[H.A.S.C. No. 114–16]

HEARING

ON

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2016

AND

OVERSIGHT OF PREVIOUSLY AUTHORIZED PROGRAMS

BEFORE THE

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES
ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

SUBCOMMITTEE ON READINESS HEARING

ON

ALIGNMENT OF INFRASTRUCTURE INVESTMENT AND RISK AND DEFENSE STRATEGIC REQUIREMENTS

HEARING HELD
MARCH 3, 2015

U.S. GOVERNMENT PUBLISHING OFFICE
94–218 WASHINGTON : 2015

For sale by the Superintendent of Documents, U.S. Government Publishing Office
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ALIGNMENT OF INFRASTRUCTURE INVESTMENT AND RISK AND DEFENSE STRATEGIC REQUIREMENTS

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
SUBCOMMITTEE ON READINESS,
Washington, DC, Tuesday, March 3, 2015.

The subcommittee met, pursuant to call, at 3:33 p.m., in room 2212, Rayburn House Office Building, Hon. Robert J. Wittman (chairman of the subcommittee) presiding.

OPENING STATEMENT OF HON. ROBERT J. WITTMAN, A REPRESENTATIVE FROM VIRGINIA, CHAIRMAN, SUBCOMMITTEE ON READINESS

Mr. WITTMAN. We will call to order the Subcommittee on Readiness for the House Armed Services Committee. Today's hearing is on "Alignment of Infrastructure Investment and Risk and Defense Strategic Requirements."

This is the first hearing of the 114th Congress. I would like to welcome back our returning members, especially the gentlewoman from Guam, Ms. Madeleine Bordallo. Thank you so much.

As our ranking member she has done a fantastic job, and I look forward to another Congress where we can continue to work together and get great things done to solve the complex problems that we face in this nation's military readiness.

And I want to welcome our new members here today as well. And I won't go name by name, but I look forward to working with each of you. And we have some very important and challenging issues ahead for us this year.

For this hearing I would like to welcome our distinguished panel of experts. This afternoon we have with us Mr. John Conger performing the duties of the Assistant Secretary of Defense, Energy, Installations and Environment; Ms. Katherine Hammack, Assistant Secretary of the Army, Installations, Energy and Environment; Mr. Dennis McGinn, Assistant Secretary of the Navy, Energy, Installations and Environment; and Ms. Miranda Ballentine, Assistant Secretary of the Air Force, Installations, Environment and Energy.

And this hearing today is critically important in helping us understand and evaluate this year's infrastructure budget as it relates to readiness. Although we recognize that the Bipartisan Budget Act of 2013 provided some release over the last 2 years, even if funded at the current President's budget request level, the Department continues to take risk in infrastructure in its effort to balance force structure, modernization, and readiness.

The infrastructure budget that we have before us today includes $8.4 billion for military construction, family housing and BRAC [base realignment and closure]; $10.8 billion for facilities sustainment, restoration, and modernization, representing 81 percent of the total sustainment requirement; and a request for an additional round of base realignment and closure with a $10.5 million request for BRAC analytical efforts.

As the witnesses today testify, I would ask that you address the following questions. How has the Department aligned infrastructure investments with the long-term defense strategic requirements? What level of risk in installations has the Department taken on? And what mitigation efforts has the Department implemented or plans to implement in the installations portfolio?

I would like now to turn to our ranking member, Madeleine Bordallo, for any remarks that she may have. Madeleine, thank you very much.

[The prepared statement of Mr. Wittman can be found in the Appendix on page 37.]

STATEMENT OF HON. MADELEINE Z. BORDALLO, A DELEGATE FROM GUAM, RANKING MEMBER, SUBCOMMITTEE ON READINESS

Ms. BORDALLO. Thank you, Mr. Chairman. And I too—it is an honor to serve with you again as the ranking member on the Readiness Subcommittee. And I thank all of our witnesses for their testimony today.

This committee's focus is on the readiness of our armed services. Though sometimes overlooked, the Department's infrastructure is the platform from which it generates the military readiness. The airfields our military operates from, the ranges where they train, and the facilities that support the maintenance of weapons systems all contribute to the overall readiness of the force.

In recent years the amount of investment in infrastructure has assumed a certain level of risk due to budget pressures placed on the Department. And this has meant deferring maintenance of facilities and postponing the recapitalization of aging infrastructure.

As this committee begins its review of the President's budget request for fiscal year 2016, I am encouraged to see the increased level of investment in our military's infrastructure, especially to support the rebalance of the Asia-Pacific region.

However, if we are to sustain and continue this important investment, it is absolutely critical that Congress removes the Budget Control Act. Failing to repeal sequestration will undermine our Nation's military, including these infrastructure investments.

The current budget proposal already assumes a level of risk. But going below these levels is simply, simply unacceptable. These infrastructure investments support the Department's ability to generate readiness. And we have placed significant risk on future readiness by delaying needed maintenance and recapitalization of our facilities over the last several years.

The President's budget is a step in the right direction. But we cannot let the investment go below that level.

So I am encouraged by the progress being made in the realignment to the Asia-Pacific region, and I believe there are important

investments to support this strategy in the fiscal year 2016 budget submission.

In cooperation with the government of Japan, a steady stream of funding has been programmed to support the realignment of Marines from Okinawa to Guam, and the infrastructure investments associated with the move. And I fully support this continued effort.

And with that, I yield back, Mr. Chairman. And I look forward to the testimonies of our witnesses.

Mr. WITTMAN. Thank you so much, Ms. Bordallo.

Witnesses, as you can see from the length of mine and the ranking member's opening statement, we intend to keep today's opening statements brief. So I would ask, if you would, if you have an opening statement, we will take everything that you have for the record. But I would ask that in your opening statements that you keep things brief and to the point so that we can maximize the interaction between members and our witnesses.

Mr. Conger, we will begin with you.

STATEMENT OF JOHN CONGER, PERFORMING THE DUTIES OF THE ASSISTANT SECRETARY OF DEFENSE, ENERGY, INSTALLATIONS, AND ENVIRONMENT

Mr. CONGER. Chairman Wittman, Ranking Member Bordallo, distinguished members of the subcommittee, I appreciate the opportunity to discuss the Department's fiscal year 2016 budget request for energy, installations and environment.

My written statement addresses the budget request in detail. So instead of summarizing it, I would just like to raise two topics for you to consider as we enter into today's discussion.

First, we cannot contemplate the budget request without considering the context of the Budget Control Act [BCA] caps. The Department submitted a budget request that was $35 billion higher than the caps and $38 billion higher than last year. Forcing us to adhere to the caps would have reverberations across the budget.

The President's budget request includes a significant increase for facilities over last year's request. That is nearly $2 billion increase in MILCON [military construction] and $2.5 billion in facilities sustainment and recapitalization.

Legislation will be required to provide relief from the BCA caps. And the relief provided—like the relief provided by the Bipartisan Budget Act a couple of years ago.

If you must adhere to the BCA caps, Congress will have to cut $35 billion from our request, and that will certainly have—it will certainly have to consider cutting funds from the request for facilities.

The second topic that I wanted to raise for your consideration as we go forward is BRAC. It should be no surprise that we are again requesting authority to conduct a BRAC round.

As we deal with this constrained budget environment, with considerable force structure decreases since 2005, we must look for ways to divest excess bases and to reduce the cost of supporting our smaller force structure. A few key points I wanted to lay out in support of our request for BRAC.

First, the Army and Air Force have done analyses indicating that they have 18 percent and 30 percent excess capacity, respectively.

And I will note that the Army's analysis is based on a 490,000-soldier figure, not the projected 450,000. This aligns with our prediction based on the analysis performed in 2004 that we have significant excess capacity that would point to the need to have a BRAC round.

Second, partially in response to Congress's urging, we conducted a BRAC-like review of European facilities, delivered to Congress in January of 2015, which we project will save more than $500 million annually once implemented. I would be happy to discuss that as well.

And third, in this budget environment a new BRAC round would have to be focused on efficiencies. I know BRAC 2005 was unpopular. But the recommendations from that round that were designed to save money, did.

And the reason that the round cost so much was because we accepted a large number of recommendations that were not designed to save money. If you break out the roughly half and half of the recommendations, half of the recommendations were not designed to save money within 7 years.

Those cost $29 billion and only had $1 billion of recurring savings annually. That is not based on a business case. That was based on things that we decided we needed to do.

The other half of the recommendations were designed to save money, and they cost $6 billion and returned $3 billion a year annually. Spending $6 billion to get $3 billion a year, that is a good business case. And what that shows is when we do try to save money, we can.

The new issue that I have heard raised this year is that we can't expect Congress to pass our legislative proposal for BRAC because it mirrors the 2005 BRAC legislation. I understand the reality that no matter how many times the administration asserts that a future BRAC round will be about cost savings, Congress may want more than just our assurance. We can't just say trust us.

And so let me be clear. We are open to a discussion on this point. And I would like to solicit your suggestions as to specific changes in the BRAC legislation that would make it more acceptable. We want to know what would address your concerns.

Thanks for the opportunity to testify. And I look forward to the discussion.

[The prepared statement of Mr. Conger can be found in the Appendix on page 39.]

Mr. WITTMAN. Thank you, Mr. Conger.

Ms. Hammack.

STATEMENT OF HON. KATHERINE HAMMACK, ASSISTANT SECRETARY OF THE ARMY, INSTALLATIONS, ENERGY, AND ENVIRONMENT

Secretary HAMMACK. Chairman Wittman, Ranking Member Bordallo and other members of the committee, thank you for the opportunity to discuss the Army's 2016 military construction budget.

The velocity of instability around the world has increased. And the Army is now operating on multiple continents simultaneously in ways unforeseen a year ago. Although we believe we can meet

the primary missions of the Defense Strategic Guidance today, our ability to do so has become tenuous.

Fiscal challenges brought on by the Budget Control Act strain our ability to bring into balance readiness, modernization and end strength. Even as demand for Army forces is growing, budget cuts are forcing us to reduce end strength and base support to dangerously low levels. We face a mismatch between requirements and resources.

Although for 2016 the Army is asking for a 26 percent increase from fiscal year 2015 in military construction, family housing and the base closure activities, our $1.6 billion request is a 33 percent reduction from 2014 and a 55 percent reduction from 2013.

As force structures decline we must rightsize the supporting infrastructure. We must achieve a balance between the cost of sustaining infrastructure and Army readiness.

Degraded readiness makes it more difficult for us to provide for the common defense. The BCA increases risk for sending insufficiently trained and underequipped soldiers into harm's way. And that is not a risk our Nation should accept.

We need a round of base closure and realignment in 2017. Without a BRAC and the realized cost savings, the only alternative is to make up for shortages in base funding by increasing risk in readiness.

We conducted a facility capacity analysis, as John Conger mentioned, based on our 2013 audited real property data, and determined that our excess facility capacity will be 18 percent when we reach 490,000 at the end of this year. As we shrink further, more excess capacity is created. We must size and shape Army facilities for the force we support.

The European Infrastructure Consolidation [EIC] review addressed excess capacity in Europe. For the Army an investment of $363 million results in annual savings of $163 million, which is less than a 3-year payback.

We are now facing critical decisions that will impact our capability and capacity for the next decade. It is important that we make the right decisions now. Without savings from a BRAC round, the risk is that the installations will experience larger cuts than would otherwise occur.

We look forward to working with Congress to ensure the Army is capable of fulfilling its many missions. And on behalf of soldiers, families, and civilians in the best Army in the world, thank you for your support and the opportunity to discuss the Army's budget. I look forward to your questions.

[The prepared statement of Secretary Hammack can be found in the Appendix on page 64.]

Mr. WITTMAN. Thank you, Ms. Hammack.

Ms. Ballentine.

STATEMENT OF HON. MIRANDA A.A. BALLENTINE, ASSISTANT SECRETARY OF THE AIR FORCE, INSTALLATIONS, ENVIRONMENT, AND ENERGY

Secretary BALLENTINE. Chairman Wittman, Ranking Member Bordallo, esteemed members of the committee, it is my honor and

privilege to be here to testify before you today to discuss the Air Force's installation, environment, and energy budget.

I thank you for your support in giving the Air Force much needed relief in 2014 and 2015 from untenable sequestration levels. Without Budget Control Act relief in fiscal year 2016, the risk assumed to Air Force infrastructure could have sober impacts to Air Force readiness. The Air Force strives to ensure airmen have ready installations, resilient environmental infrastructure, and reliable energy.

As of today I have been on the job for 135 days. I have visited 10 bases in those 22 weeks. And I have looked at hundreds of facilities where our aircraft are maintained, where our airmen work, and where our military families live. And from those travels I can tell you there is more we can do to improve the affordability and viability of our installations, which today are simply too big, too old, and too expensive to operate.

The Air Force has about 30 percent excess infrastructure capacity, as Mr. Conger alluded to. Our facilities have an average age of 40 years old, and many are much older. In fact about a quarter are over 50 years old. And if you combine excess infrastructure capacity with aging buildings, the bottom line is that our facilities and installations are simply too expensive.

When facing unaffordable installations, there are really only two ways to get at the problem. You can either spend more money on them or you can make them cost less. It is a pretty simple equation.

Therefore, rather than living with forced sequestration levels, we are requesting installation budget figures in fiscal year 2016 substantially closer to what we need. And the Air Force is supporting OSD's [Office of the Secretary of Defense] request for a base realignment and closure round in 2017, which will allow us to comprehensively, transparently align installation and infrastructure with our mission imperatives.

The fiscal year 2016 budget that the Air Force is requesting allows us to begin to chip away at the backlog of infrastructure recapitalization needs and maintenance that has contributed to the degradation of our combat readiness. Our $1.6 billion fiscal year 2016 MILCON request is more than 65 percent higher than last year. Our $3.2 billion PB [President's budget] 2016 request for FSRM [facilities sustainment, restoration, and modernization] is more than 35 percent higher than last year.

In addition to MILCON, O&M [operations and maintenance], and BRAC, I am also really excited about accelerating the use of additional tools to help our installations be more affordable. Tools like enhanced use leases have proven successful in leveraging other resources to meet our requirements.

Power purchase agreements and energy service performance contracts have helped the Air Force cut electricity prices and get renewable energy with no capital outlays. Community partnerships, which you may know as P4 from some of your communities, allow us to leverage the resources and capabilities of our community members.

Taken together, improved MILCON and facilities O&M budgets, plus BRAC, and the range of other tools and programs that I have

described really make me optimistic that we can restore the Air Force infrastructure to the place it needs to be.

Chairman, Ranking Member Bordallo, members of the committee, thank you again for the opportunity to represent America's airmen today. And I ask for your full support of the fiscal year 2016 request, and look forward to taking your questions.

[The prepared statement of Secretary Ballentine can be found in the Appendix on page 85.]

Mr. WITTMAN. Thank you, Ms. Ballentine.

Mr. McGinn.

STATEMENT OF HON. DENNIS V. McGINN, ASSISTANT SECRETARY OF THE NAVY, ENERGY, INSTALLATIONS, AND ENVIRONMENT

Secretary MCGINN. Chairman Wittman, Ranking Member Bordallo, members of the committee, thank you for the opportunity to present the Department of the Navy, Navy and Marine Corps' shore readiness overview.

The difference between requirements and resources equals risk. And I think the focus that, Mr. Chairman, you laid out is right on the mark. We need to assess how much that risk is, how it manifests itself, and what we can do to mitigate it.

I am glad to report that in our budget submittal for this year we are starting to make progress in addressing the delta between our requirements and our resources. However, we still have a ways to go. And there are risks that persist.

As Ranking Member Bordallo pointed out, these installations do represent the jumping off platform and the place you come home to after going to serve our Nation's security in all parts of the world.

And our Navy and Marine Corps team deserve the absolute very best in terms of mission readiness that is delivered through our shipyards, our readiness centers, our bases that support them, in many cases in real time while they are conducting operations overseas in combat.

So thank you again for holding this hearing. And I look forward to your questions.

[The prepared statement of Secretary McGinn can be found in the Appendix on page 98.]

Mr. WITTMAN. Thank you, Mr. McGinn.

In the interest of making sure that we get to all of our committee members today for questions I am going to delay my questions until the end. And we will go now to Mr. Bishop.

Mr. BISHOP. Thank you, Mr. Chairman.

I appreciate all our guests being here. I appreciate your testimony. There are many things upon which I think we can agree. And you have also given us a chance to say no again. So I appreciate that testimony.

Ms. Hammack, if I could address you with a parochial issue I would appreciate that opportunity. As you know the DGRC [Defense Generator and Rail Equipment Center], the rail facility at Hill Air Force Base in my district, I have not heard much from that lately. Are the negotiations progressing in moving that antiquated facility?

Secretary HAMMACK. No. The Army has no plans to move the DGRC that is currently located——

Mr. BISHOP. Okay.

Secretary HAMMACK [continuing]. At Hill Air Force Base.

Mr. BISHOP. Thank you. Thank you for the answer. Not a good answer, but I thank you for the answer.

As you know, the enhanced use lease project is going to create another 15,000 jobs, hopefully that will give us a chance to force train re-modernize that particular base. As you understand, let me just show you. This area is your facility right through here.

[The chart displayed by Mr. Bishop can be found in the Appendix on page 115.]

Mr. BISHOP. This is obviously what Utah Transportation Authority is going to have to do to go around you at a great deal of expense, obviously, to the State of Utah. But what that does, if you can see, is it puts you outside the parameter of the gate, which simply means that there will have to be an additional gate for that facility which would require additional guards 24/7.

Hill does not have for this Army facility on an Air Force base—they are not the—Air Force is not giving additional manpower billets to Hill. So how does the Army want to help account for this extra requirement and cost that building a new gate as well as facilities and maintenance of that particular area?

Secretary HAMMACK. The Army does not have the budget to move that mission and there is no military reason to move the mission.

Mr. BISHOP. Well, let me—oh, good. I am glad you said that because the Army Corps of Engineers recently did a study and they estimated the cost of relocating to Anniston, minus personnel costs, would be approximately $11 million.

However, I understand that you are planning in your budget to appropriate $11 million to fix up the rails that are going into that antiquated building, just the rails alone, not the building itself.

The Army Corps also did in their study said that you would recoup that money within 11 years if you are actually moving that into a modern facility that can actually meet the needs of the Army.

So since you are going to spend the amount of money one way or the other, why would you actually—why in the world would anyone want to spend that much money for the rails into an antiquated facility when you can actually get a better facility if you just spend the money the first way of moving it, which is the right thing to do? Why in heaven's name would you not want to do that?

Secretary HAMMACK. The cost to move is estimated at $17 million.

Mr. BISHOP. That is not what the Army Corps of Engineers did in their study. It is $11 million, $11 million. You are spending the same amount of money.

Secretary HAMMACK. And the cost——

Mr. BISHOP. Why are you still so stubborn about this?

Secretary HAMMACK [continuing]. To fix the tracks is estimated around $9 million.

Mr. BISHOP. Once again that is not what the study came up with.

Secretary HAMMACK. We seem to have different numbers. Right now——

Mr. BISHOP. We certainly do.

Secretary HAMMACK [continuing]. There is no military reason to move the mission off of Hill Air Force Base where it has been since the 1940s.

Mr. BISHOP. Then how are you going to fund the extra gate, the extra manpower, the extra maintenance equipment? How are you going to fund that? Or are you just going to shove that onto the Air Force so they have to fund the extra stuff.

Secretary HAMMACK. Currently the enhanced use lease has not moved into this area. They have not developed this area. And we have not seen a timetable for their planned development.

Mr. BISHOP. Ms. Hammack, you know it is moving to that area. We have the timetable. We have the plans. You have seen that not only from the State, but also from the Air Force.

You still are not moving that. If you are going to spend $11 million one way or the other, why not do it the intelligent way?

And maybe you can tell me from whence is this $11 million coming in the first place? What pot have you found that to try and redo the rails and only the rails going into an old building?

Secretary HAMMACK. The rail improvement has to do with life, health, safety reasons for the current mission at Hill Air Force Base.

Mr. BISHOP. So from what pot of money is that coming?

Secretary HAMMACK. It is coming from sustainment, restoration, and modernization.

Mr. BISHOP. So you couldn't use that to actually put it into a new modern facility that would recoup its benefits within 3 years?

Secretary HAMMACK. No. That would take military construction and we don't have the budget to move that mission——

Mr. BISHOP. Oh. So you can't move money from one budget to another one? You insist on finding a way from moving your—from moving the same amount of money from one pot to the other pot. Is that what you are telling me?

Secretary HAMMACK. I would say if you approve a BRAC this would be something that would be——

Mr. BISHOP. If we approved a BRAC nothing would change at all. If you have got the money, you have got the money. If you don't have the money, you don't have the money.

But this is one of those things that I don't understand the stubbornness of the Army in not looking at the broader issue and realizing there is a better way of doing this.

And with that, if you have a response that is going to make me happy within the next 34 seconds because that is all I got, go for it. Otherwise, I will still be mad.

I will still be mad. I yield back.

Mr. WITTMAN. Thank you, Mr. Bishop.

Ms. Bordallo.

Ms. BORDALLO. Thank you, Mr. Chairman.

Secretary McGinn, I have a question for you. Can you give me an update on the expected release date of the final supplemental environmental impact statement, and the record of decision regarding the Marine realignment?

And the second part of the question also can you comment on why the Navy has requested funds for the live-fire training range at Northwest Field, even though the NEPA [National Environmental Policy Act] process has not concluded yet?

Secretary MCGINN. I will answer the second question first. We have requested those funds in anticipation that the NEPA process will have been completed, in order to execute those funds in fiscal year 2016.

The process leading us through the supplemental environmental impact statement is going well. We anticipate being able to sign a record of decision no later than the end of this spring. And we are working very, very closely with other Federal entities to make sure that there aren't any showstoppers between now and then.

As you know, there has been a lot of work that has gone into this, a lot of analysis. But I feel confident at this point to say that we will bring the process to a successful conclusion and we will have a record of decision. And we will be able to execute those funds for the live-fire training facility.

Ms. BORDALLO. Thank you very much.

Mr. Conger, can you give us an update on the EAC [Economic Adjustment Committee] process regarding impacts to Guam associated with the Marine realignment? And can you discuss the findings and the results of last year's meeting? Has anything changed regarding civilian infrastructure requirements over the past year?

Mr. CONGER. Sure. So as you recall, last June we had a formal EAC meeting, Economic Adjustment Committee meeting. It is a Federal interagency meeting. You were there. The governor sent remarks. And we were able to discuss the fact that the plan has significantly changed.

The impacts are going to be significantly reduced. But we needed to still assess what those impacts were going to be and come up with cost estimates for how we were going to be able to mitigate the impacts that we were going to have through the rebasing action that we were contemplating.

That analysis is ongoing. But based on what I have seen preliminarily, the cost will be significantly less than what we were originally projecting based on the original EIS [environmental impact statement]. I think that makes sense. When you significantly reduce the footprint you are going to have significantly smaller impacts.

I think the Department is committed to mitigating the impacts that we have. But the final study with those cost estimates will not be released until or approximately the same time as the ROD [record of decision] comes out, because we want them to agree.

We are working in conjunction with the folks working the supplemental EIS. And they are going to be synergistic documents.

Ms. BORDALLO. Thank you very much.

And Mr. Chairman, I have a couple other questions. But if we do a second round I will continue. So I yield back.

