospatial data requirements into the Department's Business Enterprise Architecture, which will further expand interoperability opportunities in DOD.

On the environmental management side, my office has been leading efforts to standardize and streamline the complex processes required to accurately value and report environmental liabilities. We are developing a blueprint for implementation of the reengineered business processes in the Department's enterprise resource planning systems.

To minimize future needs for environmental cleanup and to ensure safety of our personnel, ready access to complete and accurate hazardous material information is critical. We are working to improve availability of timely, accurate, consistent, and complete product hazard data for use across the Department.

In summary, our business transformation efforts are helping the Department efficiently share information and best practices across organizational boundaries. As the Services modernize their systems and achieve interoperability, the Department will gain access to secure, reliable information crucial for effective management of assets, and ultimately reducing costs and improving performance across all of DOD.

*Conclusion.*—In closing, Mr. Chairman, I sincerely thank you for this opportunity to update you on our work in Installations and Environment on behalf of the Department of Defense. To meet the ever changing warfighting landscape, our military must be flexible and responsive and our installations must adapt, reconfigure, and be managed to maximize that flexibility and responsiveness. I appreciate your con-

tinued support and I look forward to working with you to provide the quality installations that our military forces need and deserve.

Senator JOHNSON. Thank you.

Secretary Hale, as you know the Secretary of Defense has put a hold on providing Congress with updated FYDPs for 2010. This committee works very closely with the authorizers to ensure that the projects we fund are mission critical and are in the MILCON pipeline.

Public Law 104–196 requires the National Guard bureau to prepare and to submit to Congress an annual FYDP. Doesn't the current guidance fly in the face of that law? And can you suggest another way for this committee to do its due diligence and vet military construction projects if we cannot determine whether the projects are in the FYDP?

#### FYDP

Mr. HALE. Well, Mr. Chairman, as I said, we don't have an out-year plan, and it is not without precedent. It was the same situation in 2001 and 1993 at the beginning of the Bush and Clinton administrations.

We need to go through the Quadrennial Defense Review and the fall program and budget review in order to have a plan that fully fits with the administration's priorities. So it is not that we are not trying to give it to you. We don't have one.

I understand that it creates problems. We have a year-old FYDP, which you have. It is not consistent with administration policy, but it is at least a start. And we would be glad, if there are specific projects, to try to work with you to provide what information that we can.

I know it is a difficult situation, and we need to help you all we can, but there is no out-year plan and this not by design. Frankly, it takes 6 to 9 months to create a FYDP. We had about 3, and we made major changes in the Fiscal 2010 budget, and it just didn't all add up. I mean, there is no way we could have gotten it done.

Senator JOHNSON. Would you please take a message back to the Secretary and urge him to reconsider what I believe is a very unhelpful policy for both Congress and the services?

#### FULL FUNDING

Secretary Hale, have you sought authority to increment projects from the OMB, and what is your position, as the one who writes the checks, on incremental funding?

Mr. HALE. I believe in full funding, Mr. Chairman, with limited exceptions. I think it is the right way on both sides of the river. It requires that we face up to the full cost of the projects, whether it is military construction or aircraft or ships.

Now there are limited exceptions, certainly with advanced procurement on the weapons side, and I know that we have sometimes incrementally funded military construction. But I think they ought to be rare exceptions, and it does violate OMB's policy. And so, we are not doing it in this budget, and I believe that is the right way to go. Again, I think it is consistent with transparency and accountability to face the full cost of projects.

Senator JOHNSON. Even, for example, the fiscal year 2010 budget request includes \$800 million for a National Security Agency project in Utah and \$226.9 million for a pier replacement project in Virginia. There is no way the Department could execute that amount of money for a single project in 1 year.

Mr. HALE. Well, MILCON is 5-year money so we have plenty of time to obligate it. I think that that is not the issue in my mind. There may be some projects that are so large that they just create unacceptable budget spikes. In those cases, we may need to look at some kind of incremental funding.

But I will repeat my statement. I believe full funding is the right way on both sides of the river, and I would want to see incremental funding it, I have my way, as a fairly rare exception.

Senator JOHNSON. Yes. Mr. Army, what is the status of the two brigade combat teams in Germany? And how can the Department go forward with MILCON projects, including some that were funded last year, when we don't know how this issue will be resolved?

Mr. ARMY. Mr. Chairman, I defer to my Army colleagues when you talk to them. But as I understand the BCT issue, we are not changing the force structure in terms of troops, but we are changing the organization. We are looking as part of the global posture review exactly how we will change the structure. But we believe for 2010, our military construction is needed, no matter what the end result is in terms of the number of BCTs.

#### INFLATION POLICY

Senator JOHNSON. Secretary Hale, the OMB's construction pricing guide is generally not as responsive to changing economic conditions as the private sector. Is the Department working with OMB to develop a pricing system that is more timely and agile than the current system?

Mr. HALE. Are you thinking mainly of inflation adjustments, Mr. Chairman?

Senator JOHNSON. With the current economic environment, are you seeing any significant trends with regard to bids versus cost estimate?

Mr. HALE. Well, unfortunately, I think that we probably have solved temporarily the problem of high inflation in the construction industry with the recession. But let us hope that ends quickly.

You know, we do accept generally OMB inflation indices, and I think we will continue to do that. I understand there may be certain areas in the construction industry when the economy is recovered that have extraordinarily high rates of inflation for special reasons.

I mean, my personal reaction to that is that we ought to look at the projects in that area and cost them in a way that takes into account special circumstances rather than trying to build in some new deflator, which will be a challenge with regard to OMB and to derive an inflator. So that would be my suggested way to go.

But it is not a problem at the moment, unfortunately. Yes, I think we are seeing bids that are lower than we expected, and let us just hope it doesn't last too long.

Senator JOHNSON. Thank you.

Senator Hutchison.

Senator HUTCHISON. Thank you, Mr. Chairman.

I just wanted to follow up on one of the questions that the chairman asked, and that is the FYDP for the Guard and Reserve. Are you taking the same position, even though it is in the law that they have to provide a FYDP, that it can't be done? Or are you making an exception there?

Mr. HALE. Well, they don't have one either in the sense that we have not gone through the process that would determine a level of military construction for the actives or the Guard that is consistent with overall administration policy.

Again, I understand the problem. We can go back to the last FYDP. It is at least some guide, although I think you have to understand it is not consistent with current administration policy. And on specific projects, we can try to work with the committee to provide what information we can.

I know it is not an ideal solution, but I think it is a common one at the beginning of administrations. You have 2 months to do something that normally takes 9, and we need the output of the Quadrennial Review and the fall budget and program review before we have a worked-out Future Years Defense Plan.

Senator HUTCHISON. Are you prepared to say what is not part of the current administration's plans that was a policy of the previous administration?

Mr. HALE. No, not beyond fiscal 2010. I mean, in fiscal 2010, we can, of course. But that is the problem. We don't have that information. We really haven't gone through the review process.

I think, inevitably, a number of the projects that are in the 2010 or the 2011 and out-year columns of the fiscal 2009 FYDP will stay. I mean, we don't redo everything. But some won't. There will be new ones, and some will come off. So I don't know a better solution than to try to work with you if there are individual projects.

It isn't a gag order. It is not that we are trying to stop people from supplying information. It is that we don't have the information.

Senator HUTCHISON. Would you be prepared to say that the BRAC that Congress enacted is going to continue as Congress has directed?

Mr. HALE. Yes. I mean, I think we are close enough. I am going to ask Wayne Army to correct me if I am wrong, but we are pretty close on that. I mean, after all, we have a detailed plan in fiscal 2010, and September 2011 is the goal. So I don't know what 2011 will look like, but it has got to be coming down sharply at that point.

We are going to do BRAC as it was stated by the Congress, that is to fully fund it.

Senator HUTCHISON. And the military construction that would prepare for it?

Mr. ARMY. Yes. The Secretary—

Mr. HALE. Yes. Do you want to add to that?

Mr. ARMY. The Secretary did commit to that in even this new administration we would fully fund BRAC.

Senator HUTCHISON. Mr. Army or Mr. Hale, either of you can answer this, but it is back to my question on Fort Carson and Pinon Canyon. Are you looking in your QDR about the difficulties that

clearly we are facing with Pinon Canyon? And as you know, when I asked last week, the Army said they really didn't have a plan B for not having that training capability that they certainly expected to have when a new brigade combat team was scheduled to move to Fort Carson.

My question is, is there going to be a plan B pretty soon? Because no one seems to be fighting all of the environmental concerns about Pinon Canyon, and should we begin to start looking at a different priority than for that brigade combat team, especially with the lowering of the number and perhaps that that one might be directed somewhere else?

Mr. HALE. Do you want to take it?

Mr. ARNY. Ma'am, I think we can safely say that all the factors involved in those basings are being taken into consideration.

Senator HUTCHISON. It would be part of the expectation of this committee and Congress that you would have a plan B that would be part of the Quadrennial Review. If Pinon Canyon is going to be off limits, and I think this administration is pretty strong on the environmental concerns with Pinon Canyon—and at least Secretary Salazar has been very plain about it—so are you looking at a near term for making decisions on that?

Mr. ARNY. I cannot say specifically, but I know that the Army in their plans are going to look at all the factors that affect their training when they make their decision. I am sorry I can't be more specific than that.

Senator HUTCHISON. But timetable for the decision?

Mr. ARNY. I would say within the next few months as part of the QDR.

Senator HUTCHISON. That is what I was trying to find out.

The buildup on Guam, where do we stand on a plan for that? And there have been a lot of reports of infrastructure needs—

Mr. ARNY. Difficulties.

Senator HUTCHISON. Yes, difficulties. Where do we stand on addressing those and coming forward with a plan that we know is going to be able to be executed within the \$10 billion that has been allocated?

Mr. ARNY. We are working very hard in the services especially, especially the Navy, to put together the environmental impact statement, which is more than just the environmental impact statement. It has less to do with the environment than it does with the lay-down and the mitigation of that.

Included in that will be the planning for how to put the buildings in, the raw things that you expect, but also the mitigation on how we will do, how we will mitigate in the private sector, how we will bring in the workforce because the island does not have a workforce large enough to support that level of construction, how to work with the port, with the power, with housing, with all the aspects.

And like I said, a major part of that will be included in the environmental impact statement. This is the—since the advent—we have built bases, obviously, in the past. But we have never built one this big since the advent of the environmental impact statement.

So it is a very complex operation. We have to take into account far more different laws and effects than we did before. And I would say that I would defer my answer to the Navy as to the specifics, but it would be within a matter of months to have that plan.

## GUAM

Mr. HALE. I would like to add to that and just underscore the administration remains fully committed to moving the marines off Okinawa and into Guam. We have signed an agreement with the Japanese, and we remain fully committed. We know there are significant challenges, and we will work through them.

Senator HUTCHISON. Thank you very much.

Thank you, Mr. Chairman.

Senator JOHNSON. Senator Pryor, do you have any questions or comments?

Senator PRYOR. I do, Mr. Chairman. Thank you for having this hearing and your attention to this.

Secretary Army, let me ask you, if I may, about the Office of Economic Adjustment, which obviously helps when a base or a facility is being downsized. Can you, if you know about specifically the Pine Bluff Arsenal, which is in Arkansas, but the other facilities around the country who are going through the process of destroying their chemical weapons, I think we are going to lose somewhere in the neighborhood of 1,100 jobs at Pine Bluff.