Mr. WITTMAN. Thank you. We will definitely do a second round.

We will now go to Ms. Stefanik.

Ms. STEFANIK. Thank you, Mr. Chairman. Thank you to all the witnesses here today. My question is for Ms. Hammack.

Noncommissioned officers [NCOs] are the backbone of the armed services. They are responsible for executing missions, training younger enlisted service members, and guiding young junior officers.

NCOs are such a strategic feature in the U.S. Army. And the President's fiscal year 2016 budget permits the construction of an NCO training center at Fort Drum in New York's 21st District, which I have the honor of representing.

The academy will be built in place of the current dilapidated World War II-era buildings. Regrettably, this imperative project runs the risk of being cancelled due to sequestration and the Budget Control Act.

Can you share with the other members here today other examples of failing Army infrastructure due to fiscal year 2013 sequestration, or lack of maintenance and modernization efforts, or potential projects or missions that will be discontinued?

Secretary HAMMACK. Thank you for the question. You are absolutely right. Due to the impacts of sequestration in fiscal years 2013 and 2014, we have an increasing number of failing facilities.

Right now 7 percent of Army's facilities are in failing condition, yet they still have operating units in them. Twenty-four percent of Army facilities are in poor condition. And the number of failing or poor increases every year.

Sustainment is the lowest cost method of maintaining a building. You sustain it. If you do not sustain a building properly, if you underinvest, then it falls into restoration and modernization.

Instead of fixing one leak you have to replace a roof. It is much more costly. And so we saw a 9 percent increase in requirements for restoration and modernization directly due to impacts of underfunding in 2013 and 2014 due to sequestration.

The risk is, though, as we do not have enough money in restoration and modernization, you increase those buildings that are failing, and those are the ones that have to be replaced with MILCON, which is even a much higher cost. So we are increasing the cost for future generations due to sequestration right now.

Ms. STEFANIK. My follow-up question, you just stated the high percentage of installations that are in failing condition or poor condition. As we continue to have this conversation about BRAC, shouldn't the Army be doing its job and investing in installations that are in poor or failing condition?

Secretary HAMMACK. The Army is working to invest in failing facilities. As a matter of fact, some of the projects that are on the MILCON list for fiscal year 2016 are to replace failing facilities. One is the wastewater treatment plant at West Point. And so the low amount of dollars we have we are using to invest in failing facilities.

The challenge is that facilities are failing at a rate faster than we are being funded. So we get into a requirements-versus-resources issue. We are underfunded and we have more requirements than the budget is allowing us to fix. So that results in an increasing number of failing facilities.

Ms. STEFANIK. For the record I want to state my support of the construction of the NCO training center at Fort Drum. Thank you for the answers to the question. I do believe that we need to be fo-

cused on making sure that our poor or failing condition installations receive the funding that they need, especially Fort Drum.

And I yield back.

Mr. WITTMAN. Thank you, Ms. Stefanik.

We will now go to Mr. Courtney.

Mr. COURTNEY. Thank you, Mr. Chairman. And thank you to the witnesses. First of all I just want to again publicly acknowledge Mr. McGinn, your work with the State of Connecticut at the Groton sub [submarine] base.

The microgrid project, which is a collaboration between the State government, private utility stakeholders, as well as the Navy, is in my opinion the model for how to sort of deal with that basic infrastructure, particularly for coastal areas where climate change is going to require hardened sources of energy. Again, you have been doing great work and it is much appreciated.

During the testimony this afternoon your colleagues were pretty specific about analysis that was done to identify excess capacity. I think it was 30 percent in the case of the Air Force, Ms. Ballentine, and Ms. Hammack it was 18 percent.

Your testimony didn't include that kind of analysis. And I am curious whether the Navy has looked at a similar projection that you could share.

Secretary MCGINN. We have not yet done a capacity analysis. As you may know, starting in 1991 with the very first BRAC, the Department of the Navy, and since then, has closed 56 major installations. We have closed overall all installations over 250.

As a result, the match of our force structure, our end strength, and our facilities is a little bit closer, perhaps, than my colleagues in the Army and the Air Force. However, we would welcome a BRAC and its disciplined analysis in which we are able to make business cases for having the alignment right or not.

But we are prepared, and we worked very closely with Mr. Conger and his staff, and coordinate with my service counterparts to make sure that we are using the best tools available to determine if we do have excess capacity.

Mr. COURTNEY. So, again, looking recently Admiral Greenert when he was asked about BRAC, and I am quoting him right now, "I am always open to a BRAC. It is a good process. But I am satisfied with the Navy's infrastructure as it exists today, base infrastructure, in that in the Navy I am satisfied with my base laydown there in that regard."

So again, just so I understand better the value of a BRAC to the Navy. It is really just kind of a stress test? Or you know——

Secretary MCGINN. It—that is a good analogy I think, a stress test. And I would say that had we not had prior BRAC rounds, we would be in really, really rough shape in terms of our shore readiness, our infrastructure mismatch. And I think that is the case certainly across the whole Department of Defense.

So we would welcome it. We always look for ways to do the right thing in terms of matching the resources where they can do the most good in terms of readiness outcome. But—and we are prepared to participate fully in another round of BRAC.

Mr. COURTNEY. Okay. Thank you for your answer.

Mr. Conger, in your testimony, which I didn't get a chance to get around to, you talked about housing issues that you are in charge of or overlooking. The privatization of base housing has been, in my opinion, a great success.

The transformation that has occurred at the Navy base in Groton, which again, was actually kind of disgraceful in terms of the conditions that sailors and their families were living in, has been just again completely changed because of the infusion of new capital that the developers have sort of brought to the table.

But I would just share with you. There is one unintended effect, which is again the terms of these developments is that, again, military personnel get first dibs. Federal employees get second dibs. And if there are unoccupied units then the units are made available to nonaffiliated families.

In Groton right now there are about 100 to 130 schoolchildren that are attending Groton schools because the development is property tax exempt. And they get no Impact Aid because they don't fall into the Impact Aid sort of classification. The host community ends up taking the hit in terms of the per pupil expenditure for schools there.

And I am on the Education Committee. We looked at this question a little bit in terms of the ESEA [Elementary and Secondary Education Act] bill. It is not something that really is ripe yet for an amendment.

But we are working with the Impact Aid community out there. And I hope, again, we can reach out to you and your staff in terms of trying to get an acceptable situation.

The host communities are doing the right thing educating these kids when their parents are off serving the country. And we should make sure that again, they don't get sort of left holding the bag in terms of the cost of that. And with that, I would yield back.

Mr. WITTMAN. Thank you, Mr. Courtney.

And now we are going to go to Mr. Nugent.

Mr. NUGENT. Thank you, Mr. Chairman.

And one of the questions—and I am not as some of my colleagues are absolutely opposed to BRAC. I am not. But I haven't been convinced that we are in a position—I see the numbers. I—particularly I know the Army's numbers in regards to reductions.

What I am concerned about is 3 years from now, 4 years from now we change the metric and we change where we are with regards to reduction of forces. Because I think that most of us on Armed Services agree that we are not in a good spot in regards to our force structure.

So putting all that into place that we actually could be above those numbers or equal to the numbers that we are at this year, how do you fix that so you are not coming back here 4 years from now or 5 years from now saying oh my gosh, you know, you all got your act together. You got rid of sequestration. We are actually funding the military at the proper level. And now we need more capacity. How do you assure us of that?

Secretary HAMMACK. When we look at BRAC we look at many different factors. And we also look at a 20-year force structure plan. But if you think back, the Army at World War II was a force of

8 million. We built warehouses and barracks and office buildings and training locations for a force of 8 million.

And through the years we have reduced our excess infrastructure. But we have excess infrastructure left over from World War II, whether they are barracks or office buildings or dining facilities or stuff that we have never completely sized down to a force of 490,000, which is where we will be at the end of this year.

Mr. NUGENT. So if we go back to 562,000, let's just say, for the sake of argument, if you resize your capacity in housing and structures, how is that going to affect us if we do go back to that number?

Secretary HAMMACK. There are many different things that we can do. One of the highest military values is training lands, land on which you can train soldiers. When you talk about housing soldiers, there are many different ways to house soldiers. Whether you are talking about tents or whether you are talking about two per room.

In the last 10 years we have doubled the size of a dorm or a barracks room to the point where you can put a bunk bed in there and it can be just as comfortable as a dorm room at a university. So we have the surge capability to expand and contract the Army.

What we want to do is what we did in the European infrastructure analysis, which is consolidate to our most critical, most important assets to give us that flex capability to better manage the budgets that we have. Otherwise we are spreading a smaller budget across the same number of installations. And when you underman or when you have empty buildings they decay faster than occupied buildings.

We would like to put some of these buildings into productive reuse in communities. And if you look at BRAC there are many success stories in communities where there are now community colleges or business parks.

One is in Massachusetts, Fort Devens where there is now a movie studio. There is a billion-dollar Behr manufacturing plant. The Guard and Reserve are using the training lands. The old cantonment area, there is a new hotel in there. There are restaurants in there.

It has turned into a very vibrant business park. And it supports the Reserve and Guard mission. So I think there are many opportunities for us to become more efficient in our real estate so that we can continue to support the military for the long term.

Mr. NUGENT. I would hope it would not—BRAC, if it ever gets to that point, that the training facilities is paramount. I have three sons currently in the Army, two Active Duty, one National Guard Black Hawk pilot. And their ability to have those areas is paramount to their mission.

And I just want to give you a side note. When my older son came back from Afghanistan, and I want to say it was 2008–2009, back to Fort Bragg, and there was a huge, if you remember, there was a huge uproar because they were supposed to come back to new barracks and they came back to the same junk that they were in when I saw my son off, my wife and I.

So what you have done, though, has been remarkable. I will tell you the privatization at Fort Rucker and other areas where I have

had other—my other sons at, they have done an excellent job. I will give you credit that you have really done a good job in those areas.

So I want to thank you for that. And I yield back.

Mr. WITTMAN. Thank you, Mr. Nugent.

And we will now go to Mr. O'Rourke.

Mr. O'ROURKE. Thank you, Mr. Chairman.

I wanted to begin by asking Ms. Hammack to follow up on a comment that she made. It seemed like you were providing us a choice between sustaining infrastructure that we might not need and readiness. And I would like you to sharpen that point, if you will, and tell us just exactly what is at stake in terms of the readiness.

Secretary HAMMACK. What is at stake in readiness is our ability to fund training, our ability to ensure that soldiers are trained and equipped. So when we look at our budget it is a balance. And as we are reducing force structure, we can't reduce force structure at the same pace as we are asked to reduce budgets.

So then you look at reducing training. Well, we don't want to deploy an untrained solider. Then you look at reducing equipment. But we don't want to underequip a soldier.

And so the last part of the budget pot is sustainment on our installations. And we have cut that to bare bones level. We are right now maintaining or sustaining our installations to life, health, safety levels.

Mr. O'ROURKE. Can you—you also touched upon this, but I wondered if you have some numbers to really drive it home. You talked about the cost of deferred maintenance.

You know if you are going to patch a leak in the roof in year 1 and you don't and you wait until year 10 and you have got to replace a whole roof. What—in numbers what is that costing us, that opportunity to fix it today versus waiting for it to metastasize 10 years down the road?

Secretary HAMMACK. Let me give you a scale of costs. If you think just bare sustainment in a building, and that is just the structure itself, it is about $0.30 a square foot. If you don't patch that leak in the roof and you now have to replace the roof that gets to about $30 a square foot. If you don't fix the roof in time and the structure decays and you have to replace it, that is $300 a square foot.

So the lowest cost is to adequately sustain a building. But right now we are $3 billion backlog with 5,500 major work orders in sustaining Army installations.

We do not have the funding to sustain installations because we are putting our funding into training and equipping and maintaining the force so that we can do the missions asked of us by this nation. It is a tough decision.

We are not maintaining the installations the way I would like to. We are not sustaining the installations the way I think we should. But we are deploying our soldiers the way I think we should.

Mr. O'ROURKE. We are supposed to be down to a force of 450,000 by 2017?

Secretary HAMMACK. 2018; 490,000 by the end of this year and then by 2018 down to 450,000, which has risks associated with that.

Mr. O'ROURKE. What happens if we don't do anything, if we don't follow these recommendations, if we don't ultimately address the 18 percent of overcapacity that you have within the Army?

And I guess what I am getting at is will there be a recommendation for a further drawdown so that the force that we do have is ready, albeit smaller, and at a level where we are sustaining the infrastructure? Is that potentially a choice that we are looking at down the road?

Secretary HAMMACK. The risk right now, we are doing an analysis, a Supplemental Programmatic Environmental Assessment to see where we would take the cuts in manning to go down to a force of 450,000. Some bases we are evaluating cuts of 15,000 personnel, both uniform and civilian.

So if you have a base of 30,000 and we take a cut of 15,000 in order to live within the resources we have, that means fully 50 percent of the structures on that base could be underutilized or empty or decaying to a point where they are failing. So they have no use to the community and they have no use to the Army. And if we ever have to surge, we would have to rebuild and build new.

Mr. O'ROURKE. Thanks. That helps me to better understand this issue. And before I yield back to the chair I just want to thank you for your accessibility and responsiveness on issues that we have brought to your attention in the 2 years that I have been here. We really appreciate your support at Fort Bliss.

With that, I yield back to the chair.

Mr. WITTMAN. Thank you, Mr. O'Rourke.

I just want to get a perspective question here. I think it is the right time. To Mr. Conger, can you tell me from the 2005 BRAC when you expect to accrue positive savings from that BRAC?

Mr. CONGER. So we are accruing approximately $4 billion of savings a year. The investment that——

Mr. WITTMAN. Net for the entire period of time. Tell me when you will recover what you spent for that BRAC.

Mr. CONGER. So based on the $35 billion of investment and $4 billion of recurring savings, it nets out in 2018. I will note, however——

Mr. WITTMAN. 2005 to 2018 is—I am not a good mathematician, but 13 years.

Mr. CONGER. Yes. The implementation period does not have the spend evenly across. That doesn't—the savings was not $4 billion a year from the beginning, but it was from the end. There was a factor in the middle of that. But the figure is 2018 for the breakeven point.

Mr. WITTMAN. In a proposed—if you were given permission to pursue a BRAC, tell me the savings that you would accrue within the Fiscal Year Defense Plan, better known as the FYDP, in other words, money that you can actually plan to spend.

Mr. CONGER. So we have done a projection. Obviously everything depends on the specific recommendations. But we have a projection that we are using for planning.

And within that projection we expect to spend—and oh, by the way, we based it on the kind of inefficiency BRAC round that we anticipate that includes the ones we did in the 1990s and the effi-

ciency recommendations from the 2005 round. That kind of pattern, spend plan.

We expect to spend approximately $6 billion within the scope of that 6-year period. And we expect to recoup approximately $6 billion in savings within that 6-year period, and $2 billion a year from then on out. That is based on a 5 percent infrastructure reduction.

So I would also note that, to address the previous question, if we anticipate that we have 20 percent, whatever the—18 percent to 30 percent of excess, that is not—we are not proposing to eliminate all of the excess. This is the lowest military value property that we have that we would target.

Mr. WITTMAN. So your net would at best be questionable within a period of time where you could actually save the dollars. And if you are going to use the same spend plan assumptions that you used in 2005, which underestimated costs, overestimated savings and took 13 years to accrue savings, it is questionable at best about the dollars that would be available within the FYDP.

So the assertion that those dollars would be available for readiness I believe certainly leaves much for analysis to consider what would actually be able to be planned to be spent in readiness accounts.

Mr. CONGER. I think it is fair to say that we would not complete the implementation of a BRAC round within the scope of a FYDP because by definition it takes longer.

Mr. WITTMAN. Yes. And there is a lot of money that has to be spent up front in order to get a BRAC going——

Mr. CONGER. You spend money to save money. There is no question about that.

Mr. WITTMAN. Yes. But asserting, like Ms. Hammack did, that somehow that tomorrow our men and women in uniform are going to get that training because we are going to start to close bases I think is a bridge too far.

With that, we will go now to Mr. Gibson.

Mr. GIBSON. Well, thanks, Mr. Chairman. And appreciate the panelists being here.

After 13 plus years of war we are now looking to reset the force, restore some full-spectrum capabilities, enhance our ability to strategically maneuver. And so my question is going to be about the Global Response Force.

My last year, which was in 2010, I culminated as the 2nd Brigade commander of the 82nd. We were the ground component for the Global Response Force. A lot to be proud of there in many ways, but underwhelmed by our ability as a country to sort of pull together and support strategic maneuver from an installation platform perspective.

So, Mr. Conger, I am interested to know you know—and to illustrate you know we have Pope—we had Fort Bragg and then we had Pope Air Force Base, which we had merged, which I think was a move—emotional to be sure, but a move in the right direction. But C–17s are hours away, and even the C–130s there we now have moved away.

So from the DOD's perspective what is being done to complement the reset and to look from an installation standpoint that would support strategic maneuver? That can be the Army-Air Force inte-

gration, which I think is particularly needing focus. But it can also be from a Navy and Marine Corps perspective too from East Coast and West Coast.

I am interested in any of that. And then the other panelists can jump in too.

Mr. CONGER. So, my instinct is to let the other panelists jump in first. I don't have a specific answer to your question. I would have to take it——

Mr. GIBSON. Well, you know——

Mr. CONGER [continuing]. For the record.

[The information referred to can be found in the Appendix on page 119.]

Mr. GIBSON [continuing]. Candidly, with due respect, I mean that is really reinforcing my point is that I think we have really lacked a national perspective on this.

It is certainly not in your inbox, per se, at this moment. But I mean from—take it back that you know as a guy who was the brigade commander for the Army's element that was the Global Response Force, I was looking for more joint perspective, more national support.

For example, unexpectedly, and I think the President made the right call. He deployed us to Haiti in the immediate aftermath of the devastating earthquake that occurred there in January of 2010.

And my paratroopers, I mean we 3 days into this deployment we had 200 paratroopers on the ground because we didn't have the platforms. The platforms were being directed toward Afghanistan.

We had significant challenges in cycling. And this was an important mission the President had directed. And so you know from an installation standpoint, you know I think that ultimately we have got to do better as far as crafting the force so we can be a strategic deployment platform.

So I do think that that is going to require more DOD involvement. I think there has got to be some modeling and simulation that comes and the Joint Staff is involved in that.

But since it appears that you would like to go out to your—to the services here, I would be interested in if any of them have anything to say as far as strategic maneuverability or deployability, what initiatives you may have afoot.

Secretary BALLENTINE. I would also take that one for the record. It is a little bit outside of the purview of my portfolio. But we will get back to you with some more details.

[The information referred to can be found in the Appendix on page 119.]

Secretary HAMMACK. We do want to ensure that our installations are strategic deployment platforms. And that does require an investment.

You are absolutely right. Right now there is a focus on the Middle East from much of the Army's perspective. And the concern that the chief has is, are we able to have multiple deployments at the same time.

We are challenged right now with the areas that we are deployed in around the world. And will we be able to respond to something on a moment's notice?

We are concerned right now that the readiness levels within the Army are some of the lowest they have ever been. And that is because we do not have the money to invest in it.

We are at about 33 percent readiness if I remember the numbers right. We don't agree that that is where we should be. But we have not been resourced.

So we are challenged as we are reducing our installation funding as low as we possibly can so that we can put money in training to try and increase the readiness, so that we can put money in our equipping so that we can equip our soldiers.

But the challenge right now is with 50 percent of the Army budget in manning, and the increases in pay and benefits every year, it is getting bigger and bigger every year and forcing the Army to take risk in some of these other areas. It is not an equation that is in balance right now.

Mr. GIBSON. Ma'am, thank you very much.

Chairman this is—I know you know I have been on this point for some time, but——

Mr. WITTMAN. Yes.

Mr. GIBSON [continuing]. You know as we are looking to really restore deterrence, which is very important to us peace through strength, we have got work to do to restore this capability, the Global Response Force, we have been working on it for a number of years. But part of it is including installations.

Mr. WITTMAN. It is.

Mr. GIBSON. So thank you for the opportunity.

Mr. WITTMAN. Mr. Gibson, thank you. I think that is a great point, making sure there is strategic alignment. Any time that you are looking at the idea of installation capacity you want to make sure that as you are looking at that, alignment takes a front stage when it comes to making sure we are making the right decisions.

And with that, we will go to Mrs. Davis.

Mrs. DAVIS. Thank you, Mr. Chairman.

I think the hearing today obviously is really a good point for why there have been BRACs in the past. And there is just no question that Members of Congress, and for that matter I think a lot of the personnel on our installations also weigh in at these times. And it is sometimes very difficult to see where the benefit will be moving forward.

But I wonder. I really need to press you to go a little bit further with this because I think that you know this is the Readiness Committee, and so it seems logical that one would be able to capture the resources that are needed out of our infrastructure to move in a different direction. And I think you have spoken to that.

But it is not convincing, I think, to a lot of the members because the benefits do not accrue for some time with base closures. So how do you make the argument then, how do you move forward with why it is essential to do this at this time?

You have talked about money that is not being spent if we don't have to sustain some of the installations. Clearly the room that we need is not necessarily where it is available. And so that is—there is just no way of aligning some of those things across the country.

I am just wondering, how are you going to move forward with these arguments? Because I see a real benefit in doing that, from

my community I have seen it. But on the other hand I know how possessive people are on a number of our facilities as well for giving up an inch of land.

Secretary HAMMACK. Congress asked us to take a look.

Secretary MCGINN. If I might——

Secretary HAMMACK. I will give it to you in just a minute.

Congress asked us to take a look at our European infrastructure and to get that in balance. And that is something that we have done. And we have demonstrated that we have the analytical capability and we have the intellectual capability to balance our installations, to consolidate into locations that enable us to fight the fight for the next 50 years.

Some of the things that we are closing and consolidating out of in Germany are just the same issues that we have here: remnants and leftovers from World War II that we are closing out that are inefficient to operate. We need to do that same kind of analysis.

The fact that it has less than a 3-year return on an investment for the Army is the same kind of analysis that we need to do here, and present to a commission, to give you something to take a look at to see where we can achieve those savings.

We believe there are savings to be achieved through consolidating onto our most efficient platforms that give us the highest military value so that we are poised for the next 50 years. That is what we are asking for.

And Mr. McGinn.

Secretary MCGINN. We think in terms of near-term, mid-term, long-term investments and risks, risk assessments. And as Mr. Conger, in answer to your question, Mr. Chairman, pointed out, the return on investment of a BRAC round is not any time soon.

But I would just like to make the point that when you want to close that resources and requirements gap, and reduce risk in the form of better readiness, the best way to do it is to put more money in. And that is why we are consistent in—and I know that the committee supports this as well—in our support for the President's budget.

Or even more to get away from the bad things that happen as a result of sequestration. The things that are manifesting themselves since it first went into effect in fiscal year 2013. And we are still digging our way out of the hole on the shore readiness as well as in the platforms.

Mr. CONGER. Let me just sort of close out on this [point]. From the past five BRAC rounds we are saving $12 billion to $13 billion a year right now, avoiding the costs. If we had not done them before and said well those savings are far out, we would have a much deeper hole to dig out of today.

This is good government. It is the thinking about the future. And it is not necessarily about today's immediate problem because as we have pointed out, this is a medium-term savings we are looking at. We think it pays for itself within the implementation period, but even so it is not going to solve the $35 billion problem we have today.

The way we end up doing that is by making pennywise and pound-foolish decisions like underfunding, taking risks in sustainment or smaller MILCON requests. That is the way we have had

to deal with it because we have had an immediate problem to deal with.

Facilities degrade slower than readiness does. And we have acknowledged that. And yes, it is the smart thing to do to take risk in facilities before you take risk in readiness.

Mrs. DAVIS. Thank you.

Secretary BALLENTINE. Can I weigh in on this briefly from the Air Force's perspective as well?

If you look at the 2005 BRAC, that cost the Air Force about $3.7 billion and we are already saving $1 billion a year. I haven't been in the Air Force very long, as I told you all from the very beginning. But I come from the business community, and that is a darn good return on investment.

EIC is costing the Air Force $1 billion and we are going to be saving $315 million a year. That is a good return on investment.

Our readiness challenges are not going to be solved overnight, I am afraid. So we need to get after this infrastructure as soon as possible so that we can start piling that money back in.

And I think it is an important question to ask; are we looking at today's Air Force that is stretched too thin when we are looking at a 30 percent excess infrastructure? And will we come back 5 years from now if the force structure is closer to where we need it to be, and say oh darn, we closed some things we shouldn't have closed?

And I will tell you that we will, in a BRAC analysis, do a very careful, thoughtful analysis to ensure that we are making sure we have got the right equipment in the right places for the right force structure.

We have got to preserve some surge. We have got to preserve some plus up. And that would all be part of the analysis.

Mrs. DAVIS. Thank you.

Mr. WITTMAN. Thank you, Mrs. Davis.

We now go to Mr. Scott.

Mr. SCOTT. Thank you, Mr. Chairman. And I would like to follow up, if I could, on one of the previous questions just for the statement.

You know, your budget request is for $251 million for BRAC and then an additional $2 billion in increased spending on military construction. And I think from my standpoint as somebody who represents a lot of the men and women who are going overseas and fighting, I would rather see that money spent in readiness right now, making sure that the men and women that are being deployed have the training and the equipment that they need, than seeing it built in facilities that will not come online for the next several years to come.

And so when we talk about short-term versus long-term needs I think the priority is making sure those men and women are trained prior to leaving. And that is one of the things that we have to balance.

I understand the request for a BRAC is going to continue to come. I understand that at some point there will be a BRAC. And there is a tremendous divide I think, an extreme lack of trust between Congress and the administration. And I would suggest to

you from my standpoint that I think the administration has well earned that lack of trust from the way I see it.

I would like to ask a specific question about the Air Force, Ms. Ballentine. Last year the Air Force said that they had a 24 percent excess capacity. This year the testimony is that it is a 30 percent excess capacity. Did the process change that the Air Force used to determine that? And if not, what accounts for the additional 6 percent?

Secretary BALLENTINE. Thanks for the question. Same process, and the 24 percent number that the Air Force testified to last year was from the 2004 analysis conducted for the 2005 BRAC round. We updated using the same methodology and in fact many of the same input looking at updated force structure.

Since 2004 our overall force structure has come down about 10 percent. That is about 10 percent in both personnel and in planned aircraft. So when we reran the analysis with updated numbers, that is where we get to the roughly 30 percent excess infrastructure capacity.

Mr. SCOTT. But to—just to make sure I understand you correctly, you used the 2004–2005 as the foundation for your analysis.

Secretary BALLENTINE. We used the same process that was congressionally and GAO [Government Accountability Office] approved at that time. And the same process as 1998.

Mr. SCOTT. What were the major facility categories that contained the excesses?

Secretary BALLENTINE. So we looked at nine categories. And I can certainly meet with you separately or provide for the record much more detail on precisely what we looked at. But we looked at nine specific categories ranging from parking aprons to depot labor, space operations and a number of others within that, and subcategories within those.

[The information referred to can be found in the Appendix on page 119.]

Mr. SCOTT. I would very much appreciate it if we could have—if we could schedule that meeting to look at that—those individual issues.

Secretary BALLENTINE [continuing]. Happy to do that——

Mr. SCOTT. And certainly hope if you are visiting Robins Air Force Base or Moody Air Force Base that you will let me know, that both of those are in my district.

Secretary BALLENTINE. Would love to do that as well, sir.

Mr. SCOTT. And I guess the other question I have, Mr. Conger, would be for—you know as we talk about BRACs and the numbers that the Department continues to give us, it seems the Department already knows and has some ideas of where they want to make some of these cuts.

And I guess my question is you ask us to keep trusting you with a BRAC. And my comments earlier were certainly not geared towards you. You ask us to keep trusting you with a BRAC though. And I am asking you that you trust us with providing that list of where you expect to make those cuts, either by category or by base.

Mr. CONGER. So I guarantee you that I do not have some sort of a secret list. The figures that we have provided are all parametrically based. We try to do that very——

Mr. SCOTT. Well, let me—then—and I apologize for interrupting. You know I get short on time here. Is it too much housing? Is it too much industrial infrastructure, too much headquarter space, too many missions?

Surely by category if you can tell us that one year it is 24 percent and one year it is 30 percent in one of the branches, surely that you can tell us the same thing for the Army and the Navy. And you can tell us by category where that excess capacity is.

Mr. CONGER. We can certainly give you a copy of the 2004 study and the categories are there. And it will show you where the excess was at that point in time. We haven't done a comprehensive e-service across the board, a redo of that analysis today.

Mr. SCOTT. Then how can you be so confident it saves money?

Mr. CONGER. So because the—if you look at the excess that we had then, what small amount we closed in 2005, the reduction in force structure amplifying that excess, we are convinced that there is excess to get after.

The BRAC study will identify the low military value locations that we are—we would look to consolidate and close. And we projected based on a straightforward percentage reduction in infrastructure what those costs and savings would be.

Mr. SCOTT. As somebody who majored in risk management I can tell you, you have got a lot of multipliers in there.

Mr. CONGER. Yes.

Mr. WITTMAN. Thank you, Mr. Scott.

Ms. Gabbard.

Ms. GABBARD. Thank you, Mr. Chairman.

My question is for Mr. McGinn. With regard to the expected growth in the Navy force structure and the continued shift towards the Pacific, I am wondering how the Navy is reevaluating its infrastructure capacity and requirements.

And specifically how do the infrastructure requests in this fiscal year 2016 support this rebalance towards the Asia-Pacific? And how this investment is working to facilitate continuing to move the Marines from Okinawa?

Secretary MCGINN. As you probably know, that is a long-term or I would say midterm project. We will see the first Marines moving actually into Guam around 2020–2021. And it will take several years to complete it.

We are starting already in terms of spending MILCON dollars. In fact, the question that Ms. Bordallo asked earlier about spending money to prepare live-fire training ranges in Guam is an example of that where we are 5 years in advance in order to make sure they are ready when those Marines come because they are going to be a rapidly deployable force.

And we are also looking across the board at support structures like housing, for example, for Marines and their family working with the United States Air Force at Andersen Air Force Base to make sure that we are going to have Marines and Air Force personnel and families using that area instead of doing it separately.

So I guess the short answer is simply we are very carefully going through what the requirements to maintain a ready deployable Marine force with live fire, with air combat element, ground combat

element, and special forces moving back from Okinawa to Guam and to Hawaii as well.

Australia is another area. The Chief of Naval Operations was just down there. But we are looking at this very carefully. And also not just counting the troops, but what is it in terms of infrastructure and the projects that will improve or create that infrastructure that will make them truly ready?

Ms. GABBARD. Thank you.

And Ms. Hammack, you know the number of troop reductions that we are projecting now and that we will continue to see should sequester continue obviously is of deep concern to many of us. In Hawaii there have been proposed very deep cuts both at Fort Shafter and at Schofield Barracks.

And I am wondering if you can speak to really what are the real-life impacts on this Asia-Pacific focus on programs like General Brooks' Pacific Pathways of reaching out and proactively engaging many partners in the region how this cut would affect that mission.

Secretary HAMMACK. When we are taking a look at how we are downsizing we are taking into account the many missions that the military has. General Odierno in a hearing end of January made a comment that sequestration is impacting Pacific Pathways. And we will not be able to do as much as we think we should do, or as General Brooks thinks we should do there.

When we are looking at force structure reductions we are having to take a look at every location that has a BCT [brigade combat team] on it to determine how and how much we can take force structure down.

Focus on Pacific is important. We have a lot of forces stationed in Korea, South Korea right now in support of that. It is one of those things that we have to evaluate and we have to balance. They are very tough decisions that we are making right now.

In the listening sessions that we have had we have heard a lot from the communities and that comes into play. Military value does come into play. Op plans come into play.

We are taking a look at everything and trying to put together a tough decision to reduce the force to levels that we don't think is appropriate, whether it is 450,000 or even deeper to 420,000 where we would be if full sequestration stays the way it is right now. So as I said, there are tough decisions that are going to affect almost every State because it is going to affect Guard and Reserve as well.

Ms. GABBARD. Thank you. I think it is important that we share this understanding and these impacts not only on the local economies or the districts or the States that are affected by these sequester cuts but really how it affects the mission, how it affects our readiness, and how in places like the Asia-Pacific and particularly in the Korean peninsula where we continue to see the saber-rattling coming from North Korea.

These are not theoretical things. These are things that have a very real impact on real people and the safety and security of the American people. Thank you.

Mr. WITTMAN. Thank you, Ms. Gabbard.

Dr. Wenstrup.

Dr. WENSTRUP. Thank you, Mr. Chairman. I just have a relatively quick question.

Ms. Hammack, you were mentioning before about some of the places where redeveloped real estate, movie theater, this and that. Did we sell the real estate to private investors? Or do we own it in the hopes of turning a profit? How does that work?

Secretary HAMMACK. One of the rules that Congress put in play under BRAC is the ability for special transfer authority and working with the local reuse authority. So the community sets up a local reuse authority that has a say in how that property is developed.

Some of the other authorities we have to close bases, and we do have other authorities to close bases. We essentially close the base and give the real estate to GSA [General Services Administration] to sell to the highest bidder.

The community doesn't have a say in redevelopment. The redevelopment comes along with grants, structured payment plans. The land is transferred usually at or below market cost, in many cases below market cost.

There is some value that comes back to the Army or the Department of Defense. And quite often that value received is used for environmental cleanup. So that is what helps fund our environmental cleanup on bases. Some require more than others.

Dr. WENSTRUP. So there are several components to this before an action is taken and several ways that you can go about it. Are there some areas that we are leasing? Or are we basically turning these areas over just to kind of get out from under?

Secretary HAMMACK. Many cases it is we are trying to find a buyer for it so that we can entirely get out of any caretaker or real estate responsibility. But meanwhile, to your point, the Army does have leases around. And we are working to move things back on bases and to some of the empty real estate.

But even so, we have more capacity than we have the need for right now. So BRAC is a way for us to do that kind of rebalance, consolidations, and evaluate where we need to be for the future.

Dr. WENSTRUP. I think hearing some more of these situations, success stories, potential failures as we go forward it is always good to hear about how we are managing that situation. So thank you. I yield back.

Mr. WITTMAN. Thank you, Dr. Wenstrup.

Mr. Conger, I want to pursue a line of questioning that we had talked about earlier, and that is the context in which the concept of BRAC is proposed. Today we find ourselves in a threat scenario that is probably more complex than it has been at any time in our history, one that changes almost on a daily basis.

We are also facing budgeting issues through sequester. We are also looking at where our end strength ultimately ends up being. We also look at what is the national security strategy, what should it be?

Should it be to fight and win a war on one front and hold serve elsewhere, to fight and win a war just on one front, to fight and win on two fronts? I think that is part of the discussion that has to take place. And in that realm of uncertainty now comes the proposal to resize the capacity within the military.

And one of the assumptions I think you have to have going forward in what the right capacity is, is some certainty about what the overall strategy for the Nation is, what the security risks are,

the issue of sequester and where are we with certainty with the budgeting process, which I would argue we are not anywhere close yet.

Hopefully we get there. And where we are with end strength. All of those in my mind have a very particular impact on the assumptions that you would put into doing a BRAC.

Give me your perspective on how we go about doing a BRAC, rightsizing capacity in the face of all that uncertainty. And show me that when we end up there, if we were to go down that path, that we end up in the right place.

Mr. CONGER. Sure. I think that the best way for me to answer that question is to talk a little bit about what we did in Europe. And then I will bring it back to the specifics at hand.

When we did the European Infrastructure Consolidation effort, which was a very BRAC-like process, we looked at excess capacity that we identified. We looked at the military value of the various sites and installations in Europe. And then we analyzed a variety of proposed scenarios, very much like the way a BRAC would work.

When we did that we already incorporated the ability to have excess for contingencies and that was made part of the requirement. That was not excess per se. We incorporated that into the analysis. And we made a conscious decision to only look at and only accept recommendations that did not reduce our operational capacity.

So in other words, how can we do the same thing for less money? What we are looking for in the context of a BRAC round is how do we do the same thing for less money?

If—I understand the strategic uncertainty of what is our ultimate force level going to be. We rely on the Joint Staff to provide that input, the installations folks don't make it up.

Historically they provided a 20-year force structure plan that has been required. There is—but as you pointed out there is uncertainty.

In the sequestration-BCA environment is the Army going to be at 450,000 or 420,000? What procurement programs are or aren't going to go forward? Are we going to have A–10s or not A–10s?

These are all things that factor into the calculus, and I understand that. But nonetheless, when you look at the BRAC analysis, it is based on retaining those places that have the highest military value, not those places that are not empty.

And so the idea would be well, what happens if you reduce force structure to a particular location, but that base has the best training ranges or that base has the best maneuver acres, et cetera, et cetera.

You don't close that base. You fill that base. And those are the dynamics that have to be contemplated within a BRAC. You are only looking at divesting those installations that are of the lowest military value.

Mr. WITTMAN. As we look at this in context, obviously we are coming out of conflicts, Operation Iraqi Freedom, Operation Enduring Freedom; coming into a realm of a more dangerous world; coming into a time of reset. If there is one thing we have seen historically about reset is we always get it wrong.

We have a hard time determining what the future may hold. But in that realm of uncertainty, do you believe that there should be

a logical process to say let's cross off a few of these other uncertainties on the list first before we get to the point of doing a BRAC?

In other words, shouldn't there be a little more certainty about what truly is the strategy? What are we going to do to address the sequester in the long term? Where are we going to end up with end strength? What is going to happen with the world around us as far as the threat scenarios?

Wouldn't it be logical in your mind to say let's determine a little bit more certainty in those areas before we go about setting capacity that if we don't get that right we can't dial it up like a radio dial and say whoops, sorry, we made a mistake, we will just dial it back up; because it is hard to dial back up that capacity once it is lost.

Mr. CONGER. I think it is. It all depends on how much you expect to cut. If I identified a parametric excess on the order of 20 percent, am I going to cut 20 percent of my infrastructure? No.

During the BRAC 2005 round we had identified parametrically an excess of approximately 24 percent. What we ended up cutting was 3.4 percent of our point replacement value. And I know it is apples and oranges. It is two different metrics. But it is what we could measure.

The idea is we are not going to pursue recommendations in the name of savings that accept so much risk that that would be an issue. That is where we are coming from. We are looking for savings.

We found it in the European analysis fairly straightforwardly. We were able to identify many recommendations without accepting what we deemed to be operational risk. And we were still able to retain significant enough excess to be able to deal with contingency operations.

I think that where we are going with a BRAC isn't to give us BRAC authority so we can close all of our excess, because that would be foolish, right. What we are looking to do is having the authority to find those business cases and those scenarios which make the most sense that enable us to fully utilize our installations of highest military value.

Because we can't refill them right now because we are prevented from closing the places where we have lower military value and filling those up. We have constraints on what we can do.

I understand Congress' concern about the risk that we would accept. And I welcome ideas about how to constrain the authorities that Congress would provide so that you feel more comfortable with the authority you are giving.

Mr. WITTMAN. If Congress were to consider the idea of directing the service branches to do an analysis based on a certain set of conditions or reality, would that be something that you could bring back to Congress within the year to give more context and more definition to what a BRAC might entail, including all these uncertainties, including what the end means are for a BRAC and what the ends might be?

In other words, is it to save money? And if it is, how much is saved in the FYDP? Obviously not identifying bases, but looking across those general categories.

Mr. CONGER. So I think that it is important to recognize that when you—we could do a parametric capacity analysis like the——

Mr. WITTMAN. I just want to interrupt you. If you will, put in context, tell us what a parametric analysis is.

Mr. CONGER. So if you are looking at excess capacity, you are looking at aircraft per apron space or brigade combat teams per training acre aggregated across the entire enterprise.

You are not looking at, at Camp Swampy do I have—how much excess do I have in that particular location? You are adding it all up and developing a percentage based on what might have been the loading at a different period of time, how much have we vacated.

That is the kind of analysis we do in order to avoid any sort of bias in the analysis that would point to a particular installation. We are very careful about that. We believe that any time you do a comprehensive BRAC analysis based on certified data where all bases are treated equally, that can't be influenced by a proposed list.

I already know I want to do this or I already know I want to do that. We don't want to pollute the process that we see as transparent, analytical, and apolitical by influencing it with sort of a here is where we are going type of thing.

Mr. WITTMAN. I am going to end with this and then I want to go to Ms. Bordallo.

Would you believe it to be helpful to be able to answer some of the questions that I think you hear from the subcommittee members today, and also other questions that are out there, to be able to pursue such an analysis where you can look at those parameters?

Do that analysis, put some scenarios in there where members can at least understand how you addressed the uncertainties that are around BRAC so they have a better sense, as you heard from Mr. Scott, a better level of trust in that those issues that they feel are important with this are addressed in that. And that they have some level of surety that if Congress were to go down the road of a BRAC that there is some context in which they have made the decision.

Rather than what happened in 2005, which was let's do a BRAC and then do the analysis. It was kind of the cart coming before the horse.

Mr. CONGER. Right. I think that it is fair to request an excess capacity analysis across the government. I think the Army and the Air Force have already done ones. But I think we can do one that is comprehensive. I mean, we have been contemplating that ever since the language you inserted into that House bill last year.

The specifics of how we would do that I think are fair to discuss. But I think that we think that it is important to do. We wouldn't be able to do base-by-base types of things in this context without a formal BRAC process.

Mr. WITTMAN. Well, we—and we wouldn't expect that because I think that is what the BRAC is intended for is to do a base-by-base comparison. But to look overall, as you said, within the parameters and then address those different uncertainties that are out there.

Say this is how we factor in to provide for if this uncertainty were to happen within this range. The worst case scenario to the best case scenario here is how we have factored in what this would be. And here is how a BRAC could and would address that. I think those issues are very important in people's minds.

Mr. CONGER. Let me sort of plant this seed as well. What that parametric analysis does, what the excess analyses that the Army and the Air Force have done is that they point to excess where it creates the trade space in which you can make some specific decisions.

In EIC we did the same sort of thing. We said ah, we see there is force structure reducing in Europe. We know that there is trade space here. Let's go in and look at the specifics. And the specifics didn't necessarily have to do with the specific places where there was excess created.

But we knew that there was the room to move around in that space. The specific places where we might identify excess won't end up necessarily being where the recommendations are. But they provide the trade space, this swing space that might afford an opportunity.

I will leave you with a thought. In EIC, I will use an Air Force example, we have enough fighters in Europe to basically completely fill two fighter bases. Well, we have three fighter bases in Europe. But those were among the highest military value installations that we have on the continent.

So instead what we contemplated and what we ended up recommending was taking a facility that had a support function, Mildenhall, and taking the assets there and filling up the fighter bases so it had—so that Spangdahlem in particular had multi-mission.

We were able to preserve bases we deemed to be the highest military value. And so what we have proposed wasn't necessarily where the excess was. Does that make sense?

Secretary MCGINN. Mr. Chairman, if I could just add?

Mr. WITTMAN. Sure.

Secretary MCGINN. Especially in this committee or this subcommittee you hear the expression "train like you fight." That is right at the essence of achieving readiness. And we all, across all of the services across the Department, work encroachment issues all the time, whether it is jet noise or operations at sea, ground combat maneuvering, et cetera.

And I just wanted to make the comment that this is a key aspect of military value that Mr. Conger was talking about. And it isn't based on necessarily only a future BRAC issue or to not have one. It is happening right today, every installation. And preserving that ability to train like you fight directly contributes to our readiness.

Mr. WITTMAN. Mr. McGinn, I think that is a great point. It is one of the questions that comes up too all the time with the BRAC. And that is if you get to a point of releasing facilities that again you may need in some capacity in the future, to be able to reconstitute that becomes impossible to go back to those existing bases because then encroachment occurs.

So then it becomes very difficult to train like you fight. And then you have to go to different areas where the costs are increased either to obtain the land or to pursue operations there.

And you heard Mr. Gibson bring up a very good point, and that is the strategic location, too, of those facilities, which also has to be part of an analysis. It is one of those areas that I think doesn't normally come up at the beginning of an analysis. But it has to be part of that so we understand what the secondary effects of that might be.

With that I go to Ms. Bordallo.

Ms. BORDALLO. Thank you, Mr. Chairman. And I want to thank you. I think this has been very important and we have received a lot of information from this hearing.

I am curious. Ms. Hammack and Mr. McGinn and Ms. Ballentine, if you could comment briefly, how are you leveraging privatization efforts, public-private partnerships or other innovative authorities to mitigate the risk in infrastructure investments and achieve financial savings? We will start with you, Mr. McGinn.

Secretary MCGINN. We use all of the tools that Congress has given us the authorizations: enhanced use leases, energy savings performance contracts, utility energy services contracts, power purchase agreements, to be able to get private sector investment in our installations, that do a couple of things.

They give us better, cleaner power. They get us more reliable power to the extent that we get distributed generation. And it is really good for the economy of not just the local area but the Nation and seeing putting this capital to work.

At the same time, we in the services get the immediate benefits from seeing these deals occur, these contracts occur over a very compressed period of time measured in months, not years. And we—as soon as those projects are completed, we are reaping the benefits in lower utility bills, in better, cleaner, cheaper energy and a more robust backbone for distributed generation.

Ms. BORDALLO. Very good.

Ms. Hammack.

Secretary HAMMACK. Thank you, Representative Bordallo. You know we have been leveraging partners for quite a while. Housing is one of our most successful ones where we have privatized housing to deliver better housing for our service members.

Most of our bases have lodging for visitors and for soldiers who are PCSing [permanent change of station] or for training missions. And we have privatized lodging, which has increased the quality of the lodging that we provide service members.

We have also worked to privatize utilities, whether it is electricity, natural gas, or wastewater. And the private sector comes in and invests in the infrastructure, which actually then makes it much more efficient and then reduces our operating costs. So we found that utilities privatization helps save us cost in the long run.

And now we are looking at a fourth category, which is how do we privatize some of our base operations. And quite often we call it the Monterey model because Presidio of Monterey, located in Monterey, California, is entirely surrounded by the city of Monterey.

And what we have done is privatize all of our base operations facilities so the city of Monterey runs the Presidio of Monterey. And it has resulted in reduced operating costs.

We look to see where we can apply some or parts of the Monterey model through legislation that Congress authorized just last year. They clarified it.

And some of our installations, many of our installations are located in remote locations, not in a location where a city or a county is available to provide services. But we are investigating where there are opportunities to leverage core competencies that might be outside the base so that we are not duplicating services on the base.