Do you have any progress report on that and any plans that you are making for not just Pine Bluff, but the other facilities?

Mr. ARNY. I have a paper that I am going to look at here and refresh myself. But I can say that OEA does have a responsibility and is funded to provide communities that are growing or decreasing, whenever there is a change that we in the Department cause, they are required by law to go in and assist with grants for funding and also advice.

I don't know that Pine Bluff specifically, but I could almost guarantee you that they will be—because OEA works for me, and we have got people scattered all over the country. We will be working with the community to help them recover and take into effect that downsizing.

Senator PRYOR. That would be great. And if you could just keep us posted on that, that would be great.

I know the community is very supportive of the arsenal and all the things that the arsenal does, even though they handle some very dangerous material there. But nonetheless, they are very, very supportive, and I just want to make sure they have a good transition and, hopefully, come through this thing in good shape.

Let me ask also, if I may, about really the advent of unmanned aerial vehicles (UAVs), which didn't exist just a few years ago. And now I think we have thousands of them in our inventory.

A lot of those are in theater right now, but there will be a day when I think we will need a pretty sizable UAV training system here in this country. And of course, you all have to work through those issues with the FAA about having rated pilots versus just other folks flying these, and it gets into a big airspace issue.

Is the DOD in the process right now of lining up more airspace and looking for new areas where they can meet the needs of this rapidly growing technology?

Mr. ARNY. Senator, as a rated pilot myself, this sounds like a union issue. I want to make sure that there is nothing but rated pilots working these.

I will look into that for you. It had popped on my scope, and I don't have an answer. I will work with the services. I would be amazed if the Air Force, the Army, and the Navy who are working with UAVs are not—I know it is a rated pilot because in the magazines that I get monthly, I see discussions on both sides of it.

So I will get an answer back for you, but I would be dumbfounded if they are not trying to consider that now.

[The information follows:]

The Military Services are faced with expanding UAV inventories at bed-down locations throughout the CONUS. These UAV forces require use of the Federal Aviation Administration National Airspace System (NAS) for training purposes to meet mission readiness. Like the Air Force, all the services are focused on integration of these expanding UAV training requirements into the NAS. The Army, perhaps more than the other services, is taking on a growing UAV mission without benefit of a significant pre-existing inventory of airspace over or around its ranges. The Navy and the USMC also must identify and secure access to appropriate training space as their UAV missions and inventories expand. In the case of the Navy, such access is required both over land and at sea.

The Office of the Deputy Under Secretary of Defense for Readiness (DUSD(R)) is leading a UAV Tiger Team to address specifically the challenges of UAV training within the NAS and to develop a multi-Service UAV Training Airspace Plan that will accommodate increasing UAV training requirements in the CONUS. The UAV Tiger Team is represented by all Military Services, the Office of the Secretary of Defense (OSD), the Joint Staffs, and the military testing community. UAV training and airspace experts will convene to assess and develop strategies that seek to include UAV training within the NAS in ways similar to the training activities of military aircraft within the NAS to the extent possible. These strategies will inform the UAV Training Airspace Plan. The UAV Tiger Team will convene in the summer of 2009 and will continue until the UAV Training Airspace Plan is complete in 2010. The UAV airspace effort is being coordinated with other ongoing UAV planning activities within DOD, and is part of the broader sustainable ranges initiative within OSD.

Senator PRYOR. Yes. That would be great. And another question is just the money involved. And is this one that takes money, or is it more just working out agreements with FAA, et cetera? And we just need to be prepared for the future because I think UAVs will have a big presence in the future for our military needs.

And one other thing, and this is also sort of a space issue, and I know there are a lot of bases, et cetera, that are constrained by various geographical considerations around their areas of operation. But your air and land ranges, as I understand it, you are getting to a point, at least in some areas, where those ranges are used—I don't want to say overused, but they are kind of hitting the max. They are bumping up against the ceiling in terms of the amount of training that can be done at those, especially, as I understand it, at Eglin and at Fort Bragg.

But do you know anything about that, or have you been working on that issue to make sure that there is sufficient air and land ranges?

Mr. ARNY. Not about those specifically, but in my time in the Navy and here, we have been working very hard over the last 10 to 15 years on finding ways to fight encroachment. Our Readiness

and Environmental Protection Initiative (REPI) program has been very active, with help from the Congress, where we go out and buy easements on land around our bases and around our ranges to make sure that we have buffer zones.

And frankly, where—as we tried to do with Pinon Canyon, where we think we need more ranges, we will go out and try to acquire land. I know in the Navy, we acquired land down in Mississippi in a range down there. I know the Marine Corps is looking to expand 29 twentynine Palms.

So where we can and where it is required, we will use military construction funding and other land acquisition to expand it. Where we feel we have enough ranges, but we need buffer zones, then we are using REPI and other programs, cooperative programs with the private sector.

In the Pensacola area, the local community is very active. The local community will actually buy up land around the bases to ensure that they are okay.

Senator PRYOR. Right. I think that Eglin may have an issue with the F-35 Joint Strike Fighter going there—

Mr. ARNY. Yes, sir. I believe that is more of a perceived noise issue than it is actually a training range issue, and we will have to work through it. And if you look at—I was down in San Antonio, at an Air Force base down there, and in the 1930s, the ideal was you put all the housing and admin facilities between the two runways. Well, nowadays, you wouldn't think about doing that.

So it is a matter of things have changed. Oceana on the east coast has a lot of housing around it. In the 1950s, we bought 18,000 acres in the San Joaquin Valley and easements on another 12,000 acres to build the Naval Air Station Lemoore, where both of my sons have been.

So it is a different mentality, and we have to accommodate it as things move.

Senator PRYOR. Thank you.

Thank you, Mr. Chairman.

#### ADDITIONAL COMMITTEE QUESTIONS

Senator JOHNSON. Secretary Hale and Mr. Arny, thank you so much, and you may be excused.

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

#### QUESTIONS SUBMITTED TO HON. ROBERT F. HALE

##### QUESTIONS SUBMITTED BY SENATOR MITCH MCCONNELL

*Question.* In fiscal year 2009, Fort Knox received funding from the Department of Defense to widen portions of Wilson Road, an on-base road, which leads to the Human Resources Center of Excellence on the installation. The amount only funded half of the project, however. Why was this project only partially funded? When will it appear on the Future Years Defense Plan?

*Answer.* The East Access Road Improvements fiscal year 2008 military construction project (project number 66549 for \$6.7 million) was authorized and appropriated at the scope requested. The project scope included widening the main access corridor from Wilson Gate to Eisenhower Avenue to four traffic lanes, improving road drainage, upgrading traffic signals, relocating overhead utility lines underground, installing curbs and gutters, and adding reflectorized pavement markings.

This project was an emergency requirement included in the fiscal year 2008 President's Budget. It supports a Grow the Army Brigade Combat Team and the Base Realignment and Closure relocation of the Human Resources Command to Fort Knox. As a result, insufficient design was performed, which led to a poor estimate of construction material quantities for milling and paving, as well as inadequate drainage and safety features. The lack of proper design, coupled with increased labor, construction material, and fuel costs caused the project to lose scope in order to stay within funding limits. An Above Threshold Reprogramming (Congressional authorization for projects greater than \$2 million or 125 percent of the programmed amount) was considered to achieve full scope, but funding was not available.

East Access Corridor Improvements (project number 70261 for \$6.4 million) has been developed to capture the lost scope and will compete in future budget cycles.

*Question.* Ireland Army Community Hospital at Fort Knox is one of the oldest hospitals in the Army. A study was to be undertaken to examine whether the facility needed to be replaced. What is the status of that report? When will it be submitted to Congress?

*Answer.* The U.S. Army Medical Command (MEDCOM) recognizes the need to ensure medical treatment capabilities at Fort Knox match the needs of the supported beneficiary population. In the first quarter of fiscal year 2009, MEDCOM funded a planning effort to determine the scope, capabilities, siting, and cost for an Ireland replacement facility. Analysis of population, workload, services, and network are now complete. Facility requirements associated with this analysis are in development and will be complete in July with final deliverables to follow. The outcome of the planning effort will be used to program the project for a future budget submission. The MEDCOM Commanding General would be happy to meet with you later this summer to share the results of the planning process and the proposed facility solution.

*Question.* By law, DOD must complete disposal of the chemical weapons stockpile at Blue Grass Army Depot by 2017. What is the Army's long-term plan to take advantage of the Blue Grass Army Depot's capabilities following completion of the chemical weapons disposal efforts?

*Answer.* Blue Grass Army Depot is a very valuable component of the Army's Industrial Base. Its mission is and will continue to be to support the Joint Warfighter by safely providing a wide range of high quality Defense products and services at the right price, place, and time.

Currently, Blue Grass Army Depot conducts Standard Depot Operations (store, issue, receipt, inspect, maintain, and demilitarize) for conventional and non-standard (Special Forces unique) ammunition and missiles, as well as Chemical Defense Equipment (CDE). On a daily basis, Blue Grass ships critical munitions and CDE to Joint SOF and conventional units worldwide for both training and combat use. Routinely, on a quarterly basis, Blue Grass Army Depot supplies munitions for the CENTCOM ammunition resupply vessel with critical munitions in support of OIF/OEF.

In addition to Standard Depot Operations, Blue Grass also produces kits and ships weapons system, combat vehicle and ammunition components to fill critical Warfighter requirements. Recent examples of this industrial capability include MRAP add-on armor, overhead wire mitigation kits, and Gunner Restraint Kits. Ammunition specific component production examples include 81mm mortar piston plates and mortar tail fin sections. Blue Grass Army Depot also conducts container (MILVAN and Ammunition unique) refurbishment and repair, as well as fabrication and heat treatment of MIL SPEC ammunition pallets. Blue Grass Army Depot commercial tenants also provide additional, non-ammunition SOF support.

Blue Grass Army Depot plans to fully utilize critical capability remaining on the Depot at the completion of the Chemical weapons demilitarization mission. This would include those ammunition storage structures currently storing chemical munitions and administrative facilities constructed in support of the Chemical Demilitarization mission.

*Question.* What is the planned arrival date for Fort Knox's brigade combat team?  
*Answer.* The 3d Brigade, 1st Infantry Division is programmed to relocate from Fort Hood, Texas, to Fort Knox, Kentucky, on October 16, 2009.

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QUESTION SUBMITTED BY SENATOR SUSAN COLLINS

*Question.* Mr. Hale, We need more emphasis on military construction to properly modernize and maintain the industrial infrastructure to support our military in the 21st century. For example, Portsmouth naval Shipyard in Kittery, Maine, has had to depend on Congressional plus-up funding in order to get many of the new facili-

ties they need. While these projects have been reviewed, approved and included in the out year Program Objective Memorandums (POMs), the Navy continues to not include them in their budget requests.

What more can be done to ensure that all of the Navy's repair and support facilities have all of the needed equipment and military construction required to perform their missions?

Answer. The Department of the Navy applies a prioritized methodology in determining which projects are included in its Military Construction request. The infrastructure investment development incorporates the following factors: (1) a top down programmatic approach, which incorporates strategic investment guidance from the Chief of Naval Operations; (2) Global Shore Infrastructure Plans (GSIP) identify capability gaps; and (3) an analytical decision process. There are three weighted criteria which determine priorities. These include strategic guiding principles (e.g. mission alignment, condition based maintenance/recap), shore capability areas (e.g. operations, training), and components of the shore investment model (e.g. capacity, condition). The described process provides for a prioritized executable global Navy construction program.