Ms. BORDALLO. Thank you. And Ms. Ballentine.

Secretary BALLENTINE. So the Air Force, like our sister services, looks at a number of other opportunities and tools in the tool kit.

As I said at the beginning, when you have unaffordable installations, it is really simple. There are only two ways you can get after it. You can spend more money on them or you can make them cost less. And one of the things that really excites me is beyond just MILCON and FSRM and BRAC we have a range of other tools in our tool kit.

So of course privatization of housing has been very successful. We are also working down the path of privatizing utilities. But there are a range of other tools as well. And I will give you a couple of examples.

Enhanced use leases [EULs] is an exciting area of opportunity. Most folks have heard about the wastewater treatment plant down at Nellis. And in return they built a state-of-the-art fitness center.

We have got another really exciting enhanced use lease down at Eglin Air Force Base where the Holiday Inn has built a hotel and we have put our radar on top. Our radar tower was on the ground and less effective because the other hotels were building up next to it. So we needed to build the radar tower anyway.

Not only did they put the radar on the top, they painted it like a beach ball. So this thing has become kind of a landmark. And it is really a neat story. And the Holiday Inn then pays us a percentage of their gross revenues every year. It is a great opportunity. So those are a couple of EULs.

Power purchase agreements allow us to get cleaner energy on our bases, provide some energy resiliency. We just did our largest solar array in the Air Force to date, 6.4 megawatts at Davis-Monthan Air Force Base. That thing is providing 35 percent of the base's power. At peak sun it is providing over 100 percent of the base's power. And it is saving them a half million dollars a year.

That is another tool that helps get at the fact that these bases cost too much money, and gets at the energy resiliency. And there are a number of other examples like that. So this is one of the areas that I am really excited about and keeps me optimistic.

Ms. BORDALLO. Well, thank you. We see these at home. We have a large Air Force base and Navy base, and I see these partnerships ongoing. And I think it brings the military and civilian community together in a big way. And I think that is important.

I have one last question, Mr. Chairman. Okay.

Ms. Ballentine, in recent years a large percentage of the Air Force's military construction budget has been focused on supporting combatant commander requirements such as the headquarters facility for U.S. Strategic Command and the U.S. Cyber

Command and new mission beddowns such as the KC–46 and the F–35.

Now, can you describe the impact these requirements have had on the Air Force's ability to focus on the recapitalization of infrastructure supporting current missions?

Secretary BALLENTINE. Yes, ma'am. So General Welsh, our chief of staff, has said quite clearly that we have in the last several years been underfunding our existing mission infrastructure, things like nuclear infrastructure, space infrastructure, test and training ranges. And those bills are now due.

This year's PB 2016 MILCON budget I think is really the—strikes the right balance between three priorities. First, continuing to focus on COCOM commanders' needs. That is around 21 percent of this year's MILCON budget.

Second, focusing on the Secretary's three top priorities: nuclear, space, cyber. Those combined are about 17 percent. And much of that is what might fall in that category of existing mission recapitalization. We have got three very important nuclear recapitalization infrastructure projects in that bucket.

And then the third pillar of the MILCON strategy is really balancing that existing mission infrastructure recap [recapitalization] with beddown of the new weapons systems. And those two are about 26 percent for existing mission recapitalization, things like firehouses and runways and the like, and 16 percent for F–35 and KC–46 beddown.

Ms. BORDALLO. Thank you very much.

And, Mr. Chairman, thank you for giving me the second round of questions.

Mr. WITTMAN. Absolutely, Ms. Bordallo. Thank you.

I have one housekeeping item. I ask unanimous consent to include into the record all members' statements and extraneous material. Without objection, so ordered.

Panelists, thank you so much today for joining us. And we appreciate the time you have spent with us. Obviously all of our members got to ask questions, all of I think significance as we look about how we address a variety of challenges, obviously one of them being installation capacity in the context of what happens with sequester, end strength, and national security strategy.

So thank you all so much for providing that perspective to us today. And we will continue the dialogue as we head forward into the National Defense Authorization Act.

Thank you so much. And with that, the subcommittee is adjourned.

[Whereupon, at 5:13 p.m., the subcommittee was adjourned.]

APPENDIX

MARCH 3, 2015

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

MARCH 3, 2015

Statement of the Honorable Robert J. Wittman
Chairman, Readiness Subcommittee
"Alignment of Infrastructure Investment and Risk and Defense Strategic Requirements"

March 3, 2015

This is our first hearing of the 114th Congress, and I would like to welcome back our returning members, especially the gentlewoman from Guam, Ms. Madeline Bordallo. I look forward to another Congress where we can continue to work together to solve the complex readiness issues facing our military.

I welcome our new Members here today as well. I won't go name-by-name, but, I look forward to working with each of you. We have some important issues to address this year.

For this hearing, I would like to welcome our distinguished panel of experts. This morning we have with us:

- Mr. John Conger
  Performing the Duties of the Assistant Secretary of Defense
  Energy, Installations, and Environment

- Ms. Katherine Hammack
  Assistant Secretary of the Army
  Installations, Energy, and Environment

- Mr. Dennis McGinn
  Assistant Secretary of the Navy
  Energy, Installations, and Environment

- Ms. Miranda Ballentine
  Assistant Secretary of the Air Force
  Installations, Environment, and Energy

This hearing is critically important in helping us understand and evaluate this year's infrastructure budget as it relates to readiness. Although we recognize that the Bipartisan Budget Act of 2013 provided some relief over the last two

years, even if funded at the current President's Budget request level, the Department continues to take risk in infrastructure in its effort to balance force structure, modernization and readiness.

The infrastructure budget we have before us today includes

- $8.4 billion for military construction, family housing, and BRAC;
- $10.8 billion for facilities sustainment, restoration, and modernization, representing 81% of the total sustainment requirement; and,
- A request for an additional round of base realignment and closure, with a $10.5 million request for BRAC analytical efforts

As the witnesses testify, I would ask you to address the following questions:

- How has the Department aligned infrastructure investments with the long-term defense strategic requirements?
- What level of risk in installations has the Department taken?
- What mitigation efforts has the Department implemented or plans to implement in the installations portfolio?

I would now like to turn to our Ranking Member, Madeleine Bordallo, for any remarks she may have.

Thank you, Madeleine.

HOLD UNTIL RELEASED

BY THE COMMITTEE

Statement of

Mr. John Conger

Performing the Duties of Assistant Secretary Of Defense

(Energy, Installations and Environment)

Before the House Armed Services Committee

Subcommittee on Readiness

March 3, 2015

Introduction

Chairman Wittman, Ranking Member Bordallo and distinguished members of the subcommittee: Thank you for the opportunity to present the President's Fiscal Year (FY) 2016 budget request for the Department of Defense programs supporting energy, installations, and the environment.

In my testimony, I will focus first on the budget request. As you will note, the Administration's budget includes $8.4 billion for Military Construction (including family housing), and $10.6 billion for Facility Sustainment and Recapitalization. These are both significant increases from last year, increases made possible because the total defense budget request is $35 billion more than the Budget Control Act cap for Fiscal Year 2016. It allows a significant reduction in facilities risk from last year, but if we are compelled to return to the budget caps, we will undoubtedly need to accept more risk in facilities. As I have said in the past, facilities degrade more slowly than readiness, and in a constrained budget environment, it is responsible to take risk in facilities first.

My testimony will also address the environmental budget. This budget has been relatively stable, and we continue to show progress in both our compliance program, where we've seen a decrease in environmental violations, and in cleanup, where 82% of our 39,000 sites have reached Response Complete. We remain on track to meet our goals of 90% Response Complete in 2018, and 95% in 2021.

Given the merger between the Installations & Environment office and the Operational Energy Plans and Programs office into the new, combined Energy, Installations & Environment office, this testimony will also address both Operational and Facilities Energy budgets, though these are not as explicitly broken out in the budget request in the same way many of the facilities and environmental accounts are. I will address the Operational Energy Budget Certification in my testimony, though the formal certification report will follow separately.

In addition to budget, I will also highlight a handful of top priority issues – namely, the Administration's request for BRAC authority, European consolidation efforts, the status of the movement of Marines from Okinawa to Guam, an overview of our energy programs, and climate change.

Fiscal Year 2016 Budget Request – Military Construction and Family Housing

The President's FY 2016 budget requests $8.4 billion for the Military Construction (MilCon) and Family Housing Appropriation- an increase of approximately $1.9 billion from the FY 2015 budget request (see Table 1 below). This increase recognizes the Department's need to invest in facilities that address critical mission requirements and life, health, and safety concerns, while acknowledging the constrained fiscal environment. In addition to new construction needed to bed-down forces returning from overseas bases, this funding will be used to restore and modernize enduring facilities, acquire new facilities where needed, and eliminate those that are excess or obsolete. The FY 2016 MilCon request ($6.7 billion) includes projects in support of the strategic shift to the Asia-Pacific, projects needed to support the realignment of forces, and

projects to take care of our people and their families, such as unaccompanied personnel housing, medical treatment facilities, and schools.

Despite the slight increase in this year's budget request, the DoD Components continue to take risk in the MilCon program in order to decrease risk in other operational and training budgets. While the Department's FY 2016 budget request funds critical projects that sustain our warfighting and readiness postures, taking continued risk across our facilities inventory will degrade our facilities and result in the need for significant investment for their repair and replacement in the future. Our limited MilCon and Family Housing budget for FY 2016 leaves limited room for projects that would improve aging workplaces, and therefore, could adversely impact routine operations and the quality of life for our personnel.

Table 1. MilCon and Family Housing Budget Request, FY 2015 versus FY 2016

			Change from FY 2015	
Category	**FY 2015 Request ($ Millions)**	**FY 2016 Request ($ Millions)**	**Funding ($ Millions)**	**Percent**
Military Construction	4,859	6,653	1,794	37%
Base Realignment and Closure	270	251	(19)	(7%)
Family Housing	1,191	1,413	222	19%
Chemical Demilitarization	39	0	(39)	(100%)
NATO Security Investment Program	200	120	(80)	(40%)
TOTAL	**6,559**	**8,437**	**1,878**	**29%**

Military Construction

We are requesting $6.7 billion in the military construction *account* (note the difference between that and the military construction *appropriation* which includes items like Base Realignment and Closure (BRAC) and Family Housing). While this represents a nearly 37 percent increase from our FY 2015 request, this level of funding is still significantly less than historic trends prior to the Budget Control Act. This FY 2016 military construction funding request addresses routine requirements for construction at enduring installations stateside and overseas, and for specific programs such as the NATO Security Investment Program and the Energy Conservation Investment Program. In addition, we are targeting MilCon funds in three key areas as discussed immediately below.

First and foremost, our MilCon request supports the Department's operational missions. MilCon is key to supporting forward deployed missions as well as implementing initiatives such as the Asia-Pacific rebalance, European Infrastructure Consolidation, and cyber mission effectiveness. Our FY 2016 budget request includes $50 million for construction of an airlift ramp and taxiway at Agadez, Niger; $90 million for construction of a pier replacement and ship maintenance support facility in Bahrain; and $94 million for the second phase of a Joint Intelligence Analysis Complex Consolidation at Royal Air Force Croughton, United Kingdom. The budget request

also includes funding to support bed-down of new missions, such as $72 million for three projects to support arrival of F-35C squadrons at Naval Air Station Lemoore, California; $69 million for three projects to support arrival of F-35A squadrons at Nellis Air Force Base, Nevada; $37 million for a KC-46A Depot Maintenance Dock at Tinker Air Force Base, Oklahoma; $126 million for a Live-Fire Training Range Complex at Joint Region Marianas, Guam; $221 million for two projects supporting an Aegis Ashore Missile Defense Complex at Redzikowo Base, Poland; $37 million for Literal Combat Ship Support Facilities at Naval Base San Diego, California; and $86 million for a Joint Operations Center to support U.S. Cyber Command at Fort Meade, Maryland.

Second, our FY 2016 military construction budget request includes $376 million to replace or modernize ten DoD Education Activity (DoDEA) schools that are in poor or failing physical condition, a reduction compared to the FY 2015 request of $394.4 million. The projects included in our FY 2016 budget request, four of which are at enduring locations overseas, support the Department's plan to replace or recapitalize more than half of DoDEA's schools over the next several years, but at a slower pace to improve execution and to allow time for DoDEA to assess the impact of pending force structure changes. The recapitalized or renovated facilities, including a $55 million replacement elementary school at West Point, New York, are intended to be models of sustainability and will provide a modern teaching environment for the children of our personnel.

Third, the FY 2016 budget request includes $673 million for seven projects to upgrade our medical treatment and research facilities, to include $122 million for a behavioral health/dental clinic at Schofield Barracks, Hawaii and $124 million for replacement of a medical/dental clinic at Marine Corps Air Station Kaneohe Bay, Hawaii. The request also includes $85 million for the fifth increment of the Rhine Ordnance Barracks Hospital Replacement, Germany; $239 million for the seventh increment of the Fort Bliss Hospital Replacement, Texas; and $62 million for the fourth increment of the Ambulatory Care Center at Joint Base San Antonio, Texas. Our FY 2016 request focuses on medical infrastructure projects that are crucial to ensure that we can deliver the quality healthcare our service members and their families deserve when stationed stateside and during overseas deployments.

One final note on the MilCon request - while the FY 2016 Overseas Contingency Operations (OCO) budget request includes $789 million to continue the President's European Reassurance Initiative (ERI) to provide temporary support to bolster the security of our North Atlantic Treaty Organization allies and partner states in Europe, the request includes no ERI military construction funding.

Family and Unaccompanied Housing

A principal priority of the Department is to support military personnel and their families and improve their quality of life by ensuring access to suitable, affordable housing. Service members are engaged in the front lines of protecting our national security and they deserve the best possible living and working conditions. Sustaining the quality of life of our people is crucial to recruitment, retention, readiness and morale.

Our FY 2016 budget request includes $1.4 billion to fund construction, operation, and maintenance of government-owned and leased family housing worldwide as well as to provide services to assist military members in renting or buying private sector housing (see Table 2 below). Included in this request is $61 million for the second phase of new construction family housing at Camp Walker, South Korea, and $20 million for replacement family housing at Rock Island Arsenal, Illinois.

Most government-owned family housing is on enduring bases in foreign countries now that the Department has privatized the vast majority of our family housing in the United States. Our request does not include funding for oversight of privatized housing because we will utilize cost savings in FY 2015 to cover our FY 2016 expenses. However, we anticipate requesting funding for oversight of privatized housing in future budget requests. The requested FY 2016 funding will ensure that U.S. military personnel and their families continue to have suitable housing choices.

Table 2. Family Housing Budget Request, FY 2015 versus FY 2016

			Change from FY 2015	
Category	**FY 2015 Request ($ Millions)**	**FY 2016 Request ($ Millions)**	**Funding ($ Millions)**	**Percent**
Family Housing Construction/ Improvements	95	277	182	192%
Family Housing Operations & Maintenance	1,094	1,136	42	4%
Family Housing Improvement Fund	2	0	(2)	(100%)
TOTAL	**1,191**	**1,413**	**222**	**19%**

The Department also continues to encourage the modernization of Unaccompanied Personnel Housing (UPH) to improve privacy and provide greater amenities. In recent years, we have heavily invested in UPH to support initiatives such as BRAC, global restationing, force structure modernization, and the Navy's Homeport Ashore initiative. The FY 2016 MilCon budget request includes $360 million for construction and renovation projects that will improve living conditions for Active Duty trainees and unaccompanied personnel, to include $68 million for Marine Corps bachelor enlisted quarters at Kaneohe Bay, Hawaii, and $71 million for an Air Force dormitory at Joint Base San Antonio, Texas.

The Military Services completed its Military Housing Privatization Initiative (MHPI) award phase in FY 2013 with award of the final three Air Force MHPI projects, bringing the total privatized inventory to about 205,000 housing units. The new challenge will be to manage the government's interests in these privatized projects to ensure they continue to provide quality housing for their expected lifespan.

Families choosing to live in privatized housing typically pay their Basic Allowance for Housing (BAH) as rent which serves as the primary revenue stream for the MHPI project. BAH rates in

2015 have been updated to incorporate two changes to the computation BAH. First, renter's insurance was eliminated from the 2015 Basic Allowance for Housing rate computation. Second, based on recent amendment of section 403(b)(3) of title 37, United States Code, by the Fiscal Year 2015 National Defense Authorization Act, a member cost-sharing element (i.e., out-of-pocket expense) of 1 percent of the national average monthly cost of adequate housing was introduced into the housing allowance rates. As a result, the Military Departments will review their housing projects and implement necessary changes to the rental arrangements to ensure the continued quality of privatized housing, and to ensure that residents of privatized housing bear out-of-pocket expenses similar to military families living on the local economy.

Facilities Sustainment and Recapitalization

In addition to new construction, the Department invests significant funds in maintenance and repair of our existing facilities. Sustainment represents the Department's single most important investment in the condition of its facilities. It includes regularly scheduled maintenance and repair or replacement of facility components - the periodic, predictable investments that should be made across the service life of a facility to slow its deterioration, optimize the Department's investment, and save resources over the long term. Proper sustainment retards deterioration, maintains safety, preserves performance over the life of a facility, and helps improve the productivity and quality of life of our personnel.

The accounts that fund these activities have taken significant cuts in recent years. Recognizing that too much risk has been endured in maintaining their facilities, the Military Departments increased Facility Sustainment commitments in FY 2016. The FY 2016 DoD budget request includes $6.4 billion of Operations and Maintenance (O&M) funding for sustainment of our real property, representing 81% of the requirement based on the Facilities Sustainment Model (FSM).

Table 3. Sustainment and Recapitalization Budget Request, FY 2015 versus FY 2016

			Change from FY 2015	
Category	**FY 2015 Request ($ Millions)**	**FY 2016 Request ($ Millions)**	**Funding ($ Millions)**	**Percent**
Sustainment (O&M)	6,429	8,022	1,593	25%
Recapitalization (O&M)	1,616	2,563	946	59%
TOTAL	**8,046**	**10,585**	**2,539**	**32%**

For FY 2016, the Department's budget request includes nearly $8.0 billion for sustainment and $2.6 billion for recapitalization (see Table 3 above) in Operations & Maintenance funding. The combined level of sustainment and recapitalization funding ($10.6 billion) reflects a 32 percent increase from the FY 2015 President's Budget (PB) request ($8.0 billion), but still reflects an acceptance of significant risk in DoD facilities. In fact, the request supports average DoD-wide sustainment funding level that equates to 81% of the FSM requirement as compared to the Department's goal to fund sustainment at 90% of modeled requirements.

Recent and ongoing budget constraints have limited investment in facilities sustainment and recapitalization to the point that 24 percent of the Department's facility inventory is in "poor" condition (Facility Condition Index (FCI) between 60 and 79 percent) and another 6.5 percent is in "failing" condition (FCI below 60 percent) based on recent facility condition assessment data. The Department ultimately will be faced with larger bills in the out-years to restore or replace facilities that deteriorate prematurely due to funding constraints.

In an effort to better track – and limit – the risk we were accepting in our facilities, we issued policy in FY 2014 that reiterates DoD's goal to fund sustainment programs at 90 percent or higher of the Facility Sustainment Model requirement; establishes 80 percent as the minimum inventory-wide Facility Condition Index goal for each Component to meet annually for the facilities they manage; and directs Components to develop mitigation plans for their failing facilities (those with an FCI below 60 percent) to ensure that we have a strategy to improve the condition of our real property inventory in the coming years. Component mitigation plans could address failing facility conditions through repair, replacement, mothballing, or demolition. To complement these goals, we've issued policy to standardize inspections and ensure that all of the Services are measuring their facility condition the same way.

Fiscal Year 2016 Budget Request – Environmental Programs

The Department has long made it a priority to protect the environment on our installations, not only to preserve irreplaceable resources for future generations, but to ensure that we have the land, water and airspace we need to sustain military readiness. To achieve this objective, the Department has made a commitment to continuous improvement, pursuit of greater efficiency and adoption of new technology. In the President's FY 2016 budget, we are requesting $3.4 billion to continue the legacy of excellence in our environmental programs.

The table below outlines the entirety of the DoD's environmental program, but I would like to highlight a few key elements where we are demonstrating significant progress – specifically, our environmental restoration program, our efforts to leverage technology to reduce the cost of cleanup, and the Readiness and Environmental Protection Integration (REPI) program.

Table 4: Environmental Program Budget Request, FY 2016 versus FY 2015

			Change from FY 2015	
Program	**FY 2015 Request ($Millions)**	**FY 2016 Request ($Millions)**	**Funding ($Millions)**	**Percent**
Environmental Restoration	1,105	1,108	3	0.3%
Environmental Compliance	1,458	1,389	(69)	(4.7%)
Environmental Conservation	381	389	8	2.1%
Pollution Prevention	119	102	(17)	(14.3%)
Environmental Technology	172	200	28	16.3%
BRAC Environmental	264	217	(47)	(17.8%)
TOTAL	**3,499**	**3,405**	**(94)**	**(2.7%)**

Environmental Restoration

We are requesting $1.3 billion to continue cleanup efforts at remaining Installation Restoration Program (IRP – focused on cleanup of hazardous substances, pollutants, and contaminants) and Military Munitions Response Program (MMRP – focused on the removal of unexploded ordnance and discarded munitions) sites. This includes $1.1 billion for "Environmental Restoration," which encompasses active installations and Formerly Used Defense Sites (FUDS) locations and $217 million for "BRAC Environmental." While the amount of BRAC Environmental funds requested is nearly 18% less than the 2015 request, this amount will be augmented by $135 million of land sale revenue and prior year, unobligated funds. These funds coupled with the $217 million request brings the total amount of BRAC Environmental funding to $352 million DoD will invest in FY16, a 33% increase over the FY 2015 request. These investments help to ensure DoD continues to make steady progress towards our program goals. We remain engaged with the Military Departments to ensure they are executing plans to spend all remaining unobligated balances.

Table 5: Progress Toward Cleanup Goals

Goal: Achieve Response Complete at 90% and 95% of Active and BRAC IRP and MMRP sites, and FUDS IRP sites, by FY2018 and FY2021, respectively			
	Status as of the end of FY 2014	Projected Status at the end of FY 2018	Projected Status at the end of FY 2021
Army	89%	96%	97%
Navy	78%	88%	94%
Air Force	76%	90%	95%
DLA	88%	96%	96%
FUDS	79%	90%	96%
Total	**82%**	**92%**	**96%**

By the end of 2014, the Department, in cooperation with state agencies and the Environmental Protection Agency, completed cleanup activities at 82 percent of Active and BRAC IRP and MMRP sites, and FUDS IRP sites, and is now monitoring the results. During FY 2014 alone, the Department completed cleanup at over 1,000 sites. Of the roughly 39,000 restoration sites, almost 31,500 are now in monitoring status or cleanup completed. We are currently on track to meet our program goals – anticipating complete cleanup at 96 percent of Active and BRAC IRP and MMRP sites, and FUDS IRP sites, by the end of 2021.

Our focus remains on continuous improvement in the restoration program: minimizing overhead; adopting new technologies to reduce cost and accelerate cleanup; refining and standardizing our cost estimating; and improving our relationships with State regulators through increased dialogue. All of these initiatives help ensure that we make the best use of our available resources to complete cleanup.