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#### QUESTIONS SUBMITTED TO WAYNE ARMY

##### QUESTIONS SUBMITTED BY SENATOR MARK PRYOR

*Question.* On February 26th 2009, I wrote you a letter requesting data in regard to property disposal. My intent was to better understand the performance of conveyances and how they relate to the creation of jobs, particularly with respect to the Economic Development Conveyance (EDC). It is my understanding that the purpose of EDCs, that proceed from land disposition, is to advance the economic development and job creation objectives of communities. Last week in front of this Committee, I asked your Army colleague, Mr. Calcara, his thoughts on those tools available by DOD to convey surplus land.

I am very interested in your thoughts on this matter. While it is DOD policy to fully utilize all appropriate means to transfer property at installations closed or realigned under the base closure law, to include public benefit transfers, EDCs at cost and no-cost, and negotiated or public sales, can you explain to this Committee how DOD makes decisions as to which conveyance is best suited for a particular community?

Answer. In consultation with the Local Redevelopment Authority (LRA), DOD considers many local community factors as well as the characteristics of the property itself when making property disposal decisions. These factors include the redevelopment plan for the property prepared by the LRA, potential environmental impacts pursuant to analysis under the National Environmental Policy Act, environmental condition of the property, zoning, and applicable statutory and regulatory requirements associated with each property conveyance authority, property value, and other relevant factors. As indicated in my response to your letter dated April 30, 2009, DOD has used the full range of conveyance authorities to address the wide variety of circumstances encountered at communities which have hosted closing installations. It is also common to convey the property at larger closing installations in multiple parcels using different conveyance authorities for different future uses based upon consideration of the factors described above.

*Question.* In regard to no-cost EDC requests, how much consideration does the DOD give today's economic climate when negotiating with Local Redevelopment Authorities (LRAs) for communities who have been BRAC'd?

Answer. The Secretary concerned has discretion and flexibility to structure an EDC that can be tailored to local needs to assist local job creation/recovery activities and base redevelopment. This is done in close collaboration with the Local Redevelopment Authority (LRA) and local economic conditions are an important factor considered. Specifically, as set forth in the governing regulation (32 CFR Part 174), the Secretary concerned will consider the following factors, as appropriate, in evaluating the application and the terms and conditions of the proposed transfer:

- Adverse economic impact of closure or realignment on the region and potential for economic recovery through an EDC.
- Extent of short- and long-term job generation.
- Consistency with the entire redevelopment plan.
- Financial feasibility of the development, including market analysis and need and extent of proposed infrastructure and other investments.
- Extent of State and local investment, level of risk incurred, and the LRA's ability to implement the plan.

- Current local and regional real estate market conditions.
- Incorporation of other Federal agency interests and concerns, and applicability of, and conflicts with, other Federal surplus property disposal authorities.
- Relationship to the overall Military Department disposal plan for the installation.
- Economic benefit to the Federal Government, including protection and maintenance cost savings and anticipated consideration from the transfer.
- Compliance with applicable Federal, State, interstate, and local laws and regulations.

Under the applicable statutory authority, a no-cost EDC may only be made if:

- the LRA agrees that the proceeds from any sale or lease of the property (or any portion thereof) received by the LRA during at least the first seven years after the date of the initial transfer of property shall be used to support economic redevelopment of, or related to, the installation; and
- the LRA executes the agreement for transfer of the property and accepts control of the property within a reasonable time after the date of the property disposal record of decision.

*Question.* In particular to no-cost EDCs, would you happen to roughly know how long it takes for an acre of BRAC property to be conveyed (by disposal type) or how long it typically take for an acre of BRAC property to be productively reused?

*Answer.* There is really no “typical” BRAC property conveyance situation. Every closing base, and surrounding community, has unique features that affect the length of time to convey property, the disposal methods, and reuse implementation period. In some cases, where there is strong market demand, immediate public use needs, little investment required to achieve reuse, and minimal environmental cleanup concerns, property has been conveyed and reused relatively quickly after the base closes. At other locations where market demand is limited, substantial investment is required to enable the desired reuses, and/or environmental conditions require significant effort and regulatory involvement to resolve, conveyance and reuse occurs more slowly.

As Chairman of the Senate Special Operations Forces Caucus, I am concerned with the realignment of the 7th Special Forces Group (SF0) from Fort Bragg, NC to Eglin Air Force Base, FL. While gunnery and artillery ranges are critical for the 7th SF0 to continue to maintain a high level of combat readiness, the available shooting ranges at Eglin are currently being used by Air Force Special Operations AC-130 Gunships.

*Question.* With both entities in extraordinarily high demand in support of operations in Iraq and Afghanistan, how is the DOD planning to redesign air and land ranges to ensure a seamless transition for training and preparedness?

*Answer.* Air Force and Army Special Operations officials have worked closely to ensure the Army’s 7 SFG Airborne (A) move to Eglin AFB is seamless and preserves optimum training capabilities for all Eglin range complex users.

The Air Force Special Operations Command (AFSOC) and 7 SFG (A) estimate approximately 10–20 percent of their local missions will be bi-lateral in nature, which will evolve as the SFG (A) moves to Florida and begins operations. Joint training opportunities should increase as AFSOC and 7 SFG (A) further develop training scenarios. Eglin ranges are centrally scheduled. Schedules are de-conflicted to maximize training opportunities for all users. 7 SFG (A) requires 14 live-fire training ranges that currently do not exist at Eglin AFB. The Army has funded 11 of the 14 ranges through DOD’s Military Construction program, and worked with Eglin range managers to optimally site them. The Army and the Air Force have also agreed on the locations for the remaining three ranges that are competing for funds within DOD’s priorities.

Eglin range managers have also established ground maneuver areas to support 7 SFG (A) non-live-fire training activities. Activities in these areas will have little to no impact on other Eglin range users.

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QUESTION SUBMITTED BY SENATOR SUSAN COLLINS

*Question.* Although I am encouraged by this good news, I continue to be concerned about the lack of alignment between the branches’ funding timelines, which could increase the overall cost to the taxpayer and threaten the viability of the project itself.

Can you assure us that you will work with the Maine Congressional Delegation to ensure that these facilities are constructed making the most efficient use of taxpayer dollars, and fulfill the requirements of both the Army National Guard and the Marine Corps?

Answer. My office will continue to monitor the efforts of the Maine Army National Guard (MEARNG) and the Naval BRAC Office both of which have achieved mutual goals to allow their projects to stay on track for successful execution. Two Joint Forces site development projects programmed under two separate appropriations, in two separate years are planned for the Brunswick Naval Air Station (NAS). The MEARNG will control a 51-acre parcel of land on the Brunswick NAS under a Federal license upon transfer from the Navy. The Department of Navy maintains a requirement to provide a project for the U.S. Marine Corps Reserves (USMCR) at Brunswick as well. There are a number of constraints, which render only 10 acres of the site as tenable for development. The site is currently envisaged to accommodate both the MEARNG requirements as well as the USMCR requirements. The Adjutant General—Maine (TAG—ME) has reviewed the Navy's Site Proposal and concurs with placement; staff is drafting a request to issue an execution directive for the appropriate real estate instruments to move forward.



DEPARTMENT OF THE NAVY

STATEMENT OF HON. B.J. PENN, ASSISTANT SECRETARY OF THE NAVY  
(INSTALLATIONS AND ENVIRONMENT)

Senator JOHNSON. I am pleased now to welcome our second panel of witnesses—the Honorable B.J. Penn, Assistant Secretary of the Navy (Installations and Environment); Major General Eugene G. Payne, Jr., Assistant Deputy Commandant for Installations and Logistics, Facilities Division; Rear Admiral Mark A. Handley, Deputy Commander, Navy Installations Command Director Ashore Readiness Group.

Thank you all for coming. We look forward to your testimony, and again, your full statements will be entered into the record.

Secretary Penn, please proceed.

Mr. PENN. Thank you, Mr. Chairman.

Chairman Johnson, Senator Hutchison, members of the subcommittee, it is a privilege to come before you today to discuss—

Senator JOHNSON. The microphone.

Mr. PENN. How is this?

Senator JOHNSON. Okay.

STATEMENT OF HON. B.J. PENN

Mr. PENN. Chairman Johnson, Senator Hutchison, members of the subcommittee, it is a privilege to come before you today to discuss the Department of the Navy's installation efforts. I am joined this afternoon 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 the Department's overall facilities budget request, a healthy \$14.4 billion, or 9.2 percent of the Department's TOA. In MILCON, fiscal year 2010 continues the Marine Corps Grow the Force initiative with a \$1.9 billion investment, targeted primarily at infrastructure and unit-specific construction required to move marines from interim facilities and provide adequate facilities for new units.

The fiscal year 2010 MILCON budget also provides funds for the first five construction projects to support the relocation of marines from Okinawa to Guam in the amount of \$378 million.

Our fiscal year 2010 budget request complies with the Office of Management and Budget policy and the DOD Financial Management Regulation that establishes criteria for the use of incremental funding. The use of incremental funding in this budget has been restricted to the continuation of projects that have been incremented in prior years. Otherwise, all new projects are fully funded or are complete and usable phases.

In family housing, our budget request of \$515 million reflects the continuation of investment funding for locations where we still own and operate military family housing and where additional privat-

ization is planned. Prior requests reflected an accelerated program to address additional housing requirements associated with the Marine Corps Grow the Force structure initiatives.

The Navy and Marine Corps have privatized virtually all family housing located in the United States. Where we continue to own housing at overseas and foreign locations, we are investing in a steady-state recapitalization effort to replace or renovate housing where needed. Our request also includes funds necessary to operate, maintain, and lease housing to support Navy and Marine Corps families located around the world.

Regarding legacy BRAC, we continue our request for appropriated funds in the amount of \$168 million, as we exhausted all land sale revenue. We have disposed of 93 percent of the prior BRAC properties, so there is little left to sell, and the real estate market is not as lucrative as it was several years ago. We expect only limited revenue from the sale of Roosevelt Roads in Puerto Rico and other small parcels.

With respect to the BRAC 2005 program, our budget request of \$592 million represents a shifting emphasis from construction to outfitting and other operations and maintenance costs. One success story I would like to highlight comes from New Orleans, which still struggles to recover from the aftermath of Hurricane Katrina.

We entered into a 75-year leasing agreement with the Algiers Development District in September 2008. In exchange for leasing 149 acres from Naval Support Activity New Orleans, the headquarters, marine forces Reserves, will receive approximately \$150 million in new facilities.

Demolition began recently, and we have established temporary quarters for the commissary so that military personnel, retirees, and their families still have access to this quality of life service during construction. We continue to work with Algiers Development District to ensure this partnership's successful outcome.

We have been able to hold down our own cost increases to a modest 2 percent for the implementation period of 2006 through 2011.

We have made significant progress in the past year in planning for the relocation of the marines from Okinawa to Guam. The environmental impact statement (EIS) for Guam is underway, with a targeted Record of Decision in time for construction in fiscal year 2010.