Note in particular that we are cleaning up sites on our active installations in parallel with those on bases closed in previous BRAC rounds – cleanup is not something that DoD pursues only when a base is closed. In fact, the significant progress we have made over the last 20 years cleaning up contaminated sites on active DoD installations is expected to reduce the residual environmental liability in the disposition of our property made excess through the BRAC process or other efforts.

Environmental Technology

A key part of DoD's approach to meeting its environmental obligations and improving its performance is its pursuit of advances in science and technology. The Department has a long record of success when it comes to developing innovative environmental technologies and getting them transferred out of the laboratory and into actual use on our remediation sites, installations, ranges, depots and other industrial facilities. These same technologies are also now widely used at non-Defense sites helping the nation as a whole.

While the FY 2016 budget request for Environmental Technology overall is $200 million, our core efforts are conducted and coordinated through two key programs - the Strategic

Environmental Research and Development Program (SERDP - focused on basic research) and the Environmental Security Technology Certification Program (ESTCP - which validates more mature technologies to transition them to widespread use). The FY 2016 budget request includes $66 million for SERDP and $33 million for ESTCP for environmental technology demonstrations, with an additional $20 million requested specifically for energy technology demonstrations.

These programs have already achieved demonstrable results and have the potential to reduce the environmental liability and costs of the Department - developing new ways of treating groundwater contamination, reducing the life-cycle costs of multiple weapons systems, and improving natural resource management.

This past year, the Air Force has deployed a full scale robotic laser depainting system at Hill AFB that is the culmination of a substantial, multi-year investment by SERDP, ESTCP, and the Air Force Research Laboratory. The system is currently operational and offers a more environmentally sustainable method to perform essential maintenance on the F-16, decreasing processing time from seven days to three and increasing the mission availability of the aircraft. Additionally, the new process reduces the amount of hazardous waste generated from 2000 pounds per F-16 aircraft using previous processes to less than one pound using the new system – all while generating approximately 70% savings in per unit costs and decreasing associated labor from 400 hours per aircraft to just 100 hours. A second system is planned for the C-130, and similar results are expected. This technology truly represents a win-win for the environment and the mission.

Looking ahead, our environmental technology investments are focused on the Department's evolving requirements. This year, we expect to complete the demonstrations of revolutionary new technology that allows us to discriminate between hazardous unexploded ordnance and harmless scrap metal without the need to dig up every object and we're moving out aggressively to transition the technology to everyday use. We will continue our investments in technologies to address the challenges of contaminated groundwater sites where no good technical solutions are currently available, and we'll seek out innovative ways to address munitions in the underwater environment. Lastly, we'll continue our efforts to develop the science and tools needed to meet the Department's obligations to assess and adapt to climate change, and we'll continue the important work of reducing future liability and life-cycle costs by eliminating toxic and hazardous materials from our production and maintenance processes.

Environmental Conservation and Compatible Development

To maintain access to the land, water and airspace needed to support our mission needs, the Department continues to successfully manage the natural resources entrusted to us – including protecting the many threatened and endangered species found on our lands. DoD manages approximately 25 million acres containing many high-quality and unique habitats that provide food and shelter for over 520 species-at-risk and over 400 that are federally listed as threatened or endangered species. That is 9 times more species per acre than the Bureau of Land Management, 6 times more per acre than the United States Fish and Wildlife Service (USFWS), 4.5 times more per acre than the Forest Service, and 3.5 times more per acre than the National

Park Service. A surprising number of rare species are found only on military lands – including more than ten listed species and at least 75 species-at-risk.

The FY 2016 budget request for Conservation is $389 million. The Department invests these funds to manage its imperiled species as well as all its natural resources in an effort to sustain the high quality lands our service personnel need for testing, training and operational activities, and to maximize the flexibility our servicemen and women need to effectively use those lands. Species endangerment and habitat degradation can have direct mission-restriction impacts. That is one reason we work hard to prevent species from becoming listed, or from impacting our ability to test and train if they do become listed.

As a result of multiple law suits, the United States Fish and Wildlife Service (USFWS) entered into a court-approved agreement in 2011 that requires USFWS to make decisions about whether to list 251 species that are "candidates" for listing as threatened or endangered under the Endangered Species Act by 2016. Of the 125 found on or adjacent to military lands, the Department determined 37 of them – if USFWS listed and designated critical habitat on DoD lands – could have significant or moderate potential to impact military readiness at locations such as Yakima Training Center and Joint Base Lewis-McChord (JBLM). Furthermore, 12 of those 37 species were identified to have the greatest potential to significantly impact military actions. So far, USFWS has listed 119 of those 251 species, at least 47 of which are on our lands. To minimize actual and potential mission impacts, these installations have increased monitoring for these species, incorporated appropriate management strategies into their Integrated Natural Resource Management Plans, and – when needed – are working with USFWS to avoid critical habitat designations and to ensure that listed species conservation is consistent with military readiness needs.

Our focus has been on getting ahead of any future listings. In 2011, I tasked the Military Departments to ensure our management plans adequately address all listed and candidate species to avoid critical habitat designations. All but two of our plans now adequately address these species, and we have successfully avoided critical habitat for all these candidate species where USFWS has made listing decisions.

We make investments across our enterprise focused on threatened or endangered species, wetland protection, and protecting other natural, cultural and historical resources, but we cannot continue to manage these resources in isolation. Instead, we are working with partners across the fence line to expand our conservation activities off-installation and promote compatible land uses around our installations and ranges. I want to highlight one particularly successful and innovative program that is advancing these innovative partnerships - the Readiness and Environmental Protection Integration (REPI) Program. Included within the $389 million for Conservation, $60.3 million is directed to the REPI Program. The REPI Program is a cost-effective tool to protect the nation's existing training, testing, and operational capabilities at a time of decreasing resources. In the last 12 years, REPI partnerships have protected more than 356,000 acres of land around 80 installations in 28 states. In addition to the tangible benefits to testing, training and operations, these efforts have resulted in significant contributions to biodiversity and recovery actions supporting threatened, endangered and candidate species.

Under REPI, the Department partners with conservation organizations and state and local governments to preserve buffer land and sensitive habitat near installations and ranges. Preserving these areas allows the Department to avoid much more costly alternatives such as workarounds, restricted or unrealistic training approaches, or investments to replace existing test and training capability. Simultaneously, these efforts ease the on-installation species management burden and reduce the possibility of restricted activities, ultimately providing more flexibility for commanders to execute- their missions.

The REPI Program supports the warfighter and protects the taxpayer because it multiplies the Department's investments through unique cost-sharing agreements. Even in these difficult economic times, REPI is able to directly leverage the Department's investments at least one-to-one with those of our partners, effectively securing critical buffers around our installations for half-price.

In addition, DoD, along with the Departments of the Interior and Agriculture, announced the Sentinel Landscapes Partnership to protect large landscapes where conservation, working lands, and national defense interests converge — places defined as Sentinel Landscapes. The Sentinel Landscapes Partnership further strengthens interagency coordination and provides taxpayers with the greatest leverage of their funds by aligning federal programs to advance the mutually-beneficial goals of each agency. The pilot Sentinel Landscape project at Joint Base Lewis-McChord (JBLM) helped USFWS avoid listing a butterfly species in Washington, Oregon, and California, citing the "high level of protection against further losses of habitat or populations" from investments made by Joint Base Lewis-McChord's REPI partnership on private prairie lands in the region. These actions allow significant maneuver areas to remain available and unconstrained for active and intense military use at JBLM.

Fiscal Year 2016 Budget Request – Energy Programs

Unlike the Department's Military Construction and Environmental Remediation programs, where the budget request includes specific line items, our energy programs are subsumed into other accounts. The following sections describe the Energy portion of the budget request. Further discussion of energy follows in the highlighted issues section.

Operational Energy

There is no explicit request for Operational Energy. Fuel is not separately budgeted, but instead is part of multiple operational accounts. We can track previous years' fuel expenditures, and know that we spent approximately $14 billion on fuel in FY 2014. However, investments in how the Department uses operational energy are spread across multiple appropriations, and are detailed in the Department's annual budget certification report, which assesses the alignment of the President's Budget with the goals of the DoD Operational Energy Strategy.

The Department of Defense budgeted approximately $1.6 billion in Fiscal Year (FY) 2016 and $10.9 billion over the five-year Future Defense Plan (FYDP) on operational energy initiatives. Although the FY 2016 budget request maintains approximately the same funding levels as FY

2015, the overall FY 2016-20 FYDP funding includes an increase of approximately $2 billion over FY 2015-19 FYDP funding. The increase largely results from increases in Army and Air Force operational energy funding over the FYDP.

Approximately 92 percent of Department spending on operational energy initiatives focuses on reducing demand, while the remainder addresses energy supplies and adapting the future force. Specific to energy demand, the Services are investing in an array of innovations designed to improve the endurance, resilience, and agility of Joint operations. For instance, the Army is investing in vehicle power train technology, improved batteries and solar chargers for individual Soldier equipment, and more efficient generators. The Navy is pursuing hybrid electric propulsion for the DDG-51 class destroyers that will increase time on station, and aviation simulator upgrades that will allow more training to occur in simulators, reducing the amount of fuel and aircraft maintenance needed to support the Naval Flight Hour program. Marine Corps investments include tactical vehicle fuel efficiency and improvements in expeditionary base camp initiatives. The Air Force is pursuing a range of improved operational practices for the airlift and tanker fleet, as well as mid-life engine upgrades (KC-135 Engine Upgrade) and wholly new propulsion programs (Adaptive Engine Technology Development) that increase range, payload, and/or endurance.

The full certification report, which will be provided to Congress in the near future, will provide a more comprehensive assessment of the alignment of these operational energy initiatives in the FY 2016 President's Budget with the goals of the Operational Energy Strategy.

Facilities Energy

As with Operational Energy, there is no explicit request for Facilities Energy – utilities expenditures are included in the Base Operations O&M request. We can track actual expenditures, and we spent $4.2B on Facilities Energy in FY 2014. Energy efficiency initiatives are found either as part of construction or sustainment budgets. Moreover, the preponderance of renewable energy initiatives that the Services pursue involve third party investments and power purchase agreements that result in electricity bills that are less than or equal to historical prices.

The Department's FY 2016 budget request includes approximately $700 million for investments in conservation and energy efficiency, most of which will be directed to existing buildings. The majority ($550 million) is in the Military Components' operations and maintenance accounts, to be used for sustainment and recapitalization projects. Such projects typically involve retrofits to incorporate improved lighting, high-efficiency HVAC systems, double-pane windows, energy management control systems, and new roofs. The remainder ($150 million) is for the Energy Conservation Investment Program (ECIP), a Military Construction account used to implement energy efficiency, water conservation and renewable energy projects. Each individual ECIP project has a positive payback (i.e. Savings to Investment Ratio (SIR) > 1.0) and the overall program has a combined SIR greater than 2.0. This means for every dollar we invest in ECIP, we generate more than two dollars in savings.

The Military Component investments include activities that would be considered regular maintenance and budgeted within the Operation and Maintenance accounts for Facilities Sustainment, Restoration, and Maintenance activities. The risk that has been accepted in those

accounts will not only result in fewer energy projects, but failing to perform proper maintenance on our buildings will without question have a negative impact on our energy usage. In plain terms, upgrades to air conditioning systems will not reduce energy usage as projected if the roof is leaking or the windows are broken. Sequestration and BCA budget cuts to the Department's facilities energy program have negatively impacted the DoD's ability to meet mandated energy intensity reduction goals. The DoD projects the Department will catch up and begin meeting its energy intensity reduction goals in FY 2019.

In addition to retrofitting existing buildings, we continue to drive efficiency in our new construction. We are implementing a new construction standard for high-performance, sustainable buildings issued by my office last year, which will govern all new construction, major renovations, and leased space acquisition. This new standard, which incorporates the most cost effective elements of commercial standards like ASHRAE 189.1, will accelerate DoD's move toward efficient, sustainable facilities that cost less to own and operate, leave a smaller environmental footprint, and improve employee productivity.

Highlighted Issues

Base Realignment and Closure

Given the state of the budget and the fact that we demonstrated we can save money by closing and realigning facilities in Europe, the Administration is once again requesting the authority from Congress to conduct a BRAC round.

Many members of Congress have stated that the Government as a whole could more efficiently use its resources. We absolutely agree. BRAC is an objective, proven, and effective means of doing just that. The Deputy Secretary, the official responsible for the efficient management of the Department, has been clear on this. Last fall he said "[The] first place we should look at is our basing infrastructure." He went on to talk about how large private companies would not retain excess capacity. Reiterating the need for BRAC, he said; "in this time of constrained resources, I just don't understand why we are hamstringing ourselves. [M]aintaining that extra capacity is a big problem for us because it is wasteful spending, period. It is the worst type of bloat."

Getting at this bloat is why the goal for BRAC remains focused on efficiency and savings. We believe the opportunity for greater efficiencies is clear, based on three basic facts that have not changed over the last year:

- In 2004, DoD conducted a capacity assessment that indicated it had 24% aggregate excess capacity;

- In BRAC 2005, the Department reduced only 3.4% of its infrastructure, as measured in Plant Replacement Value – far short of the aggregate excess indicated in the 2004 study;

- Force structure reductions subsequent to that analysis – particularly Army personnel (from 570,000 to 450,000 or lower), Marine Corps personnel (from 202,000 to 182,000 or lower) and Air Force force structure (reduced by 500 aircraft) – point to the presence of additional excess.

A new BRAC round will be different than BRAC 2005, where we incurred significant costs by forwarding recommendations that did not promise significant savings. That said, in BRAC 2005, we also included many recommendations that returned the initial investment in less than 7 years. These "efficiency" recommendations cost $6 billion and resulted in $3 billion in annual savings. (The "transformation" recommendations cost $29 billion and return $1 billion in annual savings.)

We project that a new efficiency-focused BRAC round will save about $2 billion a year after implementation with costs and savings during the six year implementation being a wash at approximately $6 billion. Our projection is based on the efficiency rounds of the 1990s.

In addition to being a proven process that yields savings, BRAC has several advantages that we have outlined before in our testimony. I want to highlight a few of these:

- BRAC is comprehensive and thorough - all installations are analyzed using certified data aligned against the strategic imperatives detailed in the 20-year force structure plan

- The BRAC process is auditable and logical which enables the Commission to conduct an independent review informed by their own analysis and testimony of affected communities and elected officials

- The Commission has the last say on the Department's recommendations - being fully empowered to alter, reject, or add recommendations

- The BRAC process has an "All or None" construct which prevents the President and Congress from picking and choosing among the Commission's recommendations; thereby insulating BRAC from politics

- The BRAC process imposes a legal obligation on the Department to close and realign installations as recommended by the Commission by a date certain; thereby facilitating economic reuse planning by impacted communities; and grants the Department the authorities needed to satisfy that legal obligation.

While we are certainly open to some changes to the legislatively designed BRAC process that has remained essentially the same for each of the last four BRAC rounds, we should be careful about altering the fundamental principles of the process, particularly those that I outlined above.

For example, Congressman Adam Smith circulated an amended version of the BRAC authorization last year, proposing several changes to the BRAC process. His bill required a certification that the new round would primarily focus on eliminating excess infrastructure; it required emphasis on the cost criteria as well as military value; it required all recommendations to

be completed more quickly – within five years rather than six; and it required master plans that would constrain the execution of recommendations and limit cost growth. Taken together, the intent is clear: the Smith proposal is designed to create cost and business case constraints on the BRAC process from the outset – unfortunately while several aspects of that proposal would fundamentally alter key aspects of what makes BRAC work: the priority given to military value; insulation from politics; and the legal obligation to implement the recommendations together with the authorities needed to satisfy that legal obligation – the proposal advances a constructive discussion of BRAC authorization.

While not in the context of BRAC, recent legislation authorizing the Department to proceed with the relocation of Marines to Guam imposed a cost cap on the overall program in an effort to underscore cost consciousness and limit the Department's fiscal exposure.

We would welcome discussion on mechanisms to limit cost and emphasize savings in future BRAC rounds. Ultimately, we recognize the reality that no matter how many times the Administration asserts that a future BRAC round will be about cost savings, Congress may want more than just our assurance.

Whatever changes we discuss, the key is maintaining the essence of the BRAC process: treating all bases equally, all or none review by both the President and Congress, an independent Commission, and a clear legal obligation to implement all of the recommendations in a time certain together with all the authorities needed to accomplish implementation (specifically MILCON).

European Infrastructure Consolidation

Past and ongoing force structure changes, a changing security environment, and our tough fiscal climate provided the Department a catalyst to undertake a comprehensive review of the infrastructure requirements necessary to support U.S. forces and their missions in and around Europe. The actions resulting from this comprehensive review of our European infrastructure will allow us to create long-term savings by eliminating excess infrastructure without reducing our operational capabilities. In other words, operationally we will continue to do everything we currently do – but at a lower cost.

The Department has been reducing its European footprint since the end of the Cold War. Generally, infrastructure reductions have been proportional to force structure reductions, but prior to our European Infrastructure Consolidation (EIC) effort we hadn't taken a holistic, joint review of our European infrastructure. In response to our recent requests for Base Realignment and Closure (BRAC) authority, Congress made it clear that it wanted DoD to do so.

To analyze our European infrastructure we used a process very similar to the proven U.S. BRAC process. We looked at capacity, requirements, military value, cost, and at the diplomatic dynamics involved with each action. As we consolidate our footprint, the infrastructure remaining in place will continue to support our operational requirements and strategic commitments, but we will not need as many support personnel (military, civilian, and host nation employees) to maintain a reduced infrastructure. We did not contemplate changes that reduced

operational force structure or warfighting capability - that was a fundamental constraint of the analysis.

The largest action resulting from the EIC analysis is our return of RAF Mildenhall to the United Kingdom. Approximately 3,200 U.S. personnel from RAF Mildenhall will be re-stationed elsewhere. This move will be partially offset by the addition of about 1,200 personnel that will support the F-35s being stationed at nearby RAF Lakenheath. Both of these events will occur in the 2018-2021 timeframe.

Including the initial adjustments announced last April and the final actions announced in January, the Department will realize more than $500 million in annual recurring savings once all actions are fully implemented – all while maintaining the same operational capability. This is in addition to the more than $600 million in annual savings resulting from previously announced Army divestitures of Bamberg and Schweinfurt that were validated through the EIC process - divestitures directly associated with the recent force structure reductions in Europe.

Although detailed implementation planning is still underway, initial estimates indicate these actions will require approximately $800 million to construct facilities at receiving sites. The vast majority of these construction requirements support divesting RAF Mildenhall (construction likely beginning in FY17) and consolidation of our joint intelligence analysis facilities at RAF Croughton, with $93 million for the second of three phases included in this year's budget request.

These recommendations will be executed over the next several years, but that does not mean that everything will remain static in Europe while these changes occur. There were consolidations made before EIC and there will undoubtedly be future basing actions. However, the holistic review we conducted over the last two years allows us to redirect resources currently supporting unneeded infrastructure and apply them to higher priorities, thus strengthening our posture in Europe.

Although we continually seek efficiencies as we manage installations worldwide, the Department does not conduct this degree of comprehensive analyses of its infrastructure on a regular basis. That's one of the reasons we have requested BRAC authority from Congress to do a review of our U.S. installations. In this fiscal environment it would be irresponsible of us not to look for such savings.

Rebasing of Marines from Okinawa to Guam

The movement of thousands of Marines from Okinawa (and elsewhere) to Guam is one of the most significant re-basing action in recent years. We appreciate Congress' support in lifting restrictions on the relocation. Removal of these restrictions will allow us to move forward on this essential component of our rebalance to the Asia-Pacific region, resulting in a more geographically dispersed, operationally resilient, and politically sustainable posture in the area. As a U.S. territory, Guam offers strategic advantages and operational capabilities that are unique in the region. Presence in Guam is a force multiplier that contributes to a force posture that reassures allies and partners and deters aggression.

We understand Congress' concerns regarding both the cost and feasibility of the previous plan. Now, after much effort, we have a unified position on an executable plan. It is affordable, has fewer effects on Guam (peak population, power demand, and water demand are all reduced significantly), and is de-linked from progress on the Futenma Replacement Facility on Okinawa, yet preserves Japan's commitment to fund a substantial portion of the relocation. The new plan stations a smaller and more rotational force on Guam (~5,000 Marines/1,300 dependents) leaving ~11,500 Marines on Okinawa. The new plan, similar to the previous plan, requires Japan to contribute $3.1 billion (all in cash) of the estimated $8.7 billion total cost (in FY 2012$).

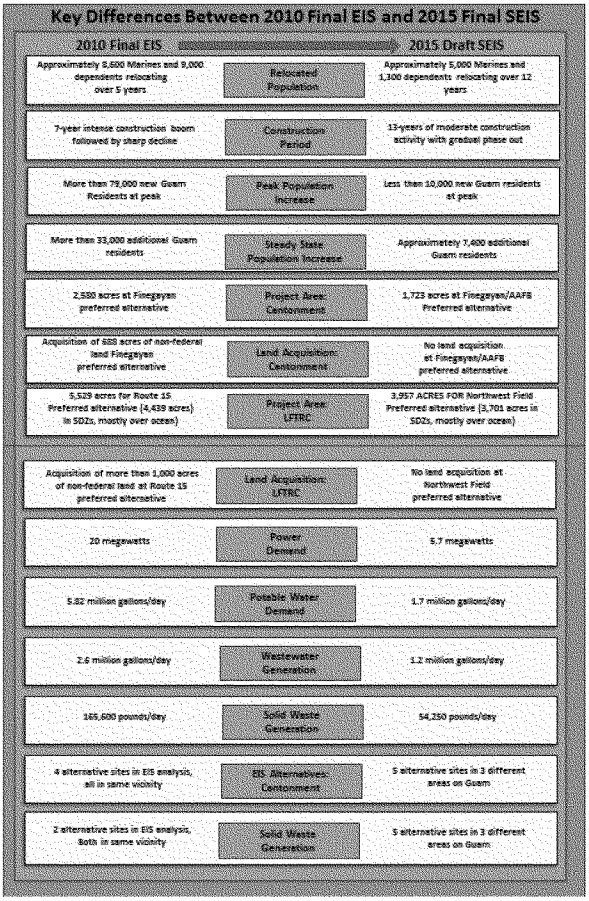
In addition to the $3.1 billion the Government of Japan has committed to construction on Guam, it is committing approximately $12 billion to relocation efforts on Okinawa, including approximately $7-8 billion for Okinawa consolidation and approximately $4-5 billion for the Camp Schwab replacement for Marine Corps Air Station Futenma.

The Department has begun executing the Guam Master Plan in earnest and we expect only minor adjustments going forward. The Department plans to execute more than half a billion dollars of combined U.S. and Japanese funds in FY 2016. Specifically, in FY 2016, the Department is requesting $126 million for the Known Distance Live-Fire Training Range at the Northwest Field of Andersen. We appreciate the FY 2015 authorization and appropriation of $50.7 million for construction of Ground Support Equipment shops and Marine Wing Support Squadron Facilities at Andersen's North Ramp.

The relocation effort will reach a critical milestone in 2015, as the Department will complete the Supplemental Environmental Impact Statement (SEIS) associated with the modified plan and issue a Record of Decision. That document will reflect the significantly reduced strain that will be imposed on Guam as a result of a much smaller – and much slower – transition.