The Government of Japan ratified the international agreement on May 13, 2009 and appropriated \$336 million in fiscal year 2008 equivalent dollars to complement our own fiscal year 2010 investment. We expect to see Japan's contribution deposited in our Treasury by July.

#### 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—the military and civilian leadership, personnel, and their families. I thank each of you for your continued support and the opportunity to testify before you today.

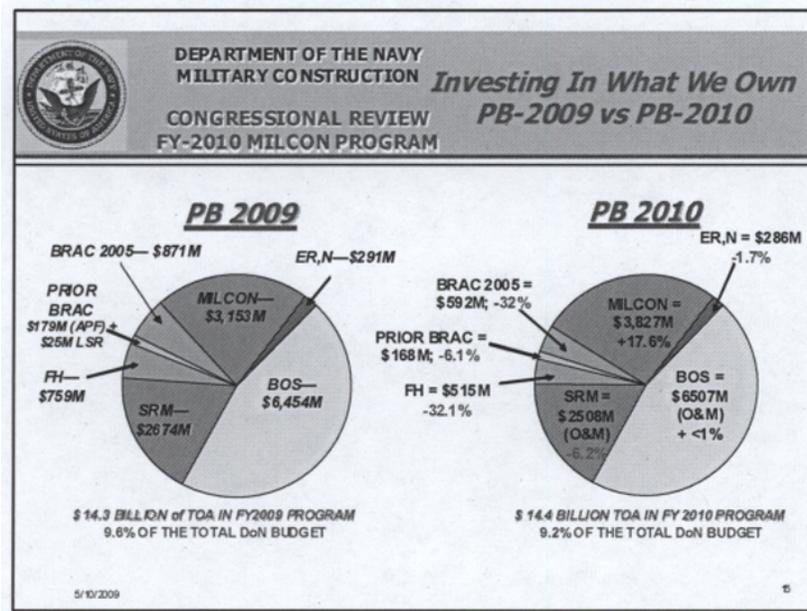
[The statement follows:]

## PREPARED STATEMENT OF HON. B.J. PENN

Chairman Johnson, Senator Hutchison, and members of the subcommittee, I am pleased to appear before you today to provide an overview of the Department of Navy's investment in its shore infrastructure.

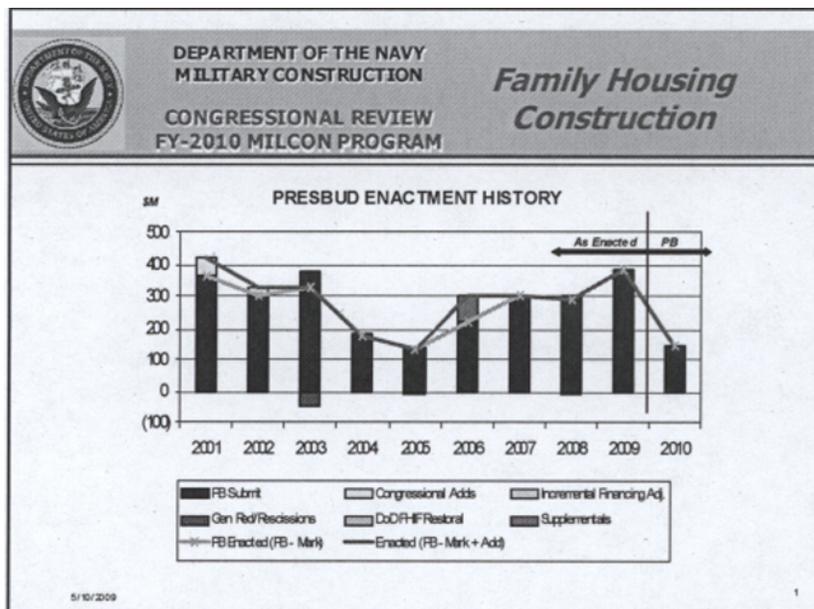
## THE NAVY'S INVESTMENT IN FACILITIES

Our Nation's Sea Services continue to 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. Our fiscal year 2010 shore infrastructure baseline budget totals \$14.3 billion, representing 9.2 percent of the DON's fiscal year 2010 baseline request of \$156 billion.



The fiscal year 2010 military construction (active + reserve) request of \$3.8 billion is \$674 million more than the fiscal year 2009 request. This growth in Department's military construction program is primarily due to the continuation of the Marine Corps' "Grow the Force" initiative and the inclusion of the first capital investments to support their realignment of forces from Okinawa to Guam.

The fiscal year 2010 Family Housing request of \$515 million represents a 32 percent decrease from the fiscal year 2009 request. It is helpful to examine the table at left to put this decrease in perspective. Prior year family housing construction requests reflected an accelerated program to address additional housing requirements associated with Marine Corps force structure initiatives. The Navy and Marine Corps have continued to invest in housing, including both the recapitalization of overseas housing as well as additional privatization to address housing requirements. The fact that the investment in family housing construction has decreased should be seen as an indication that we have ridden the "crest of the wave."



Our BRAC program consists of environmental cleanup and caretaker costs at prior BRAC locations, and implementation of BRAC 2005 recommendations.

As in fiscal year 2009, we must seek appropriated funds in fiscal year 2010 in the amount of \$168 million for Legacy BRAC activities as we have exhausted land sales revenues. 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 2010 BRAC 2005 budget request of \$592 million represents a significant shift from construction to Operation & Maintenance funds as our focus turns to outfitting facilities with equipment and materiel and supporting the physical relocation of personnel, rather than constructing new or renovating existing structures, as one might expect as the statutory deadline approaches. Although we are on track to meet the September 15, 2011 deadline, we do face some significant challenges ahead.

Here are some of the highlights of these programs.

#### MILITARY CONSTRUCTION

The DON's fiscal year 2010 Military Construction program requests appropriations of \$3.8 billion, including \$169 million for planning and design and \$12.5 million for Unspecified Minor Construction.

The active Navy program totals \$1.1 billion and includes:

- \$302 million to support three intermediate and depot level maintenance projects: the second increment of the CVN replacement pier at Puget Sound Naval Shipyard, Bremerton, Washington; modifications to the P-8/MMA facility at Naval Air Station Jacksonville, Florida; and the largest of the three projects at \$227 million—Pier 5 Replacement at Norfolk Naval Shipyard, Portsmouth, Virginia;
- \$84 million to fund 11 airfield projects. Included among these projects are seven supporting the Joint Strike Fighter: 6 at Eglin AFB, Florida and 1 at Edwards AFB, California;
- \$42 million to fund four expeditionary operations projects at Camp Lemonnier, Djibouti, which include an ammunition supply point, security fencing; road improvements, and a fire station;
- \$86 million to fund five training projects: a submarine learning center in Guam; the Asia-Pacific Center in Honolulu, Hawaii; a SERE school for SOCOM in Spo-

- kane, Washington; and E-2D Trainer Facility at Naval Station, Norfolk, Virginia; and a flight simulator at NAS Pensacola, Florida;
- \$193 million to fund four ordnance related projects: the 6th of 7 increments of the Limited Area Production and Storage Complex and the 2nd of two increments of the waterfront security enclave fencing, both projects at Naval Submarine Base, Bangor, Washington; constructs missile magazines at Naval Station Pearl Harbor, Hawaii; and a torpedo exercise support building in Guam;
  - \$95 million to construct three enlisted training barracks, one each in Newport, Rhode Island; Eglin AFB and NAS Pensacola, Florida;
  - \$126 million to fund four waterfront operations projects, which include dredging the entrance to the turning basin at Naval Station, Mayport, Florida to enable nuclear carriers to transit the channel without risk to the propulsion system, and Charlie One Wharf replacement (unrelated CVN homeporting) also at Mayport. The remaining two projects are the second phase of the waterfront development project at Naval Support Activity, Bahrain, and the final increment of the magnetic silencing facility at Naval Station, Pearl Harbor, Hawaii;
  - \$22 million to build base support facilities: Naval Construction Division Operations Facility and a centralized public works facility at Naval Base, Point Loma, California; and
  - \$83 million for planning and design efforts.
- The active Marine Corps program totals \$2.7 billion (of which \$1.9 billion is for “Grow the Force”), a \$705 million increase over the fiscal year 2009 Military Construction request. This cost increase is due to the initial construction investment in Guam and a continued emphasis on Grow the Force.
- \$323 million for the construction of unaccompanied housing at Camp Pendleton, Twentynine Palms, California, and Camp Lejeune, North Carolina in a continuation of the Commandant of the Marine Corps’ initiative to improve the quality of life for single Marines;
  - \$200 million to provide quality of life facilities such as dining facilities, physical fitness centers, and fire houses at Twentynine Palms, San Diego, and Camp Pendleton, California, the Basic School at Quantico, Virginia, and Camp Lejeune, Cherry Point and New River in North Carolina;
  - \$109 million to construct new recruit barracks and student billeting supporting the School of Infantry and the recruit training at Camp Pendleton and for the Basic School in Quantico, Virginia;
  - \$977 million to build infrastructure to support new construction. These projects include communications upgrades, electrical upgrades, natural gas systems, drinking and wastewater systems, and roads. These projects will have a direct effect on the quality of life of our Marines. Without these projects, basic services generally taken for granted in our day-to-day lives, will fail as our Marines work and live on our bases;
  - \$744 million to fund operational support projects such as those needed for the stand-up of V-22 aircraft in North Carolina and California; and operational units in Camp Lejeune, North Carolina and Camp Pendleton, California. Logistics operations will be enhanced with a new Port Operations facility at Marine Corps Support Facility, Blount Island, Florida;
  - \$140 million to provide training improvements for aviation units and Marine Corps Security Force training at Quantico, VA, and Marines training at the School of Infantry at Camp Lejeune, North Carolina, and Camp Pendleton, California. A new range will be provided in Hawaii.
  - \$122 million to construct maintenance facilities at Twentynine Palms, California, Yuma, Arizona, Beaufort, South Carolina, and New River and Camp Lejeune, North Carolina;
  - \$41 million for the construction of storage facilities at Twentynine Palms and Camp Pendleton, California and Cherry Point, North Carolina; and
  - \$84 million for planning and design efforts.

With these new facilities, Marines will be ready to deploy and their quality of life will be enhanced. Without them, quality of work, quality of life, and readiness for many Marines will have the potential to be seriously degraded.

The Navy and Marine Corps Reserve Military Construction appropriation request is \$64 million, including \$2 million for planning and design efforts, to construct three reserve centers—one each at Luke AFB, Arizona; Alameda, California; and Joliet, Illinois. These funds will also be used to construct a C-40 Hangar at Naval Air Station Oceana, Virginia Beach, Virginia; a parachute and survival equipment center in San Antonio, Texas, and vehicle maintenance facility in Charleston, South Carolina.

*Fully-funded and Incrementally-funded MILCON Projects*

Our fiscal year 2010 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. The use of incremental funding in this budget has been restricted to the continuation of projects that have been incremented in prior years. Otherwise, all new projects are fully funded or are complete and usable phases. However, as the cost of complex piers and utilities systems rise above the \$100 million and even \$200 million threshold, compliance with the full-funding policy drives both Services to make hard choices regarding which other equally critical projects must be deferred into the next year.

*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 2010. For military construction projects, we met the requirement a year earlier, in fiscal year 2009. This year we began including sufficient funds for major renovations where the work exceeds 50 per cent of the facility's plant replacement value.

With funds provided through the American Recovery and Reinvest Act (ARRA) we are able to leverage current technological advances to reduce energy demand and increase our ability to use alternative and renewable forms of energy for shore facilities as well as in our logistics processes. This technology improves energy options for our Navy today and in the future. Of the \$1.2 billion in ARRA funds that have been provided to Navy, \$577 million in Operation and Maintenance, Navy; Operation and Maintenance, Marine Corps, and Military Construction has been applied to projects that will reduce our fossil fuel energy consumption. Major investments include \$169 million to install photovoltaic systems, \$71 million for advance metering installation, \$30M for the energy conservation improvement program (ECIP), \$9 million for geothermal energy development, and \$31 million for energy improvements in various facilities, (such as critical repairs to major utilities systems, HVAC replacement, etc.).

*Encroachment Partnering*

The Department of the Navy has an aggressive program to manage and control encroachment, with a particular focus on preventing incompatible land use and protecting important natural habitats around installations and ranges. A key element of the program is Encroachment Partnering (EP), which involves cost-sharing partnerships with States, local governments, and conservation organizations to acquire interests in real property adjacent and proximate to our installations and ranges. The Department prevents development that is incompatible with the readiness mission, and our host communities preserve critical natural habitat and recreational space for the enjoyment of residents. Navy and Marine Corps have ongoing EP agreements at 14 installations and ranges nationwide, with additional agreements and projects planned in fiscal year 2009. EP has been a highly effective tool for addressing encroachment threats from urban development and is a win-win for the Department and our host communities.

In fiscal year 2008, Navy and Marine Corps completed partnership acquisitions on 16,662 acres. Funding for those purchases of land and easements included a combined contribution from DOD and DON of \$11.72 million, which was matched by similar investments from partner organizations. In fiscal year 2009, Navy and Marine Corps received an additional \$19.78 million from the DOD Readiness and Environmental Protection Initiative program, which will be combined with funding from the Department and our partner organization.

## HOUSING

The following tenets continue to guide the Department's approach to housing for Sailors, Marines, and their families:

- All service members, married or single, are entitled to quality housing; and
- The housing that we provide to our personnel must be fully sustained over its life.

With the support of Congress, and particularly this Committee, we have made great strides in improving the quality of life for our members and their families over the past years. These include:

- Funds programmed and contracts in place to eliminate inadequate family housing in the Navy and Marine Corps.
- A robust military construction program to meet the Marine Corps' unaccompanied housing needs.

—Successful execution of the first two unaccompanied housing privatization projects within the Department of Defense.

Despite these achievements, there remain challenges that we face as a Department. A detailed discussion of the Department's family and unaccompanied housing programs, and identification of those challenges, follows:

#### 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. We determine the ability of the private sector to meet our needs through the conduct of housing market analyses that evaluate supply and demand conditions in the areas surrounding our military installations.

—*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.*—That Military construction (MILCON) 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 feasible.

Our fiscal year 2010 budget includes \$146 million in funding for family housing construction and improvements. This amount includes \$79 million for the Government investment in continued family housing privatization at Camp Lejeune and includes funding for an addition to a Department of Defense school. It also includes the replacement or revitalization of Navy housing in Japan, Korea, and Spain where the military housing privatization authorities do not apply. Further, there are proposed projects in Guam, unrelated to the Realignment of Marine Forces that would replace or revitalize existing homes there. Finally, the budget request includes \$369 million for the operation, maintenance, and leasing of remaining Government-owned or controlled inventory.

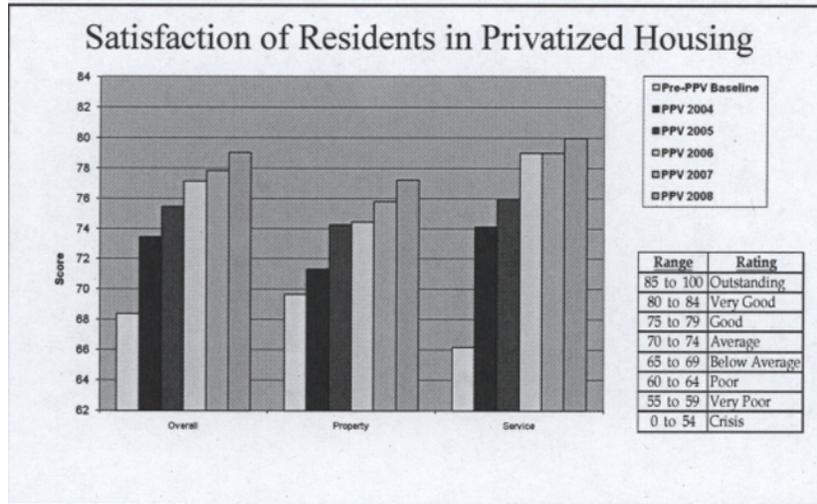
As of the end of fiscal year 2008, we have awarded 30 privatization projects involving over 61,000 homes. As a result of these projects, nearly 20,000 homes will be renovated and over 21,000 new or replacement homes will be built. (The remaining homes were privatized in good condition and did not require any work.) 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.

While the military housing privatization initiative has been overwhelmingly successful, there are challenges in this program area as well. They include:

—*The Current Economic Climate.*—In the current economic climate, we have seen a dramatic curtailment in the amount of private financing available for our future military housing privatization projects/phases. This, in turn, affects plans for future construction and renovations. We are working with the Office of the Secretary of Defense, the other Services, and the lending community on ways in which we might mitigate such impacts and preserve our ability to leverage private capital on future projects/phases.

—*Program Oversight.*—There has been a great deal of attention focused by Congress on the Service's oversight of housing privatization projects in the wake of difficulties experienced by some partners. 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. 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. We worked with that partner to sell its interest to another company which has a record of good performance with military housing privatization projects.

Perhaps the most important measure of success of our privatization program has been the level of satisfaction on the part of the housing residents. To gauge their satisfaction, we used customer survey tools that are well established in the marketplace. As shown at right, the customer surveys indicate a steady improvement in member satisfaction after housing is privatized.



#### *Unaccompanied Housing*

Our budget request includes \$527 million for 14 unaccompanied housing projects (included 6 training barracks) at seven Navy and Marine Corps locations. The budget continues the emphasis on improving living conditions for our unaccompanied Sailors and Marines.

Our current inventory consists of over 157,000 unaccompanied housing spaces for permanent party Sailors and Marines. These represent a wide mix of unit configurations including rooms occupied by one, two, or more members. There are challenges, however, which the Department is committed to address.

—*Provide Homes Ashore for our Shipboard Sailors.*—The Homeport Ashore initiative seeks to provide a barracks room ashore whenever a single sea duty sailor is in his or her homeport, so they need not live on the ship. The Navy has made considerable progress towards achieving this goal through military construction; privatization and intensified use of existing barracks capacity. In his May 6, 2009 testimony before the House Appropriations Committee, Subcommittee on Military Construction, the Chief of Naval Operations committed to providing housing ashore for all junior sea duty Sailors by 2016 at the Interim Assignment Policy standard (55 square feet of space per person). The inclusion of \$88 million in funding, in the ARRA, for a new barracks in San Diego is helping us meet this goal. The Navy's long term goal is to achieve the OSD private sleeping room standard (90 square feet per person).

*Commandant's BEQ Initiative.*—It is the Commandant of the Marine Corps' priority to ensure single Marines are adequately housed. Thanks to your previous support, in fiscal year 2009 the Marine Corps will make significant progress toward fulfilling this priority. Your 2009 appropriation of \$1.2 billion in MILCON funding for Marine Corps barracks will result in the construction of approximately 12,300 permanent party spaces at eight Marine Corps installations. Your continued support of this initiative in our fiscal year 2010 proposal will allow us to construct an additional 3,000 new permanent party barracks spaces. With this funding we will stay on track to meet our 2014 goal. The fiscal year 2010 request for bachelor housing will provide eight barracks projects at Camp Lejeune, North Carolina, and Twenty-Nine Palms, and Camp Pendleton, California. We are also committed to funding the replacement of barracks' furnishings on a 7-year cycle as well as the repair and maintenance of existing barracks to improve the quality of life of our Marines. 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.

*Unaccompanied Housing Privatization*

The Navy has also executed two unaccompanied housing privatization projects using the pilot authority contained in section 2881a of Title 10, United States Code. In March we cut the ribbon on the Pacific Beacon project in San Diego. Pacific Beacon includes 258 conveyed units targeted for unaccompanied E1–E4 sea duty Sailors and 941 newly constructed dual master suite units targeted for E4–E6 Sailors.

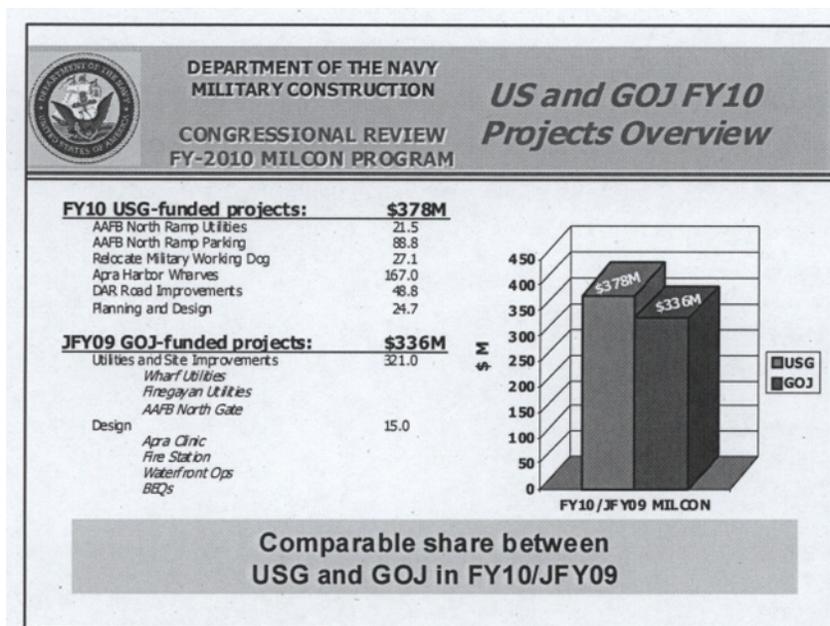


The second unaccompanied housing privatization project is in Hampton Roads (executed in December 2007) and included the conveyance of 723 units in seven buildings on Naval Station and Naval support Activity Norfolk and the construction of 1,190 dual master suite units. The first of three construction sites opened in November 2008 and the remaining units are scheduled for completion in 2010.

The Navy is continuing to evaluate candidate locations for the third pilot project, including the Mayport/Jacksonville, Florida area and additional phases at San Diego and Hampton Roads using the public/private entities previously established.

RELOCATING THE MARINES TO GUAM

The fiscal year 2010 budget request includes \$378 million to construct facilities in support of the relocation. The Government of Japan, in its JFY–2009 budget (which runs April 1, 2009 through March 31, 2010) has provided a comparable amount and we expect to receive their contribution in June. The graph at right identifies the projects each funding stream constructs.



The Department of Defense recognizes that the condition of Guam's existing infrastructure could affect our ability to execute the aggressive program execution and construction schedule. Construction capacity studies, assessments of socioeconomic impacts, and the development of the Environmental Impact Statement (EIS) have demonstrated that, in particular, Guam's road network, commercial port, and utilities systems are in need of upgrades.