The long-term effects of the earlier plan's greater number of Marines and their families, larger footprint, need for additional land in the vicinity of the culturally important Pagat Cave (for the live - fire range), and the large number of imported workers necessary to meet the 2014 construction deadline fueled opposition. The new plan addresses most of these concerns through a smaller, more rotational number of Marines with less effect on the island; no requirement for additional land; a "preferred alternative" for the live-fire range at existing Andersen Air Force Base (AAFB) property; and a longer timeline needing far fewer imported workers. Additionally, in August 2014, the Department of Navy revised its planning to take advantage of existing, but underutilized, family housing at AAFB that needs recapitalization – a more cost- effective joint USMC/Air Force solution that further reduces our planned footprint.

The table below from the SEIS highlights some of the key differences between the original and revised plans:



In parallel with the effort on the SEIS, the Department called a formal meeting of the Economic Adjustment Committee on July 29, 2014 to begin an assessment of "outside-the-fence"

requirements. The EAC's work is important as the earlier plan required significant investment due to the build-up's effects on Guam's fragile infrastructure. Nearly $1.3 billion was previously identified in water and wastewater investments following the Navy's 2010 Record of Decision. Japan was to provide $740 million in financing for these investments with the Department providing the balance.

However, because the new plan significantly reduces the effect on Guam's infrastructure and because Guam itself has upgraded some of its infrastructure, "outside-the-fence" requirements are expected to be significantly less. At its formal meeting on July 29, 2014, the EAC empowered teams of member agencies to identify required actions, their costs, and a timeline for outside- the- fence investments for those requirements specifically identified in the Navy's Final SEIS as being necessary to mitigate effects on the Territory. The plans and reports from these efforts will comprise the content for the final 2014 NDAA Section 2822 report (the "EAC Implementation Plan") to Congress. The EAC Implementation Plan is to be issued no later than the Department of the Navy's Record of Decision later this year.

We understand the concerns about spending funds for "outside-the-fence" projects, but the Department intends to seek funding only for those projects required by the SEIS to address impacts of the build-up. The President's FY 2016 budget requests an additional $20.0 million for work necessary to repair Guam's civilian water and wastewater infrastructure and remedy deficiencies that could affect the health of DoD personnel. This effort is aligned with the water and wastewater investments identified as part of the Guam SEIS and the parallel EAC analysis. A more detailed – and complete – cost estimate will be included in our Report to Congress later this year.

Operational and Facilities Energy

Merger of the Energy, Installations, and Environment Organizations

In the FY 2015 National Defense Authorization Act, Congress directed the merger of the Assistant Secretary of Defense for Operational Energy Plans and Programs and the Deputy Under Secretary of Defense for Installations and Environment, creating a new Assistant Secretary of Defense for Energy, Installations and Environment, mirroring the organizational structure of the Services.

Without question, the operational and facilities facets of the Department's energy programs have much in common. First, they principally focus on the ability of the Department to carry out its missions. Both at installations and in combat platforms, energy is a critical resource and vulnerability across the full range of military operations. As an enabler, energy availability and resilience define the capabilities of weapons platforms, facilities and equipment. In addition, energy remains a substantial expense that competes with other investments in people and equipment. The drive to protect taxpayer dollars, especially in this budget environment, compels us to pursue cost-effective measures that increase energy efficiency and reduce our cost of operations.

The management strategies are similar also. Both heavily emphasize energy efficiency and reduction in demand, but also include recognition of the need to diversify supply. Energy security is a common theme, and while that means different things to different people, here it means the need for assured access to energy, during both combat and day-to-day operations. Finally, they look to the future and note the important role that technology investments play in setting the groundwork for the future force.

While there are many similarities in approach, fuels, the dominant manifestation of operational energy, and electricity, the primary medium of facilities energy, are fundamentally different and involve very different communities and programs within the Department of Defense. I'd like to highlight a few topics in each area.

Operational Energy

Within the operational energy portfolio, most of our efforts to date reflected the imperatives of operations in Afghanistan and Iraq, and focused on mitigating the risks of supplying energy to distributed contingency bases in an environment characterized by desert conditions and irregular adversaries. Looking ahead, we recognize that the Department's rebalance to the Asia-Pacific will mean a shift in our own operational energy initiatives to reflect a broader set of missions, equipment, and threats. I believe we must focus on the energy implications of air and sea operations supported from a mix of permanent and contingency locations in both the United States and other host countries.

Over the long run, including energy considerations early in the force development process offers the largest opportunities to increase capability, reduce risk, and mitigate costs. We have continued to enhance the role of operational energy in Service Title X wargames that influence future organization, training, and equipment. Operational energy played a role in wargames led by each of the Services and the Defense Logistics Agency over the past year, and we anticipate this trend to continue in FY 2016.

The Department also continues to advocate the importance of developing and acquiring platforms that are energy supportable and operationally effective in contested environments. Achieving this goal will rely on the consistent and appropriate use of the Energy Key Performance Parameter (KPP) in new programs. During 2014, we worked with the Joint Staff J-4 to refine the Energy KPP instructions in the Joint Capabilities Integration and Development System (JCIDS) Manual to improve the quality and use of energy supportability analyses. By analyzing the energy performance and supportability early in the requirements and acquisition process, the Department is provided the opportunity to make informed decisions with regard to operational energy.

Using the new guidance, ASD(EI&E) and Joint Staff J-4 continued to assess the role of the Energy KPP compliance in new and updated systems, including LHA(R), TAO(X), Amphibious Combat Vehicle (ACV) and KC-46A aerial tanker. For example, with ASD(EI&E) and Joint Staff direction, the USMC is using a future wargame to analyze the operational ability of the LHA(R), the largest of the Amphibious Assault Ships, to support the F-35B Joint Strike Fighter (JSF). OASD(EI&E) and Joint Staff also are working with the Services to determine whether the

planned fleet of air and sea refuelers – TAO(X) and KC-46A – are sufficient to meet the energy needs of the future force.

As the Department considers additional initiatives to address the demand for operational energy, I anticipate future attention to how adaptations to air and sea platforms can improve our operational capability and decrease risks. Changes in operational practices, improvements in supporting routing, maintenance, and on-board energy management systems, and mid-life upgrades each represent significant opportunities for improvement.

Facilities Energy

Where operational energy is most often a characteristic of warfighting platforms, the use of electricity, natural gas and other utilities is a fundamental characteristic of the nearly 300,000 buildings DoD owns and operates. The very nature of the problems are different, both in complexity and risk. Delivery of fuel to a forward operating location or an aircraft carrier in the Pacific Ocean is fundamentally different than tapping into the commercial electric grid. As such, fiscal considerations can take a more prominent role in facilities energy decisions. For example, energy efficiency projects are prioritized, in large part, by return on investment.

This also leads us to emphasis on third-party financing. For example, the Services have increased their focus on third-party financing tools, such as Energy Savings Performance Contracts (ESPCs) and Utility Energy Service Contracts (UESCs), to improve the energy efficiency of their existing buildings. With these tools private energy firms or utility companies make energy upgrades to our buildings and are paid back over time using utility bill savings. While such performance-based contracts have long been part of the Department's energy strategy, since 2012 the Department has significantly increased our efforts in response to the President's Performance Contracting Challenge issued in Dec 2011 and extends to 2016 and beyond.

In addition, most renewable energy projects we pursue are financed by private developers. DoD's authorities for renewable energy - particularly the ability to sign power purchase agreements of up to 30 years - provide incentives for private firms to fund the projects themselves, and can also provide a strong business case that they are able to offer DoD lower energy rates than are being paid currently. In addition, both Congress and the President have established renewable energy goals that motivate us to pay closer attention to these opportunities.

As a result, the Military Services have stepped up their efforts to develop robust renewable energy programs with a goal to deploy a total of 3 gigawatts of renewable energy by 2025.

Within the last three years, the Department has more than doubled the number of renewable energy projects in operation with over 800 megawatts in place today. The Military Departments are developing a number of new renewable energy projects, anticipating that all these will be operational by FY 2020. These planned projects will provide approximately 2 gigawatts of additional renewable energy, enough to power 400,000 American homes. The Army recently completed a number of large renewable energy projects, including Fort Drum, NY (28 MW Biomass) and Fort Huachuca, AZ (18 MW Solar PV), and the Air Force's large solar project at Davis-Monthan Air Force Base came online in FY14 (16.4 MW Solar PV). In addition, the

Navy has innovatively partnered with utilities across the U.S. to construct large renewable energy projects to power multiple Navy bases at once, with over 380 MW being procured in California and the East Coast.

Climate Change Adaptation

Climate change continues to be a priority for the Department. Both the 2010 and 2014 Quadrennial Defense Review (QDR) discussed that the impacts associated with a changing climate present a threat to DoD's national security mission. I know there is interest in Congress on this issue, and many would like to ensure we do not take significant risks in response to climate projections. I would suggest that not only are we not taking such risks, but we are working to minimize the risks posed by future climate changes through prudent planning and analysis.

First, it is important to understand that DoD looks at climate change impacts through the lens of its mission. In the QDR, we refer to climate change as a "threat multiplier" because it has the potential to exacerbate many of the challenges we are dealing with today – from infectious disease to terrorism.

My focus, however, is on installations and infrastructure. Sea-level rise results in degradation or loss of coastal areas and infrastructure, as well as more frequent flooding and expanding intrusion of storm surge across our coastal bases. Facilities and transportation infrastructure are already impacted by thawing permafrost and melting sea ice around our Alaskan installations. The changing environment increases the threat to 400 threatened or endangered species our installations are home to, leading to increased probability of training and operating restrictions. Increased high-heat days impose limitations on what training and testing activities our personnel can perform. Decreasing water supplies and increased numbers of wildfires in the Southwest may jeopardize future operations at critical ranges.

Our warfighters cannot do their jobs without bases from which to fight, on which to train, or in which to live when they are not deployed. When climate effects make our critical facilities unusable, that is an unacceptable impact.

Even without knowing precisely how the climate will change, we can see that the forecast is for more sea level rise; more flooding and storm surge on the coasts; continuing Arctic ice melt and permafrost thaw; more drought and wildfire in the American Southwest; and more intense storms around the world. DoD is accustomed to preparing for contingencies and mitigating risk, and we can take prudent steps today to mitigate the risks associated with these forecasts. These range from the strategic (DoD's Arctic Strategy) to the mundane (ensuring backup power and computer servers are not in basements where facilities are facing increased flood risk). In 2014, we released the updated DoD Climate Change Adaptation Roadmap, which outlines our strategy for responding to climate change across the Department.

The Military Services have conducted initial studies that indicate critical installations in the West could run out of water within decades. Not only do we need to begin reducing this risk today, but we need to comprehensively review our installation footprint to identify similarly vulnerable

installations. We are conducting a screening level assessment of all DoD sites world-wide to identify where we are vulnerable to extreme weather events and tidal anomalies today. This assessment will be completed later this year and will inform the Military Services more comprehensive assessments of individual site adaptation needs.

Given the projected increases in major storm events, we've conducted a review of power resilience. We did a comprehensive review of all installations to ensure critical capabilities have been identified, and have back-up power resources that have been tested and will work when there is a significant outage.

We have reviewed Department-level directives, instructions and manuals to identify where considerations of climate change should be incorporated. We are continuing to update those policies and programs that provide the foundation of the Department's actions to ensure we are considering the effects of a changing climate on our investments and actions. It's not necessarily exciting to change a master planning policy, but when we decide to build on higher ground, it reduces the risk to those new facilities and is a wiser use of taxpayer funds.

Our research continues on the effects of thawing permafrost on our Alaskan infrastructure, Southwestern extreme heat, Gulf and Atlantic coast sea level rise risks, and water issues in the Pacific islands.

In conclusion, our goal is to increase the Department's resilience to the impacts of climate change. To achieve this goal, we are dealing with climate change by taking prudent and measured steps to reduce the risk to our ability to conduct missions.

Conclusion

Thank you for the opportunity to present the President's FY 2016 budget request for DoD programs supporting installations, energy, and the environment. As I have outlined above, our request is significantly more than last year because the total defense budget request is $35 billion more than the Budget Control Act cap for Fiscal Year 2016. That translates into a significant reduction in facilities risk from last year, but if we are compelled to return to the budget caps, that reduction in risk will evaporate.

We appreciate Congress' continued support for our enterprise and look forward to working with you as you consider the FY 2016 budget.

John Conger
Performing the Duties of Assistant Secretary of Defense for Energy, Installations and Environment

Mr. John Conger is performing the Duties of Assistant Secretary of Defense for Energy, Installations and Environment. He was appointed on December 20th, 2014 after the Office of the Assistant Secretary of Defense for Operational Energy merged with the Office of the Deputy Under Secretary of Defense for Installations and Environment. Previously, he was the Acting Deputy Under Secretary of Defense for Installations and Environment from December 19, 2014 to September 14, 2012. He also served as the Assistant Deputy Under Secretary for Installations and Environment from June 22, 2009-September 13, 2012.

In this position, he provides budgetary, policy and management oversight over the DoD's $850 billion real property portfolio, which encompasses more than 500 installations, 500,000 buildings and structures, and 28 million acres. He conducts oversight of the Department's implementation of the planning and program activities related to Operational Energy. He manages the Department's Base Realignment and Closure activities for domestic installations and facility consolidation and realignment efforts overseas; develops policy to improve facility energy efficiency, increase renewable energy use on U.S. installations and operations, and promote energy security; and manages environmental compliance, conservation and clean-up programs. Mr. Conger is the Department's designated Senior Real Property Officer.

Prior to his appointment in DoD, Mr. Conger served on the staff of Representative Chet Edwards, Chairman of the House Appropriations Subcommittee on Military Construction and Veterans Affairs, where he served as Legislative Director and principal advisor on defense, veterans, and foreign policy issues. In addition to his work supporting Rep. Edwards' military construction initiatives, his efforts focused on Army force structure and policy, military quality of life, military retiree benefits, veterans health care funding, and nuclear nonproliferation. He also served as staff for the House Army Caucus, which Edwards co-chaired. For his work in support of military service members, retirees, and their families, Mr. Conger received the Military Order of the Purple Heart Special Recognition Award, the Military Coalition Freedom Award, and the Military Officers Association of America Col. Paul W. Arcari Meritorious Service Award.

In his previous tenure on Capitol Hill, he served as Professional Staff for the House International Relations Committee and as defense staff for Representatives Jane Harman and Sam Gejdenson. Previously, Mr. Conger was employed in the private sector as an aerospace engineer and defense analyst supporting the Office of the Secretary of Defense.

He holds a B.S. and an M.S. in Aerospace Engineering from the Massachusetts Institute of Technology and an M.A. in Science, Technology and Public Policy from the George Washington University.

Current as of January 29, 2015.

RECORD VERSION

STATEMENT BY

THE HONORABLE KATHERINE G. HAMMACK
ASSISTANT SECRETARY OF THE ARMY
(INSTALLATIONS, ENERGY, AND ENVIRONMENT)

BEFORE THE

SUBCOMMITTEE ON READINESS
COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES

FIRST SESSION, 114TH CONGRESS

ON THE ALIGNMENT OF INFRASTRUCTURE INVESTMENT AND RISK AND DEFENSE STRATEGIC REQUIREMENTS

MARCH 3, 2015

NOT FOR PUBLICATION UNTIL RELEASED BY
THE HOUSE ARMED SERVICES COMMITTEE

INTRODUCTION

Chairman Wittman, Ranking Member Bordallo, and Members of the Committee, on behalf of the Soldiers, Families, and Civilians of the United States Army, thank you for the opportunity to present the Army's Fiscal Year (FY) 2016 military construction (MILCON) and installations programs budget request.

The Army installation management community is committed to providing the facilities necessary to enable a ready and capable Army. The President's FY 2016 MILCON budget request supports a regionally-engaged Army in a fiscally-constricted environment.

We ask for the Committee's continued commitment to our Soldiers, Families, and Civilians and support for the Army's MILCON and installations programs.

OVERVIEW

The President's FY 2016 budget requests $1.6 billion for Army MILCON, Army Family Housing (AFH), and Base Closure Accounts (BCA). This request represents 1.3 percent of the total Army budget request. Of this $1.6 billion request, $743 million is for Military Construction, Army; $197 million is for Military Construction, Army National Guard; $114 million is for Military Construction, Army Reserve; $493 million is for AFH; and $30 million is for BCA.

The Army's facility investments are focused on supporting necessary training, maintenance, and operations facilities. These investments take into consideration the fiscal landscape we are facing as a Nation, which is influenced by the Budget Control Act of 2011, the Bipartisan Budget Agreement of 2013, and the strategic shift to realign forces toward the Asia/Pacific theater.

ARMY FORCE STRUCTURE

Fiscal reductions required by current law, and outlined in the 2014 Quadrennial Defense Review, have put the Army on a path to shrink our active component end

strength and corresponding force structure a second time from a peak of 570,000 in FY 2010, to 450,000 by FY 2017. This is a total reduction of 120,000 active component Soldiers, approximately 22 percent. If sequestration level cuts are imposed in FY 2016 and beyond, the Army may have to reduce our end strength and corresponding force structure to 420,000 Soldiers by FY 2019. This is a cumulative reduction of 150,000 Soldiers, approximately 26 percent.

These reductions will affect every installation in the Army. The Army must retain our adaptability and flexibility so we can continue to provide regionally-aligned and mission-tailored forces in support of national defense requirements. Failing to maintain the proper balance between end-strength, readiness, and modernization will result in a "hollow" Army. The Army is already reducing our active component from 45 Brigade Combat Teams (BCTs) to 32 by the end of FY 2015.

When we evaluated our initial force structure reductions from 570,000 to 490,000 Soldiers, we conducted a Programmatic Environmental Assessment (PEA), which was prepared in accordance with the National Environmental Policy Act (NEPA). The PEA analyzed potential environmental impacts that could result from the force reductions, including socioeconomic impacts at specified population loss thresholds. Since the Army's active component end-strength and corresponding force structure will decline further than 490,000 to 450,000 by FY 2017, the Army initiated a supplemental PEA (SPEA) analysis in February 2014 to analyze additional potential population loss scenarios that accounted for the impacts of full sequestration and Budget Control Act funding levels in FY 2016 and beyond. Following publication of the SPEA, the Army is in the process of conducting approximately 30 community listening sessions at all Army installations with military and civilian populations of 5,000 or more. The community listening sessions give communities an opportunity to contribute feedback that will be taken into consideration by Army leaders before decisions are made on force structure reductions for specific installations.

FACILITY CAPACITY ANALYSIS

As the Army reorganizes to address these reductions, we must gauge the facility capacity and facility mix that we require to support a ready and resilient Army. We have begun conducting a facility capacity analysis to determine how much excess capacity will be created at the aggregate or enterprise level by the decrease in our end strength and corresponding force structure.

We have conducted programmatic analyses of real property needed to support an end-strength and corresponding force structure of 490,000 active component Soldiers. Results show that with 490,000 active component Soldiers, we will have nearly 18 percent excess capacity across our worldwide installations, totaling over 160 million square feet of facilities that could be repurposed to serve a wide variety of other uses (including satisfying other Army facility requirements). Inside the United States, excess capacity ranges between 12 and 28 percent, depending on facility category group, with an average of approximately 18 percent.

The Army estimates it costs $3 per square foot each year to maintain underutilized facilities. Accordingly, it costs the Army over $480 million a year to operate and sustain worldwide excess capacity. Additional excess capacity will be created when the active component shrinks further, necessitating incremental facility capacity analyses

In January 2013, the Secretary of Defense directed a thorough review of European infrastructure requirements. This effort is consistent with the Congressional direction communicated in the Fiscal Year 2014 National Defense Authorization Act. In May 2014, the first set of decisions resulting from the European Infrastructure Consolidation (EIC) analysis was released. The Secretary of Defense approved 22 actions, 13 of which were Army actions. Many of these actions had been underway prior to EIC, yet they were formally reevaluated and found to be wholly consistent with the intent of EIC: to reduce excess infrastructure and associated operating costs, without sacrificing operational capabilities.

In January 2015, the Department of Defense announced 26 additional decisions, 20 of which were Army actions, which resulted from a rigorous analytic method that

adapted elements of the Base Closure and Realignment (BRAC) process to an overseas environment. This analysis included a Capacity Analysis, a Military Value Analysis, and a structured Scenario Development and Evaluation process. The Army is now nearing completion of fully developed and coordinated business plans to ensure these decisions are implemented between 2016 and 2020, in a manner that conforms to the Secretary of Defense's guidance and achieves both the projected savings and infrastructure reductions.

The 33 Army EIC actions will significantly reduce our infrastructure in Europe at a considerably faster pace than previously envisioned. They are projected to yield Annual Recurring Savings of $163 million by Fiscal Year 2021 after implementation costs of $358 million are incurred between Fiscal Year 2014 and 2020.

The use of BRAC methods and tools to evaluate our European infrastructure was helpful in building expertise and proficiency that will help prepare the Army for a future BRAC Round. Moreover, the rigor of the analysis helped to demonstrate that DoD has reduced, or identified for reduction, all that it can overseas, and must now seek reductions within the United States, for which new BRAC authority is essential. This authority is needed to eliminate excess, balance infrastructure and force structure, and operate within projected fiscal constraints. DoD and the Army have the tools and authorities needed to identify and reduce our excess capacity overseas. Inside the United States, however, the best and proven method to address excess infrastructure, in a cost-effective, transparent, and equitable manner, is through the BRAC process.

Our evaluation of European infrastructure followed the BRAC analytic methods and laid the foundation for the next round of BRAC. BRAC is a proven, fair, and cost effective process; the savings have been validated by the Government Accountability Office (GAO). Similar to our EIC effort, the Army is committed to a future BRAC round that is focused on efficiency and consolidation rather than transformation.

The Army needs BRAC to achieve savings of a sufficient magnitude to prevent the deterioration of our critical infrastructure. As the Army's end-strength and force structure decline alongside available funding, hundreds of millions of scarce dollars will be wasted in maintaining underutilized buildings and infrastructure. Trying to spread a

smaller budget over the same number of installations and facilities will inevitably result in rapid declining conditions of Army facilities.

The Army has used existing authorities to vacate leased space and move from temporary buildings into permanent buildings. For example, at Fort Campbell, Kentucky, when the Fourth BCT of the 101st Airborne Division was inactivated, it resulted in 228 facility reallocation moves affecting 5 different Brigades. At the end of the process, Fort Campbell vacated and removed 91 relocatable buildings consisting of over 200,000 Square Feet.

As laudable as the Fort Campbell efficiency measures have been, however, the stark budgetary reality is that modest savings from these prudent efficiency measures cannot substitute for the significant savings of a new BRAC round. The cost of running a garrison is relatively fixed, regardless of whether the supported population is reduced by 10, 20, or 40 percent. The Army must continue to evaluate, balance, and right-size the diverse and extensive supporting infrastructure that enables our effective fighting forces. BRAC is the only proven authority that allows the Army to achieve this balance, reduce costs, and achieve the necessary savings.

For many communities near our installations, BRAC is better than proceeding with the reduction of force structure and excess capacity under current law. It provides the impacted communities a chance to conduct comprehensive redevelopment planning with federal resources to assist them. It also can provide the community additional property conveyance options. Neither the Army nor the supporting communities benefit from retaining underutilized installations that are unaffordable for the Army with diminished economic benefit to the community.

FACILITY INVESTMENT STRATEGY (FIS)

As the Army shapes the Force of 2025 and Beyond through a series of strategic initiatives, the Installation Management Community continues to focus on providing quality, energy-efficient facilities in support of the Army Leadership priorities.