Roadway, intersection, and bridge upgrades are required to handle the flow of materials from the port to work sites. Through the Defense Access Road (DAR) program, DOD is working to identify, certify as eligible for funding, and consider in future DOD budgets the need for improvements to roadways, intersections, and bridges that are critical to executing the construction program. Five road improvement projects have been certified by Transportation Command's Surface Deployment and Distribution Command under the DAR program and more are under consideration. Existing deficiencies in the island's road system and long-term traffic impacts due to the projected population increase are being considered in partnership between Guam Department of Public Works and the U.S. Federal Highway Administration. These efforts are occurring in parallel in order to ensure compatibility and mutual benefit to DOD and the Guam community.

The Port of Guam requires near and long-term improvements. The Port Authority of Guam and the U.S. Maritime Administration (MARAD) signed a memorandum of understanding to improve the port by developing an adequate master plan and implementation of a Capital Improvement Plan. These plans will develop the port into a regional shipping hub that will serve both military and civilian needs in the region in the long term. Near-term improvements to the port are underway, including the recent delivery of three refurbished cranes that will become fully operational soon. With these upgrades and improvements to materials-handling processes, the Port of Guam should be able to accommodate throughput to sustain the expected \$1.5–2.0 billion per year in construction volume.

Of the total \$6.09 billion Japanese commitment included in the Realignment Roadmap, \$740 million is for developing electric, fresh water, sewer, and solid waste infrastructure in support of the relocating Marine Corps forces. Analysis of utilities options indicates that developing new, stand-alone systems may not be cost-effective. DOD is collaborating with the Government of Guam to understand its needs and to determine the feasibility of water, wastewater, solid waste and power solutions that are mutually beneficial and acceptable to DOD, the civilian community and the regulatory agencies. Japan's contribution to the utilities special purpose en-

tity is but one example of how bringing private investment through public-private partnerships may be part of the solution to Guam's infrastructure problems.

Relocation to Guam represents a strategic opportunity for the United States that we must get right. Our strategy is to identify options that will support DOD missions, provide the widest possible benefit to the people of Guam, be technically and financially supportable by current and future utilities providers, and be acceptable to Government of Guam and environmental regulators. A business model is being developed to support these requirements while ensuring the interests of the U.S. Government and the GOJ are met. The EIS is addressing both interim and long-term solutions as they relate to infrastructure on Guam.

DOD's Office of Economic Adjustment (OEA) has provided the Government of Guam with grants totaling more than \$4.5 million to support environmental, financial and planning studies; staffing; and community outreach programs. Additionally, the Department of Defense is working with other Federal agencies to determine what appropriate roles DOD and other Federal agencies can play in helping Guam to address necessary infrastructure and services improvements on Guam, as noted by recent Government Accounting Office reviews. Additionally, the Department will ensure that Guam's local economic adjustment requirements, as they are known at the time, are provided to the Economic Adjustment Committee, chaired by the Secretary of Defense and the Secretaries of Commerce and Labor as co-Vice Chairs.

We recognize the potential for significant socioeconomic effects on Guam with the introduction of off-island workers who will support the construction program. In order to minimize negative effects, we are collaborating with the Government of Guam to develop a program for the equitable and safe treatment of all workers, including Guam residents, workers from the Commonwealth of the Northern Mariana Islands (CNMI), Hawaii and the U.S. mainland, and any necessary H2-B laborers. We are evaluating methods to have contractors manage safety, medical, housing, transportation, and security for their workers, taking into account potential long-term positive side benefits that different solutions may have on the Guam community.

#### *Environmental Impact Statement*

As it is designed to do, the National Environmental Policy Act (NEPA) process and associated studies are helping us identify and address environmental issues and constraints. A key milestone to executing the realignment in the established timeframe is achieving a Record of Decision on a schedule that allows for construction to begin in fiscal year 2010. The target for a Record of Decision is January 2010. We realize there are significant and complicated issues that need to be addressed in this study, and the interests of the public need to be protected. This is a complex EIS, as it considers not only the relocation of the 8,000 Marines and their dependents, but also a Navy proposal for a transient nuclear-powered carrier capability at Apra Harbor, and an Army proposal to station a ballistic missile defense capability on Guam. However, we remain on an aggressive schedule to finish the final EIS by the end of 2009, with a Record of Decision following. To that end, we are holding informal discussions with regulatory agencies early and often to uncover and address issues of concern well in advance of the formal review process; we are streamlining existing internal and external review and approval processes with regulatory agencies and other external partners; and we are conducting concurrent internal DOD reviews to expedite approval of the EIS for distribution and publication. We will share with the Congress significant issues that emerge during the EIS process.

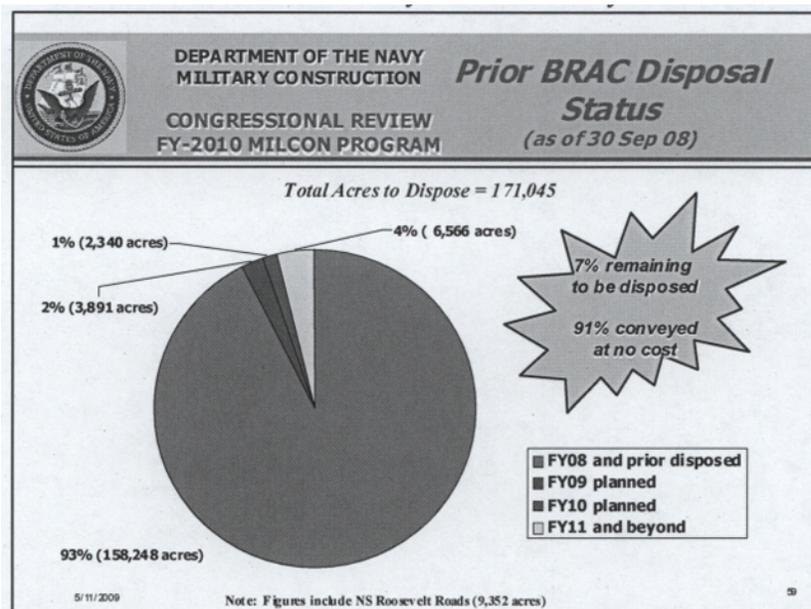
#### PRIOR BRAC CLEANUP & PROPERTY DISPOSAL

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 16 of the original 91 bases and to complete environmental cleanup on 15 installations that have been disposed.

#### *Property Disposal*

By the end of fiscal year 2008, we have disposed of 93 percent of the real property slated for closure in the first four rounds of BRAC. Throughout that time, we have used a variety of the conveyance mechanisms available for Federal Property disposal, including the Economic Development Conveyance (EDC) that was created for BRAC properties. Ninety-one percent of the Department of the Navy real property was conveyed at no cost. From the remaining 9 percent, the Department of Navy has received over \$1.1 billion in revenues via a variety of conveyance mechanisms. Nearly all of this revenue has been generated since fiscal year 2003. Since then, we

have used these funds to accelerate environmental cleanup, and to finance the entire Department of the Navy prior BRAC effort including caretaker costs from fiscal year 2005 through fiscal year 2008.



These funds have enabled us to continue our environmental clean-up efforts at 31 installations. We have used these funds to accelerate cleanup at Naval Shipyard Hunters Point, CA, as well as Naval Air Station Alameda, CA, enabling us to be closer to issuing Findings of Suitability to Transfer or conveyance of the property for integration of environmental cleanup with redevelopment.

#### *Land Sale Revenue*

Despite our success in using property sales to augment funding for environmental cleanup and property disposal, as well as recover value for taxpayers from the disposal of Federal property, future revenues are very limited. In fiscal year 2009, we resumed our budget requests for appropriated funding.

#### *Prior BRAC Environmental Cleanup*

The Department has spent about \$4.0 billion on environmental cleanup, environmental compliance, and program management costs at prior BRAC locations through fiscal year 2008. We project an increase in the cost-to-complete of about \$172 million since last year. Nearly all of this cost increase is due to additional munitions cleanup at Naval Air Facility Adak, AK, Naval Shipyard Mare Island, CA, and Marine Corps Air Station El Toro, CA. The increase is also associated with additional radioactive contaminations at Naval Station Treasure Island, CA, Naval Air Station Alameda, CA, and Naval Shipyard Mare Island, CA.

#### BRAC 2005 IMPLEMENTATION

The Department has moved expeditiously from planning to the execution of the BRAC 2005 Program. The Office of the Secretary of Defense has approved all 59 Navy-led business plans. Additionally, 24 other service-led business plans with some form of Navy equity have been approved. The Department's BRAC 2005 Program is on track for full compliance with statutory requirements by the September 15, 2011 deadline. However, some significant challenges lie ahead.

### *Accomplishments*

In total, the Department awarded 85 of 118 BRAC construction projects with a combined value of \$1.4 billion.<sup>1</sup> Eighteen fiscal year 2009 projects worth \$256 million are on track to award this year. Some noteworthy projects include:

- In July 2008, the Department awarded a \$325 million project to co-locate Military Department Investigative Agencies at Marine Corps Base, Quantico, VA. When complete it will combine almost 3,000 personnel from the Department of Defense (DOD) and the Services' Investigative Agencies. It also includes the construction of a collocated "School House" for the Joint Counterintelligence Training Academy (JCITA) as well as nearby roadway improvements. Combined together, these actions will significantly enhance counterintelligence synchronization and collaboration across DOD.
- In less than 12 months since business plan approval, nine projects for a combined \$222 million were awarded at Naval Air Weapons Station, China Lake, CA, Naval Weapons Station, Indian Head, MD, and Dahlgren, VA, in support of the Department's effort to consolidate and create a Naval Integrated Weapons & Armaments Research, Development, Acquisition, Test, and Evaluation Center. Two projects worth \$39 million are projected to award next month.

### *Helping Communities*

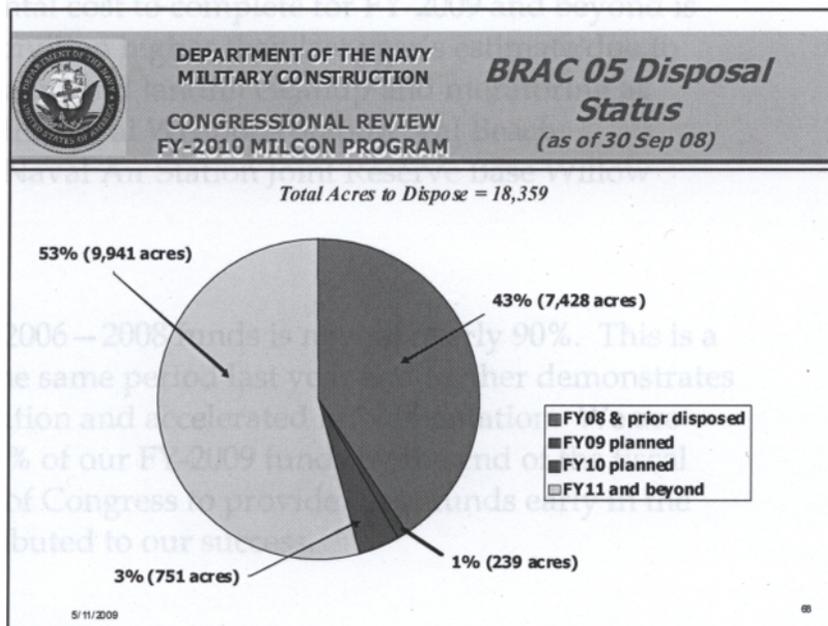
Fifteen impacted communities have established a Local Redevelopment Authority (LRA) to guide local planning and redevelopment efforts. The DOD Office of Economic Adjustment has been providing financial support through grants and technical assistance to support LRA efforts. Of these 15 communities, six reuse plans have been approved by the Department of Housing and Urban Development (HUD). Three communities are still preparing their plans with submissions planned for later this year. At the installations where the reuse plans have been completed, the Department has initiated the National Environmental Policy Act documentation for disposal of those properties.