The FIS provides a strategic framework that is synchronized with the Army Campaign Plan (ACP); Total Army Analysis; and the Planning, Programming, Budgeting

& Execution (PPBE) to determine capital investment needed to sustain Army facilities at installations and Joint Service bases across the country. The FIS is a cost-effective and efficient approach to facility investments that reduces unneeded footprint, saves energy by preserving efficient facilities, consolidates functions for effective space utilization, demolishes failing buildings, and uses appropriate excess facilities to eliminate off-post leases.

FIS uses MILCON funding to replace failing facilities and build out critical facility shortages; Operation and Maintenance (O&M) funding to address the repair and maintenance of existing facilities; O&M Restoration and Modernization (R&M) funding to improve existing facility quality; O&M Sustainment funding to maintain existing facilities; and Demolition and Disposal funding to eliminate failing excess facilities. Focused investments from MILCON and O&M funding support facilities grouped in the following categories: Redeployment/Force Structure, Barracks, Revitalization, Ranges, and Training Facilities. The FY 2016 budget request implements the FIS by building out shortfalls for unmanned aerial vehicle units, Army Cyber, initial entry training barracks, selected maintenance facilities, and reserve component facilities. Additional departmental focus areas include Organic Industrial Base and Energy/Utilities.

FY 2016 BUDGET REQUEST

MILITARY CONSTRUCTION, ARMY

The FY 2016 Military Construction, Army (MCA) budget requests an authorization of $609 million and appropriations for $743.2 million. The appropriations request includes $134.2 million for planning and design, minor military construction, and host nation support. The MCA program is focused on the MILCON categories of Army Cyber, Barracks, Revitalization, Ranges and Training Facilities, and Other Support Programs.

Of the $743.2 million, $90 million will be spent on Army Cyber. The FY 2016 MCA budget requests a Command and Control Facility for the recently-established

Army Cyber Command (ARCYBER) and Joint Forces Headquarters Cyber at Fort Gordon, Georgia.

Of the $743.2 million, $56 million will be spent on Barracks. As part of the Army's continued investment in barracks, the FY 2016 MCA budget provides for one project to complete a Reception Barracks Complex at Fort Sill, Oklahoma, which includes 254 barracks spaces and company operations facilities for Initial Entry Training (IET) Soldiers during their in-processing.

Of the $743.2 million, $397.6 million will be spent on Revitalization. As part of the Army's Facility Investment Strategy, the Army is requesting eight projects to address failing facilities and/or critical facility shortfalls to meet the unit mission requirements. Projects include the $43 million Homeland Defense Operation Center at Joint Base San Antonio, Texas; a $70 million Waste Water Treatment Plant at West Point, New York; a $37 million Instruction Building at Joint Base Myer-Henderson Hall, Virginia; a $85 million Powertrain Facility (Infrastructure/Metal) at Corpus Christi Army Depot, Texas; a $98 million replacement of Pier #2 at the Military Ocean Terminal Concord, California; a $7.8 million Physical Readiness Training Facility at Fort Greely, Alaska; a $5.8 million Rotary Wing Taxiway at Fort Carson, Colorado; and a $51 million Vehicle Maintenance Shop at Grafenwoehr Training Area, Germany.

Of the $743.2 million, $65.4 million will be spent on Ranges and Training Facilities. These funds will be invested to construct a Non-Commissioned Officer (NCO) Academy at Fort Drum, New York ($19 million) as well as two new Training Support Facilities. These facilities are located at Fort Sill, Oklahoma ($13.4 million) and Fort Lee, Virginia ($33 million) to meet Program of Instruction (POI) training requirements for Soldiers, Non-Commissioned Officers and Junior Officers undergoing Military Occupational Specialty training.

Of the $743.2 million, $134.2 million will be spent on Other Support Programs. This includes $73.2 million for planning and design of MCA projects, $36 million for the oversight of design and construction of projects funded by host nations, and $25 million for unspecified minor construction.

MILITARY CONSTRUCTION, ARMY NATIONAL GUARD

The FY 2016 Military Construction, National Guard (MCNG) budget requests an authorization of $132.1 million and appropriations for $197.2 million. The appropriations request includes $35.3 million for planning and design and minor military construction and $29.8 million for previously-authorized projects at Dagsboro, Delaware ($10.8 million) and Yakima, Washington ($19 million). The MCNG program is focused on the readiness centers, maintenance facilities, training facilities, ranges and barracks.

Of the $197.2 million, $88.3 million will be spent on Readiness Centers. The FY 2016 budget request includes five readiness centers: Palm Coast, Florida ($18 million); Easton, Maryland ($13.8 million); Salem, Oregon ($16.5 million); Richmond, Virginia ($29 million); and Camp Hartell, Connecticut ($11 million). The readiness centers include new facilities as well as expansions/alterations to existing facilities. The projects primarily address space shortfalls and replacement of obsolete facilities. In one case, the project will eliminate the need to continue leasing a facility. The new readiness centers will enhance the Army National Guard's readiness to perform state and federal missions.

Of the $197.2 million, $26.7 million will be spent on Maintenance Facilities. Three National Guard maintenance shops are included in the request. The Dagsboro, Delaware facility ($10.8 million) addresses shortfalls in interior space, privately-owned vehicle parking, and military vehicle parking. A project in North Hyde Park, Vermont ($7.9 million) adds space to an existing facility that only has 22 percent of the required space. One final addition/alteration project is located in Reno, Nevada ($8 million) and will address space shortfalls and modernize the existing facility.

Of the $197.2 million, $16 million will be spent on Training Facilities. At Fort Indiantown Gap, Pennsylvania, a new training aids center ($16 million) replaces a deteriorated World War Two-era facility and other temporary storage.

Of the $197.2 million, $11.9 million will be spent on Ranges. The Army National Guard's request contains four range projects. Two range projects are located in Salina, Kansas and consist of an automated combat pistol/military police firearms qualification course ($2.4 million) and a modified record fire range ($4.3 million). Both of these

ranges are necessary in order to meet current training range criteria and achieve the required throughput. The range project at Camp Ravenna, Ohio, a modified record fire range ($3.3 million), will provide needed capacity for unit training. In Sparta, Illinois a basic firing range ($1.9 million) will address the lack of this type of facility in south central Illinois.

Of the $197.2 million, $19 million will be spent on Barracks facilities. At Yakima, Washington, a new transient training barracks ($19 million) addresses a shortfall in space and quality.

Of the $197.2 million, $35.3 million will be spent on Other Support Programs. The FY 2016 Army National Guard budget request includes $20.3 million for planning and design of future year projects and $15 million for unspecified minor military construction.

MILITARY CONSTRUCTION, ARMY RESERVE

The FY 2016 Military Construction, Army Reserve (MCAR) budget requests an authorization of $88.2 million and appropriations for $113.6 million. The appropriations request includes $16.1 million for planning and design and minor military construction and $9.3 million for a previously-authorized project at Starkville, Mississippi.

Of the $113.6 million, $97.5 million will be spent on Revitalization. The FY 2016 Army Reserve budget request includes five projects that build out critical facility shortages and replace and modernize failing infrastructure and inefficient facilities with new operations and energy efficient facilities. The Army Reserve will construct three new reserve centers in Riverside, California; MacDill AFB, Florida; and Starkville, Mississippi that will provide modern training classrooms, simulations capabilities, and maintenance platforms that support the Army force generation cycle and the ability of the Army Reserve to provide trained and ready soldiers for Army missions when called. The Starkville, Mississippi project was authorized in the FY 2015 National Defense Authorization Act, but no funds were appropriated. In Conneaut Lake, Pennsylvania the Army Reserve, through the Defense Access Road Program, will improve an access

road leading to an Army Reserve Local Training Area and maintenance facilities. The request also includes a new vehicle maintenance facility at Orangeburg, New York.

Of the $113.6 million, $16.1 million will be spent on Other Support Programs. The FY 2016 Army Reserve budget request includes $9.3 million for planning and design of future year projects and $6.8 million for unspecified minor military construction to address unforeseen critical needs.

ARMY FAMILY HOUSING

The Army's FY 2016 AFH budget requests $493.2 million for construction and housing operations worldwide. The AFH inventory includes 10,614 government-owned homes, 4,984 government-leased homes, and 86,077 privatized-homes. The Army has privatized over 98 percent of on-post housing assets inside the United States. All Army overseas Family housing quarters are either government-owned or government-leased units.

Of the $493.2 million, $85.8 million will be spent on Operations. The Operations account includes four sub-accounts: management, services, furnishings, and a small miscellaneous account. Within the management sub-account, Installation Housing Services Offices provide post housing, non-discriminatory listings of rental and for-sale housing, rental negotiations and lease review, property inspections, home buying counseling, landlord-tenant dispute resolution, in-and-out processing housing assistance, and assistance with housing discrimination complaints and act as a liaison between the installation and local and state agencies. In addition, this account supports remote access to housing information from anywhere in the world with direct information or links to garrison information such as schools, relocation information, installation maps, housing floor plans, photo and housing tours, programs and services, housing wait list information, and housing entitlements.

Of the $493.2 million, $65.6 million will be spent on Utilities. The Utilities account includes the cost of delivering heat, air conditioning, electricity, water, and wastewater support for owned or leased (not privatized) Family housing units.

Of the $493.2 million, $75.2 million will be spent on Maintenance and Repair. The Maintenance and Repair account supports annual recurring projects to maintain and revitalize AFH real property assets and is the account most affected by budget changes. This funding ensures that we appropriately maintain the 10,614 housing units so that we do not adversely impact Soldier and Family quality of life.

Of the $493.2 million, $144.9 million will be spent on Leasing. The Army Leasing program is another way to provide Soldiers and their Families with adequate housing. The FY 2016 budget request includes funding for 575 temporary domestic leases in the US, and 4,409 leased units overseas.

Of the $493.2 million, $22 million will be spent on Privatization. The Privatization account provides operating funds for the Army's Residential Communities Initiatives (RCI) program portfolio and asset management and government oversight of privatized military Family housing. The need to provide oversight of the privatization program and projects is reinforced in the FY 2013 National Defense Authorization Act, which requires more oversight to monitor compliance, review, and report performance of the overall privatized housing portfolio and individual projects.

In 1999, the Army began privatizing Family housing assets under the Residential Communities Initiative (RCI). All scheduled installations have been privatized through RCI. RCI Family housing is established at 44 locations – 98 percent of the on-post Family housing inventory inside the United States. Initial construction and renovation investment at these 44 installations is estimated at $13.2 billion over a 3-14-year initial development period (IDP), which includes an Army contribution of approximately $2 billion. All IDPs are scheduled to be completed by 2019. From 1999 through 2013, our RCI partners have constructed 31,935 new homes and renovated another 25,834 homes.

Of the $493.2 million, $99.7 million will be spent on Construction. The Army's FY 2016 Family Housing Construction request is for $89 million for new construction, $3.5 million for construction improvements and $7.2 million for planning and design. The Army will construct 38 single Family homes at Rock Island Arsenal, Illinois to support Senior Officer and Senior Non-Commissioned Officer and Families. These new homes enable the Army to fully address the housing deficit and to eliminate dependency on

leased housing. The Army will construct 90 apartment quarters on Camp Walker in Daegu, Korea to replace aged and worn out leased units to consolidate Families on post.

BASE CLOSURE ACCOUNT (BCA)

BRAC property disposal remains an Army priority. Putting excess property back into productive re-use, which can facilitate job creation, is important to the communities in which they are located.

The Army's portion of the FY 2016 BCA budget request totals $29.7 million. The request includes $14.6 million for caretaker operations and program management of remaining properties and $15.1 million for environmental restoration efforts. In FY 2016, the Army will continue environmental compliance and remediation projects at various BRAC properties. The funds requested are needed to keep planned environmental response efforts on track particularly at legacy BRAC installations including Fort Ord, California and Pueblo Chemical Depot, Colorado. Additionally, funds requested support environmental projects at several BRAC 2005 installations including Riverbank Army Ammunition Plant, California; Fort Monmouth, New Jersey; Fort Monroe, Virginia; and Umatilla Chemical Depot, Oregon. The current estimated cost to complete all BRAC environmental cleanup requirements is $957 million over a period of approximately 30 years.

When the Army sells excess BRAC property, proceeds go back into our Base Closure Account to fund remaining Army environmental and maintenance requirements on our BRAC sites. Sales of Army BRAC property at substantially fair market value help protect programs that support Active, Guard, and Reserve installations.

In total, the Army has disposed of almost 225,000 acres (76 percent of the total acreage disposal requirement of 297,000 acres), with approximately 72,000 acres (24 percent) remaining. The current goal is for all remaining excess property to be conveyed by 2023. Placing this property into productive reuse helps communities rebuild the local tax base, generate revenue, and, most importantly, replace lost jobs.

There is life after BRAC for defense communities. BRAC-impacted communities have leveraged planning grants and technical assistance from the DoD Office of Economic Assistance (OEA), as well as BRAC property disposal authorities, to adjust in ways that are often not possible outside the BRAC process. There are many instances of how BRAC property has been put to new uses; below are three examples.

At Fort Monmouth, transferred property is now in productive re-use. During November 2014, CommVault, a data protection and information software company moved its global headquarters to a portion of the former Fort Monmouth. CommVault moved 500 existing employees and 400 new employees into the new 275,000 square foot facility less than two years after the Army conveyed a 55 acre parcel to the public development authority in consideration for an Economic Development Conveyance under BRAC law CommVault officials anticipate 2,000 additional employees will be hired upon completion of a 650,000 square foot addition to the 55 acre campus. The company's decision to re-locate and expand at its new location is a major step to establish a technology hub on the former Fort Monmouth.

At Fort Gillem, Kroger, one of the world's largest grocery retailers, will open a one million square foot state-of-the-art distribution center on 253 acres at the former Fort Gillem, creating 120 new jobs and investing more than $175 million into the former Army and Air Force Exchange Service (AAFES) distribution facility over the next five years. The new jobs will include warehouse, security, transportation management, engineering and facilities management positions. The community anticipates 1,500 new jobs over the next two years and revenues to support critical services for the residents of Forest Park. Like Ft Monmouth, the Army conveyed this property to the Local Redevelopment Authority as an Economic Development Conveyance, receiving $15 million at closing with an additional $15 million in structured payments over the next seven years.

The third BRAC example is the US Army Reserve Center #2 in Houston, Texas. This six acre site, including more than 15,000 square feet, was conveyed in August 2012 to the City of Houston under a Department of Justice Public Benefit Conveyance (PBC) for use as a police department. This type of re-use is common across the country whenever the Army closes a Reserve Center.

ENERGY

The Army is improving our installation energy use and sustainability efforts. In FY 2016, the Installation Energy budget total is $1.68 billion. This budget total includes $45.8 million from the DoD-wide MILCON appropriation for the Energy Conservation Investment Program (ECIP), $150.1 million for the Energy Program/Utilities Modernization Program, and $1.48 billion for Utilities Services. The Army conducts financial reviews, business case and life cycle cost analysis, and return on investment evaluations for all energy initiatives.

Of the $1.68 billion, $45.8 million will be spent on the Energy Conservation Investment Program (ECIP). The Army invests in energy efficiency, on-site small-scale energy production, and grid security through the DoD's appropriation for ECIP. In FY 2014, the DoD began conducting a project-by-project competition to determine ECIP funding distribution to the Services. In FY 2016, the Army received $45.8 million for seven projects, including six energy conservation projects and one renewable energy project.

Of the $1.68 billion, $150.1 million will be spent on Energy Program/Utilities Modernization. Reducing consumption and increasing energy efficiency are among the most cost-effective ways to improve installation energy security. The Army funds many of its energy efficiency improvements through the Energy Program/Utilities Modernization program account. Included in this total are funds for energy efficiency projects, the Army's metering program, modernization of the Army's utilities, energy security projects, and planning and studies. In addition, this account funds planning and development of third party financed renewable energy projects through the Office of Energy Initiatives (OEI). The OEI currently has 14 projects completed, under construction, in the procurement process, or in the final stages before procurement with a potential of over 400 Mega Watts (MW) of generation capacity. Power purchased in conjunction with OEI projects will be priced at or below current or projected installation utility rates.

Of the $1.68 billion, $1.48 billion will be spent on Utilities Services. The Utilities Services account pays all Army utility bills including the repayment of Utilities

Privatization (UP), Energy Savings Performance Contracts (ESPCs), and Utilities Energy Service Contracts (UESCs). Through the authority granted by Congress, ESPCs and UESCs allow the Army to implement energy efficiency improvements through the use of private capital, repaying the contractor for capital investments over a number of years out of the energy cost savings. The Army has the most robust ESPC program in the Federal government. The ESPC program has more than 200 Task Orders at 78 installations, representing $1.68 billion in private sector investments, and over 370 UESC Task Orders at 47 installations, representing $583 million in utility sector investments. We have additional ESPC projects in development, totaling over $300 million in private investment and $60 million in development for new UESCs. From December 2011 through December 2014, under the President's Performance Contracting Challenge, the Army executed $725 million in contracts with third-party investment using ESPCs and UESCs.

ENVIRONMENT

The Army's FY 2016 budget provides $1.1 billion for Environmental Programs in support of current and future readiness. This budget supports legally-driven environmental requirements under applicable Federal and State environmental laws, binding agreements, and Executive Orders. It also promotes stewardship of the natural resources that are integral to our capacity to effectively train our land-based force for combat.

This budget maintains the Army's commitment to acknowledge the past by restoring Army lands to a useable condition and by preserving cultural, historic and Tribal resources. It allows the Army to engage the present by meeting environmental standards that enable Army operations and protect our Soldiers, Families, and communities. Additionally, it charts the future by allowing the Army to institutionalize best practices and technologies to ensure future environmental resiliency.

SUSTAINMENT/RESTORATION & MODERNIZATION (R&M)

This year's FY 2016 sustainment funding is $2.9 billion or 80 percent of the DoD Facilities Sustainment Model (FSM) requirement for all the Army components. Due to this lower level of sustainment funding, we are accepting a level of risk in degraded facilities due to deferred maintenance. Our facility inventory is currently valued at $299 billion.

In keeping with the FIS, the Army continues to invest in facility restoration through O&M R&M currently budgeted for $562 million. Our focus is to restore trainee barracks, enable progress toward energy objectives, and provide commanders with the means of restoring other critical facilities. The Army's demolition program has been increased by 46 percent to $42.2 million, which increases the rate at which we are removing failing excess facilities. Facilities are an outward and visible sign of the Army's commitment to providing a quality of life for our Soldiers, Families, and Civilians that is consistent with their commitment to our Nation's security.

BASE OPERATIONS SUPPORT

The Army's FY 2016 Base Operations Support (BOS) request is $9.2 billion in support of leadership's commitment to provide quality of life to our Soldiers, Civilians, and Families that is commensurate with their service. The FY 2016 BOS funding request represents a 10 percent reduction compared to FY 2014 full year execution (including OCO authorized in support of Base Budget). It should be noted that the FY 2016 BOS budget reflects a 6 percent increase above the FY 2015 BOS-enacted level ($8.7 billion), demonstrating senior leadership's desire to address installation readiness. Although the Military and Civilian workforce is being reduced, the number of installations remains the same. Balancing the BOS funding across 154 installations world-wide stresses the Army's ability to provide a safe training environment and a respectable quality of life on our installations. The Army will continue to be fiscally challenged to meet the demands of our installation communities.

The Army remains committed to our Family programs and continues to evaluate these services in order to maintain relevance and effectiveness. Ensuring the resiliency of our Soldiers and Families is the priority of programs such as Army Substance Abuse Program, Soldier Family Assistance Centers, and Suicide Prevention.

Given fiscal realities, the Army continues to evaluate programs to fully optimize resources by eliminating redundant or poorly performing programs and making tough decisions to adjust service levels and then manage expectations. We continue to seek internal efficiencies/tradeoffs as our fiscal environment forces the internal realignment of BOS funds to support these Army priorities.

Budget uncertainties are producing real life consequences in training and installation readiness, as well as the local community. Current funding requires installations to scale back or cancel service contracts that employ people in local communities and requiring installations to work with commanders to use special duty assignments to support installation services and programs (e.g., installation security, transportation, vehicle and range maintenance, POL and Ammo handling).

Without a reduction in the number of installations, the Army will be forced to sacrifice quality of life programs at the expense of maintaining excess capacity. The cumulative effect of funding reductions over the years harm the overall quality of life on our installations and adjoining communities as the Army realigns our Military and Civilian population and reduces supporting service program contracts across the garrisons.

INTERGOVERNMENTAL SUPPORT AGREEMENTS

The Army is implementing an overarching strategy to incorporate Intergovernmental Support Agreements (IGSAs) as authorized in the FY2013 NDAA, Section 331 (codified as 10 U.S.C. § 2336). The clarification included in the FY 2015 NDAA facilitates the Army's ability to enter and participate in public-public partnerships. The Department of the Army issued an Execution Order to Army Commands in August of 2013 with initial guidance. Installations have identified 96 IGSA concepts, three of which have been submitted to Army headquarters for approval. These initial proposals

will assist the Army to develop a standardized process for identifying, evaluating and approving IGSAs. Further guidance is being developed from the clarifications provided last year.

CONCLUSION

The Army's FY 2016 installations management budget request is a balanced program that supports the Army as we transition from combat and supports our Soldiers, Families, and Civilians while recognizing the current fiscal conditions.

The Army's end-strength and force structure are decreasing consistent with the 2014 QDR. At 450,000 active component Soldiers, we have evidence that the Army will have well over 18 percent excess capacity. The Army needs the right tools to right size our capacity. Failure to reduce excess capacity will divert hundreds of millions of dollars per year away from critical training and readiness functions.

The European Infrastructure Consolidation Assessment (EIC) has been extremely successful. It shows that the combination of our Army BRAC-based Infrastructure Analysis and the already robust strategic plans effort of the U.S. Army in Europe prepare us to meet the challenges of the future. The European Infrastructure Consolidation results demonstrate the Army's commitment to seek greater efficiencies and ensure we are focusing resources where they can have the greatest effect. The resulting actions ensure, even in the context of a challenging fiscal environment, that we are ready and able to defend U.S. interests and meet our commitment to our Allies now and in the future.

BRAC is a proven and fair means to address excess capacity. BRAC has produced net savings in every prior round. On a net $13 billion investment, the BRAC 2005 round is producing a net stream of savings of $1 billion a year. In this case, BRAC 2005 is producing a 7.7 percent annual yield. That is a successful investment by any definition. A future round of BRAC is likely to produce even better returns on investment. We look forward to working with Congress to determine the criteria for a BRAC 2017 round.

Thank you for the opportunity to appear before you today and for your continued support for our Soldiers, Families, and Civilians.

Honorable Katherine Hammack
Assistant Secretary of the Army
(Installations, Energy & Environment)
Office of the Assistant Secretary of the Army
Washington, DC

Ms. Katherine Hammack was appointed as the Assistant Secretary of the Army for Installations, Energy and Environment (ASA IE&E) by President Obama on 28 June 2010. She is the primary advisor to the Secretary of the Army and Chief of Staff of the Army on all Army matters related to Installation policy, oversight and coordination of energy security and management. She is also responsible for policy and oversight of sustainability and environmental initiatives; resource management including design, military construction, operations and maintenance; base realignment and closure (BRAC); privatization of Army family housing, lodging, real estate, utilities; and the Army's installations safety and occupational health programs.