### *Land Conveyances and Lease Terminations*

By the end of fiscal year 2008, the Department disposed of 43 percent of the property that was slated for closure in BRAC 2005. These disposal actions were completed via lease termination, reversions, and Federal and DOD agency transfers. Of interest is the reversion of Singing Island at Naval Station Pascagoula and the Dredge Spoil Material Area at Naval Station Ingleside, transfer of the tidal area of Naval Weapons Station Seal Beach Detachment Concord to the Department of the Army, and disposal of 78 percent of the reserve centers slated for closure.

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<sup>1</sup>Three fiscal year 2008 projects valued at \$14 million remain to be awarded.



The Department has also closed or realigned 38 of 49 Naval Reserve Centers, Navy Marine Corps Reserve Centers, Navy Recruiting Districts, Navy Regions, and Navy Reserve Readiness Commands. Seven of these were disposed in 2008. The 2009 Plan includes transfer of 144 acres at Naval Air Station Atlanta, Reserve Centers at Orange, TX, and Mobile, AL, and 75 acres from Naval Station Pascagoula to the Air Force.

#### *NSA New Orleans, LA*

In September 2008, the Department and the Algiers Development District (ADD) Board entered into a 75-year leasing agreement. We leased 149 acres of Naval Support Activity New Orleans West Bank to the ADD in exchange for up to \$150 million in new facilities to support Headquarters, Marine Forces Reserve.

Simultaneously, the Department finished construction, relocated from New Orleans, and formally opened the new Commander, Navy Reserve Force Command Headquarters in Norfolk, VA. In their new \$33 million, 90,000-square foot facility, the 450-man command is in very close proximity to the Department's U.S. Fleet Forces Command as well as the Joint Forces Command. This proximity means better communication between active and reserve forces, including more face-to-face meetings with local commands.

#### *Naval Air Station Brunswick, ME*

The Department's largest BRAC 2005 operational action will close Naval Air Station Brunswick, Maine, and consolidate the East Coast maritime patrol operations in Jacksonville, Florida. The cornerstone of this relocation is a \$132 million aircraft hangar scheduled for completion and occupation in May 2009. This project represents the Department's largest patrol squadron hangar, and it will serve to maintain all five P-3 squadrons. It is also designed for the future transition to the P-8 Poseidon aircraft. The first relocating P-3 Squadron deployed from Naval Air Station Brunswick occurred in November 2008 and will return directly to their new home in Jacksonville.

#### *Naval Station Ingleside/NAS Corpus Christi, TX*

Significant progress was also made to prepare facilities to relocate eight Mine Counter Measure (MCM) ships from Naval Station Ingleside, TX to Naval Base San Diego, CA. The Department re-evaluated its infrastructure footprint in the greater San Diego area and elected to change from new construction to renovation of existing facilities, thereby saving more than \$25 million in construction costs. These

ships will start shifting homeport this spring, with completion later in the calendar year.

#### *Joint Basing*

Two of four Joint Base Memorandums of Agreement (MOAs) where the Department is the lead component have been approved. The MOA for each joint base defines the relationships between the components, and commits the lead component to deliver installation support functions at approved common standards. Resources—including personnel, budget, and real estate—transfer from the Supported component(s) to the lead. Joint Basing has two implementation phases, with Phase I installations scheduled to reach full operational capability in October 2009, and Phase II installations in October 2010. The four Department-led joint bases are Little Creek-Fort Story (Phase I), Joint Region Marianas (Phase I), Anacostia-Bolling (Phase II), and Pearl Harbor-Hickam (Phase II).

#### *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 Department's remaining environmental liabilities for BRAC 2005 are substantially less than in previous rounds of BRAC. We have spent \$148 million in cleanup at BRAC 2005 locations through fiscal year 2008. The majority of this has been spent at Naval Air Station Brunswick, ME and Naval Weapons Station Seal Beach Detachment Concord, CA. Our remaining environmental cost to complete for fiscal year 2009 and beyond is \$99 million. This estimate is \$8 million higher than last year's estimate due to additional munitions, groundwater, and landfill cleanup and monitoring at Naval Air Station Brunswick, ME, Naval Weapons Station Seal Beach Detachment Concord, CA, and Naval Air Station Joint Reserve Base Willow Grove, PA.

#### *Financial Execution*

The execution of our fiscal year 2006–2008 funds is now at nearly 90 percent. This is a significant improvement over the same period last year and further demonstrates our shift from planning to execution and accelerated implementation. We are also on track to obligate over 90 percent of our fiscal year 2009 funds by the end of the fiscal year. We appreciate the efforts of Congress to provide these funds early in the fiscal year, which directly contributed to our success.

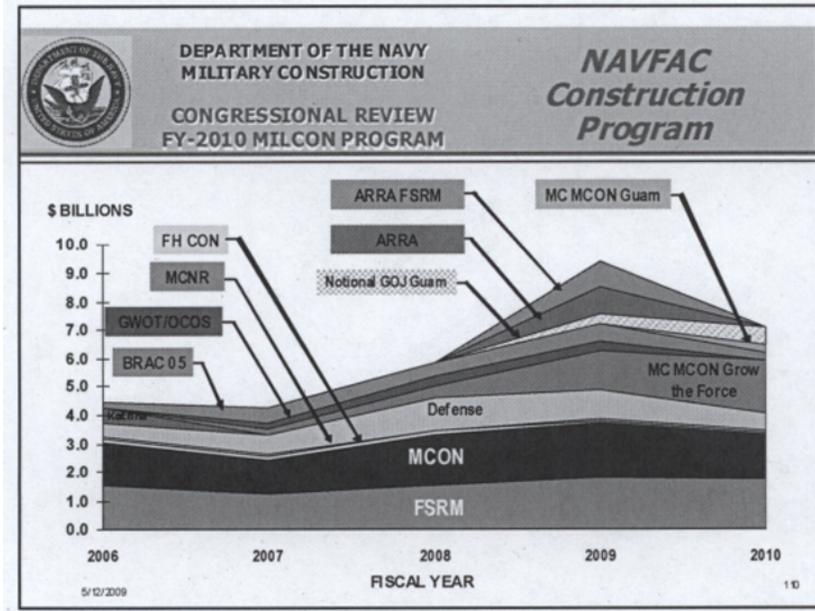
#### *Challenges*

Although we are on track to meet the September 15, 2011 deadline, we do face some significant challenges ahead. Seven major construction projects at Naval Air Weapons Station China Lake, CA and Naval Weapons Station Indian Head, MD require complex site approvals and certifications for operation from the Department of Defense Explosive Safety Board. Additionally, Correctional Facilities require certification before occupancy. The Department plans to closely manage construction so that it completes in time to conduct the necessary certifications.

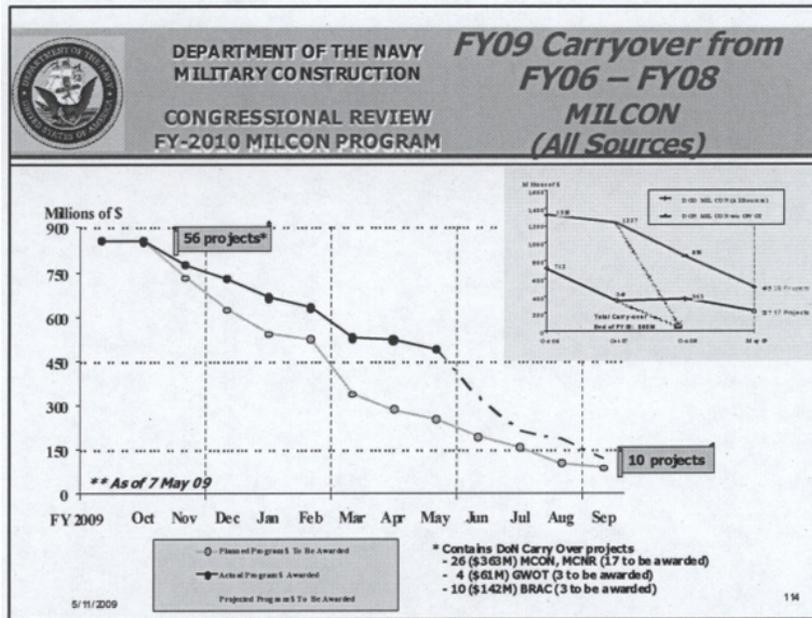
Several complex move actions require close coordination with other services and agencies. While they remain on track for timely completion, we must maintain effective and continuous coordination to succeed.

#### MEETING THE CONSTRUCTION EXECUTION CHALLENGE

We have outlined how our facilities investment continues at a record setting pace, and the Department's execution agent, the Naval Facilities Engineering Command (NAVFAC), is ready to meet the demand.



While market conditions exacerbated by world-wide natural disasters led to lagging execution rate during fiscal year 2006, NAVFAC has drastically reduced carryover despite a 60 percent increase in contract awards, as the graph depicts. Smart acquisition strategies and vigorous management in the field continue to reduce the carryover.



Special consideration is being given to executing the construction program in Guam. To the maximum extent possible NAVFAC will apply criteria and standards that enable offsite construction methodologies. This will not only reduce the importation of raw construction materials to the island but it also helps to minimize the socio-economic impact by reducing the off-island labor required. NAVFAC continues to make concerted efforts to reach out to Small Business enterprises, and will also utilize a variety of contracting vehicles, such as the, 8(A) Multiple Award, HUBZONE Multiple award, and the new Small Business Global Multiple Award that is pre-award status.

#### CONCLUSION

Our Nation's maritime forces operate closely with other joint forces allies, and coalition partners, delivering the main tenets of our Cooperative Strategy for 21st Century Seapower: protecting the homeland, preventing conflicts, and when necessary, winning our Nation's conflicts. 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. Our fiscal year 2010 budget supports a forward posture and readiness for agile, global response.

Thank you for your continued support and the opportunity to testify before you today.

Senator JOHNSON. Thank you, Mr. Penn.

Major General Payne.

General PAYNE. Sir, I have no statement this afternoon.

Senator JOHNSON. Rear Admiral Handley.

Admiral HANDLEY. Sir, it is a privilege to be here again in front of this committee, yourself, Senator Hutchison. And again, no formal statement, but will defer to your questions.

#### GUAM

Senator JOHNSON. General Payne, the Commandant of the Marine Corps, General Conway, recently testified on DOD's plan to move 8,000 marines and 9,000 dependents from Japan to Guam. He suggested that the \$4 billion cost estimate for the move is way short of what the move will really cost.

Could you comment on the projected cost of the Guam buildup and what the military is doing to ensure the adequacy of essential services on the island?

And I believe there is some concern over the availability of training ranges on Guam. If the marines could not acquire an adequate training range co-located with its forces, will the move to Guam still make any sense?

General PAYNE. Yes, sir. I would be glad to comment on that.

I think the Commandant's comments pertained to several things in particular. When the initial budget for Guam, the \$10 billion budget, was developed, it did not include considerations for infrastructure improvements on the island of Guam because at that time, quite frankly, I don't think we knew the extent of what improvements might be required.

Since then, it has become apparent that the island of Guam does need some assistance on those infrastructure improvements. So that would be additive to the \$10 billion.

And in regards to the other comment you made, which is absolutely correct, sir, and that is with respect to the ranges. Our analysis to date indicates that we can put some small arms ranges on Guam, but there are larger weapon systems and combined arms

training, in particular, that will have to be at other ranges. And it is our intent at this point to analyze the viability of putting those ranges in the Northern Mariana Islands, principally the islands of Tinian and Pagan.

And the reason that it is difficult to pinpoint the specific additive cost today is that the analysis is still underway on Guam relative to the infrastructure, and we have not had an opportunity to analyze, from an EIS standpoint, and understand what mitigation may be required concerning the range possibilities in the Northern Mariana Islands.

Senator JOHNSON. General, so many strategic issues are going to be dependent on the outcome of the upcoming QDR, including the Guam buildup. What impact might the QDR have on the plan to build up our forces in Guam?

General PAYNE. Sir, that is an excellent question, and I am not one to second-guess the QDR. But I could speculate to the extent that I think it is going to give us guidance relative to potential force capabilities required on Guam in order to support the Combatant Commander.

I don't think it is going to be terribly detailed. I think it is going to address, however, the Combatant Commander's requirements and will give the Marine Corps some guidance in that regard. We do not, in any way, anticipate that it is going to negate the current plan to move to Guam and move marines and marine families to Guam.

#### NNMC AND WRAMC

Senator JOHNSON. Admiral Handley, the BRAC plan for the relocation of Walter Reed to the Bethesda Naval Medical Center campus includes two traffic mitigation projects to be funded in fiscal year 2010 and 2011. Could you outline the cost and nature of these projects?

Admiral HANDLEY. Mr. Chairman, I will have to get back to you on the specific ones within the BRAC program. That doesn't necessarily fall under my direct purview. But I do recognize that there were mitigation projects involved with the Bethesda project, and we will get those specific details to you, sir.

[The information follows:]

The Army is the BRAC Business Plan lead and funding agent for the issue outlined in this question. JTF CAPMED is the lead in administering the budget and realignment functions. The Navy is the construction agent for the Bethesda receiver site and from this perspective provides the following answer.

Traffic mitigation measures at the National Naval Medical Center will be on both the Medical Center Campus and outside the Campus gates. Improvements on Campus, including access roads, gate houses, and anti-terrorism/force protection measures as well as construction of a truck inspection station and small visitor's center, will result in enhanced access to the Campus and superior security measures. Funding for the Campus improvements is currently budgeted at \$26 million (\$18.4 million in fiscal year 2010 and \$7.6 million in fiscal year 2011). Outside the Campus gates, the Navy has worked closely with Montgomery County and the Maryland State Highway Administration to design improvements which facilitate greater access to the Campus from public transportation and major thoroughfares. DOD has committed \$1 million of the budgeted \$26 million to improve a turn lane at the Campus North Gate to provide safer access to the Campus for cross traffic on Rockville Pike/Hwy 355. Consistent with the results of the Environmental Impact Statement (EIS), the DOD has submitted a needs report to the Defense Access Road (DAR) Program requesting certification of improvements to the Medical Center

Metro Station as eligible for DOD funding. If the proposal is certified, an additional \$20 million of DOD BRAC funds would be available in fiscal year 2011 to enhance access to the station from the east side of Rockville Pike/Hwy 355.

Senator JOHNSON. How far along in planning is the proposal to connect the Metro to the hospital? If the elevator and tunnel turn out to be too difficult or expensive, is there a plan B?

[The information follows:]

The Washington Area Metro Authority (WMATA) is currently exploring a number of options to enhance access to the Medical Center Metro Station. These options include:

- No build with improvements at grade
- Elevator entrance on the east side of Rockville Pike, including improvements at grade and three high-speed elevators on the east side of Rockville Pike
- Shallow pedestrian tunnel underneath Rockville Pike approximately 30 feet in length
- Shallow pedestrian tunnel plus an elevator entrance on the east side of Rockville Pike (a combination of Options 2 and 3, without the upgraded crosswalk)
- Pedestrian Bridge crossing over Rockville Pike

WMATA is currently evaluating the business case for each of these options and vetting them with the general public. We rely on WMATA to define the way ahead while remaining convinced improvements need to be made if we expect more Medical Center staff to take advantage of the Metro option for commuting.

Admiral HANDLEY. Sir, again, my apologies for not having that one on hand today. But again, that is, as you have outlined, the current plan. I am not personally familiar with a backup plan for that but will look specifically into that and get specific details back to you and your staff.

Senator JOHNSON. With the additional funding for Walter Reed and Fort Belvoir in the supplemental, what is the target date for completion?

[The information follows:]

The Supplemental funding directed for the National Naval Medical Center (NNMC) Bethesda will support completion of the Defense Base Realignment and Closure (BRAC) Commission related construction in time to meet the BRAC mandated deadline of September 2011. At present, the major additions to NNMC Bethesda are scheduled to be complete by October 2010 thus providing adequate time to outfit and occupy these buildings prior to the BRAC deadline. Specifically, the supplemental funding for NNMC Bethesda will support the construction of the new wounded warrior enlisted quarters, a new fitness center, an additional administrative facility, and a new parking garage. These facilities, which are scheduled for completion in July and August of 2011, are needed to support the patient and staff increases that are anticipated as we move toward creation of the Walter Reed National Military Medical Center.

The construction at Fort Belvoir is the responsibility of the U.S. Army.

Admiral HANDLEY. Again, my apologies on that. I know there is a 2011 deadline, and that, I believe, as Secretary Army previously testified, that we are on track for the BRAC requirements for 2011 as well.

#### GUAM

Senator JOHNSON. General Payne, the budget request includes over \$700 million for military construction in Guam. How can Congress determine the validity of those projects without a FYDP to see how they fit into the long-range plan for Guam?

General PAYNE. Well, we certainly are understanding of the desire for a longer-range plan. But in answer to the fiscal year 2010 projects in particular, these are all projects that essentially address infrastructure needs. They are projects that include the haul road,

upgrade to the wharfs, and other infrastructure projects that, quite frankly, we think would set the stage for any growth on Guam whatsoever.

Senator JOHNSON. Senator Hutchison.

Senator HUTCHISON. Mr. Chairman, I think—I don't really have questions.

The Guam issue, I think you have covered well, and I just believe that, in general, the Navy has done well in focusing on quality of life issues. And the Marine Corps I think is doing well in preparing for its end strength increase. And so, we want to continue to monitor that and also help in every way possible.

I think the Guam issue is one that we really need to work together to plan for and assure that we are doing everything to make that transition as seamless as it can be, but I think you realize that. So we will work with you and try to accommodate that need.

Thank you very much.

#### 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 in what is likely to be a very compressed schedule.

For the information of members, questions for the record should be submitted by the close of business on May 22.

[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 DANIEL K. INOUE

*Question.* The Pearl Harbor Naval Shipyard's motto is, "We Keep Them Fit to Fight." It has a proud and storied legacy which includes the tireless work by the Shipyard's workers in the days and years following December 7, 1941. Hawaii will be in receipt of the new Virginia-class submarines. The decision by the Navy to position its latest class of submarines is attributable to the importance of stability in the Asia-Pacific region. Though our focus is trained on the Middle East, the Asia-Pacific region is home to serious concerns such as the potential of North Korean long-range ballistic missiles. To this end, the Virginia-class submarines will silently keep watch on this vast area of ocean.

Would it be fair to characterize our force's broad-spectrum capabilities as being dependant on the ability of those charged with the maintenance and upkeep? Furthermore, would it be fair to characterize the infrastructure to ensure the long-term viability of these state-of-the-art-submarines as a complementary component to the maintenance and readiness of our forces, keeping them, "Fit to Fight," and support our national security

*Answer.* The force's broad-spectrum capabilities, including those of our state-of-the-art-submarines, are strongly linked to our ability to maintain those ships. The ship depot maintenance program provides the maintenance necessary to sustain the Navy's global presence and to support the Navy's force structure goals by ensuring that ships receive the required life cycle maintenance to reach their Expected Service Life (ESL). Ship depot maintenance provides funding for ship and submarine scheduled and unscheduled maintenance conducted by both public shipyards and private sector contractors. This program directly supports the Surface Warfare Enterprise, Naval Aviation Enterprise and the Undersea Enterprise by providing units ready for operational tasking. We value the long tradition of excellence and dedication embodied by the Naval Shipyard workforce.

*Question.* I appreciate the difficult budgetary decisions that must be made with regard to military construction. The basic infrastructure that supports our war fighters and their equipment, while bereft of eye-catching appeal, provides a strong foundation for our military. Each Shipyard faces its own set of challenges, and Pearl is no different. The Shipyard's modernization plan seeks to address the challenges the industrious employees have managed to work-around. Regrettably, this is a less

than ideal situation, and I am concerned that Pearl's infrastructure needs are being continually pushed down the road. Neglecting the smaller projects places strain on existing infrastructure and the workforce, that may lead to larger more serious problems, and potentially places people at risk of injury.

The current business model seems to be short-sighted, only addressing the most immediate infrastructure problems at the Shipyard. This is not the most cost-effective way in which to ensure its longevity and viability. Could you please clarify how projects are given priority? Is the current approach more, or less, cost-effective for the Navy given the finite amount of annual resources provided for Shipyard construction?

Answer. In PB10 the Navy changed its MILCON process from a bottom-up, advocacy-based process to a top-down capabilities-based process designed to holistically integrate warfare/provider enterprise requirements. The Navy's strategic MILCON guidance is based on the Chief of Naval Operations (CNO) Shore Investment Strategic Guidance. This guidance focuses on Mission and Quality of Life/Workplace, with a goal to achieve the lowest life cycle facility costs.

Specific projects are developed at the installation level and validated regionally in accordance with the top-down guidance. The Navy assesses each prospective MILCON project through a structural model aligned to Navy priorities. This objective structural model assessment leads to a prioritized ranking of all MILCON requirements and forms the basis of the Navy MILCON program.

Shipyard projects are evaluated and prioritized in the same manner as, and with, all Navy MILCON requirements. Each fiscal year shipyard projects meet or exceed the minimum capital investment requirements of U.S.C. Title 10 Section 2476 (Minimum capital investment for certain depots). The fiscal year 2010 Budget Submission included two MILCON projects valued at \$296 million in support of Norfolk Naval Shipyard and Puget Sound Naval Shipyard and Intermediate Maintenance Facility, comprising 27 percent of the total Navy MILCON program.

#### SUBCOMMITTEE RECESS

Senator JOHNSON. This hearing is recessed.

[Whereupon, at 3:41 p.m., Tuesday, May 19, the subcommittee was recessed, to reconvene subject to the call of the Chair.]