Prior to her appointment, Ms. Hammack was a leader in Ernst & Young LLP's Climate Change and Sustainability Services practice. In that capacity she assisted clients with obtaining Leadership in Energy and Environmental Design (LEED) green building certification for their buildings and identification of sustainability strategies. She was the key LEED advisor to the largest LEED for new construction building in the world (8.3 million sq ft) which received LEED-NC Silver certification. She was also the key LEED advisor on the largest existing green building certification for building operation and maintenance (9.6 million sq ft) which received LEED-EB Gold level certification.

Ms. Hammack has over 30 years of experience in energy and sustainability advisory services. She has experience in the evaluation of energy conservation projects, including ventilation upgrades, air distribution, indoor air quality, lighting efficiency, cogeneration, sustainable design, solar energy and building operation.

Ms. Hammack has a bachelor's degree in mechanical engineering from Oregon State University and an M.B.A. from University of Hartford. She is a Certified Energy Manager, LEED Accredited Professional and a Certified Indoor Air Quality Manager. She has been an active member of ASHRAE, where she has been on the 90.1 Energy Efficiency Standard Committee and on the Standard 189 High Performance Green Buildings Standard Committee. Ms. Hammack is a founding member of U.S. Green Building Council in Washington, D.C.

United States Air Force

Presentation

Before the House Armed Services Committee, Subcommittee on Readiness

Alignment of Infrastructure Investment and Risk and Defense Strategic Requirements

Witness Statement of
Ms. Miranda A. A. Ballentine,
Assistant Secretary of the Air Force
(Installations, Environment, and Energy)

March 3, 2015

BIOGRAPHY

UNITED STATES AIR FORCE

MIRANDA A. A. BALLENTINE

Miranda A.A. Ballentine is the Assistant Secretary of the Air Force for Installations, Environment, and Energy, Headquarters U.S. Air Force, the Pentagon, Washington, D.C. Ms. Ballentine is responsible for the oversight, formulation, review and execution of plans, policies, programs and budgets for installations, energy, environment, safety and occupational health.

Prior to assuming her current position, Ms. Ballentine served as the Director of Sustainability for Global Renewable Energy and Sustainable Facilities at Walmart Stores, Inc. In this role, she developed and executed global strategies to reduce operating expenses in over 10,000 facilities in over 25 countries. Through acceleration of renewable energy, energy efficiency, and sustainability, Ms. Ballentine identified over $1 billion in potential annual expense reductions and 9 million metric ton of potential avoided greenhouse gas emissions.

Prior to joining Walmart, Ms. Ballentine was Vice President for Investor Analysis and Chief Operating Officer at David Gardiner & Associates, where she informed multi-million dollar investment decisions by analyzing companies' off-balance sheet risks and opportunities, including climate and energy programs, environmental management, labor relations, diversity, and corporate governance.

Ms. Ballentine previously served as the chair of the World Economic Forum's Global Growth Action Alliance's Renewable Energy Working Group, as well as a number of non-profit boards, including the Sustainability Consortium's External Relations Committee; the NetImpact Corporate Advisory Council; and the George Washington University's Institute for Sustainability Research, Education, and Policy Advisory Board.

In 2013, Ms. Ballentine was selected by the World Economic Forum for membership in its Forum of Young Global Leaders. Ms. Ballentine also serves as a guest lecturer at a number of national business schools, including Duke University, University of North Carolina, and George Washington University.

EDUCATION

1996 Bachelor of Science Degree in Psychology, Colorado State University, Magna cum Laude
2004 Master of Business Administration in Environmental Management and Policy and International Business, George Washington University

CAREER CHRONOLOGY

1. 2001 – 2004, Operations Director, Solar Electric Light Fund, Washington, D.C.
2. 2003 – 2008, Vice President of Investor Analysis and Chief Operation Officer, David Gardiner & Associates, LLC, Washington, DC.
3. 2008 – 2014, Director of Sustainability for Renewable Energy and Sustainable Buildings, Walmart, Washington, D.C.
4. 2014 – present, Assistant Secretary of the Air Force for Installations, Environment, and Energy

(Current as of October 2014)

Introduction

The Air Force's fiscal year 2016 (FY16) President's Budget (PB) request sets us on the path to meeting the Defense Strategic Guidance through strategy-based long-term resourcing decisions. This budget submission is rooted in necessity and is based upon our long-term strategy and vision to provide ready installations supporting the Secretary and Chief of Staff of the Air Force's three priorities of balancing today's readiness with tomorrow's modernization, taking care of our people, and making every dollar count to help ensure we can maintain and field a credible and affordable future force.

The Air Force's FY16 PB sets us on a path to provide the Air Force America deserves. However, even at the FY16 PB level, the Air Force remains stressed to meet the defense strategy. If sequestration funding levels return in FY16, the Air Force will not be able to meet the defense strategy, nor sustain its asymmetric advantage over potential peer competitors. Additionally, these levels will cause continued degradation of infrastructure and installation support. The AF would expect a reduction in Military Construction funding resulting in reduced support to COCOMs, reduced funding to upgrade the nuclear enterprise and support new weapons systems beddown, and elimination of permanent party dormitories from the FY16 budget request. Additionally, the AF would expect similar reductions in FY16 facility sustainment, restoration and modernization funding, forcing AF priority on day to day facility maintenance at the expense of much needed facility repairs.

Our unequalled security, economic, and political advantages, depends on investment in an Air Force that is able to easily succeed against any competitor, in any environment. In order to ensure a trained and ready force, along with the facilities and support to maintain the capabilities required to engage in a full range of contingencies and threats, at home and abroad, the Air Force needs to make smart investments in its installations through military construction (MILCON) and facility sustainment.

Installations

Ready installations are an integral part of ensuring a ready Air Force. The Air Force views its installations as foundational platforms comprised of both built and natural infrastructure which: (1) serve as the backbone for Air Force enduring core missions - it delivers air, space and cyberspace capabilities from our installations; (2) send a strategic message to both allies and adversaries - they signal commitment to our friends, and intent to our foes; (3) foster partnership-building by stationing our Airmen side-by-side with our Coalition partners; and (4) enable worldwide accessibility when our international partners need our assistance, and when necessary to repel aggression. Taken together, these strategic imperatives require us to provide efficiently operated, sustainable installations to enable the Air Force to support the Defense Strategic Guidance.

In its Fiscal Year 2015 President's Budget request, the Air Force attempted to strike the delicate balance between a ready force for today with a modern force for tomorrow while also recovering from the impacts of sequestration and adjusting to budget reductions. To help achieve that balance, the Air Force elected to accept risk in installation support, MILCON, and facilities sustainment in FY15. However, in its FY16 request, the Air Force begins to ameliorate the impacts of that risk by increasing funding for installations in all three of the areas noted above.

In total, the Air Force's FY16 PB request is $1.9 billion more than our Fiscal Year 2015 President's Budget request and contains $4.8 billion for MILCON, facility sustainment, restoration and modernization, as well as another $331 million for Military Family Housing operations and maintenance and $160.5 million for Military Family Housing Construction. For sustainment, it requests $2.4 billion; for restoration and modernization, $850 million; and for military construction, it requests $1.59[1] billion. At these levels, the Air Force funds Facilities Sustainment to 80 percent of the OSD modeled requirement. The increase in MILCON begins to revitalize infrastructure recapitalization while

[1] $1.59 billion is the Total Force funding request including Active, Guard and Reserve

maintaining support to Combatant Commander (COCOM) requirements, weapon system beddowns, the nuclear enterprise, and provides equitable distribution of $203.7 million to the Reserve components.

Readiness

The Air Force FY16 PB request seeks to balance readiness for today's fights, while also modernizing our infrastructure for the future. The Air Force's FY16 budget proposes investments in infrastructure to support the Defense Strategic Guidance and Combatant Commanders' stated readiness needs in the following areas: nuclear defense operations (NDO); space; cyberspace; intelligence, surveillance and reconnaissance (ISR); and the Asia-Pacific theater.

Our FY16 PB supports Nuclear Enterprise priorities and includes three projects, totaling $144 million. With this budget submission, the Air Force intends to provide a new state-of-the-art Weapon Storage Facility at F.E. Warren AFB, Wyoming which consolidates 22 aging facilities (some of which have been in service since the 1960s), achieving a 19 percent reduction in facility footprint while addressing security and operational inefficiencies through recapitalization. The Fiscal Year 2016 budget also includes investment to revitalize the Malmstrom AFB, Montana, Tactical Response Force Alert Facilities as well as the Whiteman AFB, Missouri, Consolidated Stealth Operations and Nuclear Alert Facility. Together, these projects will consolidate scattered installation functions, provide adequately sized and configured operating platforms, as well as reduce critical response times to generate alert sorties.

As previously mentioned, "Making every dollar count" is one of the Secretary and Chief of Staff of the Air Force's priorities. Consistent with this, the Air Force focused on FY16 space, cyberspace, and ISR investments. These target areas account for two space, two cyber, and four ISR projects in the proposed FY16 PB, totaling $172 million. The Air Force continues its multi-year efforts to construct the U.S. Cyber Command Joint Operations Center at Fort Meade, Maryland; strengthen its space posture

through information and communication facilities; and enhance ISR readiness with remotely piloted aircraft facilities, intelligence targeting facilities, as well as digital ground stations.

Consistent with Defense Strategic Guidance, the Asia-Pacific Theater remains a focus area for the Air Force where it will make an $85 million investment in FY16 to ensure our ability to project power into areas which may challenge our access and freedom to operate, and continue efforts to enhance resiliency. Guam remains one of the most vital and accessible locations in the western Pacific. For the past nine years, Joint Region Marianas-Andersen AFB Guam has accommodated a continuous presence of our Nation's premier air assets, and will continue to serve as the strategic and operational center for military operations in support of a potential spectrum of crises in the Pacific.

To further support Pacific Command's strategy, the Air Force is committed to hardening critical structures, mitigating asset vulnerabilities, increasing redundancy, fielding improved airfield damage repair kits and upgrading degraded infrastructure as part of the Asia-Pacific Resiliency program. In 2016, the Air Force plans to construct a hardened Wing Installation Control Center to sustain Guam's remote operations, ensure resiliency with the Dispersed Maintenance Spares and Storage Facility, and continue our efforts to upgrade Guam's South Ramp Utilities, supporting a Continuous Bomber Presence, Tanker Task Force, Theater Security Packages, and Global Hawk beddown. The Air Force also wraps up its development of the Pacific Regional Training Center by constructing a permanent road to support facilities located at Northwest Field. This Regional Training Center will enable mandatory contingency training and enhance the operational capability to establish, operate, sustain, and recover a 'bare base' at forward-deployed locations, and foster opportunities for partnership building in this vitally important area of the world.

This year's President's Budget request also includes $252 million for additional COCOM requirements extending beyond NDO, space, cyberspace, ISR, and the Asia-Pacific theater. The Air Force

continues with phase two of the U.S. European Command Joint Intelligence Analysis Center Consolidation at RAF Croughton, United Kingdom while supporting six other COCOMs. Our total FY16 COCOM support makes up 21% of the Air Force's MILCON request.

Modernization

Additionally, the FY16 PB request includes infrastructure investments to support the Air Force's modernization programs, including the beddown of the F-35A, KC-46A, and the Presidential Aircraft Recapitalization efforts. The Air Force's ability to fully operationalize these new aircraft depends not just on acquisition of the planes themselves, but also on the construction of the planes' accompanying hangars, training facilities, airfields and fuel infrastructures funded within this FY16 budget.

This year's President's Budget request includes $54.5 million for the beddown of the KC-46A at four locations. This consists of $10.4 million at Altus AFB, Oklahoma, the Formal Training Unit (FTU); $4.3 million at McConnell AFB, Kansas, the first Main Operating Base (MOB 1); $2.8 million at Pease International Tradeport Air National Guard Base (ANGB), New Hampshire, the second Main Operating Base (MOB 2); and $37 million at Tinker AFB, Oklahoma, for KC-46A depot maintenance.

This request also includes $198.3 million for the beddown of the F-35A at five locations, consisting of $69 million at Nellis AFB, Nevada; $56.7 million at Luke AFB, Arizona; $26.9 million at Hill AFB, Utah; $37 million at Eielson AFB, Alaska; and $8.7 million at Eglin AFB, Florida.

In preparation for the Presidential Aircraft Recapitalization acquisition, the Air Force's 2016 budget request also accounts for the planning and design requirements essential to this future beddown. In total, our FY16 request represents a balanced approach ensuring critical infrastructure requirements to meet mission needs and operational timelines.

People

During periods of fiscal turmoil, we must never lose sight of our Airmen and their families.

Airmen are the source of Air Force airpower. Regardless of the location, the mission, or the weapon system, our Airmen provide the knowledge, skill, and determination to fly, fight and win. There is no better way for us to demonstrate our commitment to service members and their families than by providing quality housing on our installations. We are proud to report that as of September 2013, the Air Force has privatized its military family housing (MFH) at each of its stateside installations, including Alaska and Hawaii. To date, the Air Force has awarded 32 projects at 63 bases for 53,240 end-state homes.

The Air Force continues to manage approximately 18,000 government-owned family housing units at overseas installations. Our $331 million FY16 Military Family Housing Operations and Maintenance (O&M) sustainment funds request allows us to sustain adequate units, and our $160.5million FY16 request for MFH MILCON funds allows us to upgrade and modernize older homes to meet the housing requirements of our Airmen, their families and the Joint service members the Air Force supports overseas.

Similarly, our focused investment strategy for dormitories enables the Air Force to remain on track to meet the DoD goal of 90 percent adequate permanent party dorm rooms for unaccompanied Airmen by 2017. The Fiscal Year 2016 President's Budget MILCON request includes four dormitories at Offutt AFB, Nebraska; Ellsworth AFB, South Dakota; Altus AFB, Oklahoma; and Joint Base San Antonio, Texas. With your support, we will continue to ensure wise and strategic investment in these quality of life areas to provide modern housing and dormitory communities. More importantly, your continued support will take care of our most valued asset, our Airmen and their families.

European Infrastructure Consolidation (EIC)

The United States remains committed to NATO and our presence in Europe. The Air Force has invested heavily in its European infrastructure in the last several years in order to ensure it is ready and

able to defend U.S. interests and meet its commitment to our Allies now and in the future. At the same time, in the context of a challenging fiscal environment, the Department of Defense recently sought greater infrastructure efficiencies in Europe and to ensure it was focusing resources where they can have the greatest effect.

Two years ago, the Secretary of Defense directed a European Infrastructure capacity analysis to provide the basis for reducing long-term expenses through footprint consolidations, while retaining current and projected force structure. Under OSD direction, the Air Force used previously established Base Realignment and Closure (BRAC) processes to analyze the infrastructure capacity of 128 total sites, including six Main Operating Bases and six Forward Operating Sites in Europe.

In January 2015, the Secretary of the Defense approved the results of the European Infrastructure Consolidation (EIC) process. This process produced eight consolidation opportunities. These opportunities will eliminate excess infrastructure capacity, consolidate missions, and produce savings without reducing force structure. In the United Kingdom, the Air Force will divest of RAF Mildenhall, and will consolidate intelligence and support activities from RAF Alconbury and RAF Molesworth to RAF Croughton. The Air Force also reaffirmed previous decisions to streamline operations at Moron Air Base, Spain, and Lajes Field, Portugal, and returned four small unused facilities back to their respective host nations.

The Air Force European Infrastructure Consolidation opportunities will require approximately $1.1 billion (FY16 – FY21) to implement, but will enable the Air Force to save $315 million a year, while still maintaining our readiness and responsiveness capabilities in Europe. Most of the implementation costs will be funded through previously programmed European Infrastructure Consolidation (EIC) funding.

The EIC ensures Air Force installations in Europe are right-sized and at the right location. Our capability in Europe, along with our ability to meet commitments to Allies and partners, is not diminished by these actions. The Air Force is maintaining sufficient infrastructure in Europe to support six Combatant Commands, the North Atlantic Treaty Organization, and U.S. strategic allies through permanently stationed forces, additional rotational forces, and contingency requirements. The EIC adjustments will allow the Air Force to address emerging concerns in Europe and elsewhere, by focusing resources on critical operational support infrastructure.

We have consulted closely with our allies on our specific plans and the broader security picture. These consolidations, force realignments, and new deployments were validated through the EIC and other processes and approved by the Secretary of Defense, in full coordination with the U.S. State Department, and after discussions with the host nations.

Closures and Realignments

Building on the success of the European Infrastructure Consolidation process, the Air Force strongly supports DoD's request for an FY17 BRAC round in the United States.

In FY15 budget discussions, Congress requested that the Services update their analyses of CONUS infrastructure capacity based upon current infrastructure data and current force structure projections.

The Air Force has completed a high-level capacity analysis, comparing current infrastructure capacity to projected force structure and mission requirements. The results of the analysis indicate the Air Force has approximately 30 percent excess infrastructure capacity.[2] This excess capacity results from decreases in Air Force personnel and force structure outpacing reductions in infrastructure. Since the last BRAC round in 2005, the Air Force has 50,000 fewer personnel and 500 fewer aircraft in its planned force structure.

[2] The 30 percent excess infrastructure capacity estimate was calculated using the same approved methodology that has been employed to measure excess infrastructure prior to previous rounds of BRAC.

Since the last congressionally directed round of BRAC in 2005, the Air Force has worked diligently to identify new opportunities and initiatives to enable it to maximize the impact of every dollar. We have demolished excess infrastructure, recapitalized our family housing through privatization, unlocked the fiscal potential of under-utilized resources through leasing and partnerships, and reduced our energy costs. All of which have paid dividends. But these efforts are not enough to allow us to continue to fund infrastructure we do not need and pale in comparison to the savings that can be achieved with BRAC authorities.

Despite our best efforts and innovative programs, the Air Force continues to spend money maintaining excess infrastructure that would be better spent recapitalizing and sustaining our weapons systems, training to improve readiness, and investing in the quality of life needs of its Airmen. The Air Force continues to face hard choices between modernization and operational combat capability, and sustaining installation platforms used to conduct its missions. The Air Force recognizes that it achieve its greatest savings when fully divested of unneeded infrastructure, and therefore it strongly supports DoD's requests for another round of BRAC; specifically an efficiency BRAC focused on reducing the Air Force's 30 percent excess infrastructure capacity and ultimately reducing the demand on resources.

Conclusion

The Air Force made hard strategic choices during formulation of this budget request. The Air Force attempted to strike the delicate balance between a ready force for today with a modern force for tomorrow while also recovering from the impacts of sequestration and adjusting to budget reductions. Our FY16 PB request begins the recovery of installation and infrastructure investments necessary to meet the defense strategy. Sequestration will halt this recovery. We also must continue the dialogue on right-sizing our installations footprint for a smaller, more capable force that sets the proper course

for enabling the Defense Strategy while addressing our most pressing national security issue - our fiscal environment.

In spite of fiscal challenges, we remain committed to our Service members and their families. The privatization of housing at our stateside installations and continued investment in Government housing at overseas locations provide our families with modern homes that improve their quality of life now and into the future. We also maintain our responsibility to provide dormitory campuses that support the needs of our unaccompanied Service members.

Finally, we continue to carefully scrutinize every dollar we spend. Our commitment to continued efficiencies, a properly sized force structure, and right-sized installations will enable us to ensure maximum returns on the Nation's investment in her Airmen, who provide our trademark, highly valued airpower capabilities for the Joint team.

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SUBCOMMITTEE ON MILITARY CONSTRUCTION
HOUSE APPROPRIATIONS COMMITTEE

STATEMENT OF

THE HONORABLE DENNIS V. McGINN

ASSISTANT SECRETARY OF NAVY
(ENERGY, INSTALLATIONS, AND ENVIRONMENT)

BEFORE THE

SUBCOMMITTEE ON READINESS

of the

HOUSE ARMED SERVICES COMMITTEE

03 MARCH 2015

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Chairman Wittman, Ranking Member Bordallo, and members of the Subcommittee, I am pleased to appear before you today to provide an overview of the Department of the Navy's (DoN's) investment in its infrastructure and energy programs.

Toward a More Secure Future

The world events of 2014 demonstrate the complex and unpredictable nature of our times. From the rise of the Islamic State, an emboldened Russian Federation, and the outbreak of the Ebola virus, the Navy-Marine Corps team has been on station as America's "first responders", operating around the clock and around the world. Our Navy and Marine Corps must be manned, trained, and equipped to deter and respond to geo-political crises and natural events wherever, whenever, and however they occur.

Our installations provide the backbone of support for our maritime forces, enabling their forward presence. Last year's budget, while conforming to the spending caps imposed by the Bipartisan Budget Act of 2013, would lead to rapid degradation of shore establishment readiness if continued into the future. In contrast, the DoN's President's Budget Request for Fiscal Year 2016 (PB 2016) makes progress toward achieving a more sustainable investment profile, with increases of 50 percent in military construction funding and nearly 30 percent in the Facilities Sustainment, Restoration and Modernization accounts, while continuing to manage risk in shore infrastructure investment and operations. This increased funding enables the Department to meet the 6 percent statutory investment in our shipyards, aviation fleet readiness centers, and depots and will accomplish the deferred critical maintenance on other facilities. We're making investments in safety and quality of life projects, too, but this progress assumes the Department will not be held to the discretionary budget caps.

Investing in Our Infrastructure

Overview In FY 2016, the Department is requesting $13.3 billion in various appropriations accounts, an increase of $1.5 billion from amounts appropriated in FY 2015 to operate, maintain and recapitalize our shore infrastructure. These investments will enable the Department to support the three pillars upon which the 2014 Quadrennial Defense Review (QDR) is based: *protect the homeland, build security globally; project*

power and win decisively. Figure 1 provides a comparison between the FY 2015 enacted budget and the PB 2016 request by appropriation.

	FY 2015 *enacted* ($M)	PB 2016 ($M)	Delta ($M)	Delta (%)
Military Construction, Active + Reserve	1,136	1,705	569	50.1%
Family Housing, Construction	16	17	0	0.6%
Family Housing Operations	354	353	-1	-0.3%
BRAC[1]	140	157	17	12.1%
Sustainment Restoration & Modernization (O&M)[2]	2,356	3,052	696	29.5%
Base Operating Support[2]	7,546	7,748	202	2.7%
Environmental Restoration, Navy	277	292	15	5.4%
[1]Prior funds will also support FY2015 BRAC activites [2]Includes OCO				
TOTAL	**11,825**	**13,324**	1,498	12.7%

Figure 1: DoN Infrastructure Funding by Appropriation

We continue to accept risk in shore infrastructure by prioritizing life/safety issues and efficiency improvements to existing infrastructure, focusing on the repair of only the most critical components of our mission critical facilities, and by deferring less critical repairs, especially for non-mission-critical facilities.

Protecting the Homeland Together, the Navy and Marine Corps will invest over $250 million domestically in military construction funds to upgrade or modernize utilities and critical infrastructure that will ensure continuity of operations in the event of man-made or natural disasters. In Georgia at Kings Bay, the Navy would upgrade the electrical distribution and supporting communications network that haven't been substantially modified since 1997. At its logistics base in Albany, the Marine Corps will replace an aging and degraded heating and ventilation system that has exceeded its useful life. In Washington State, a $34 million project would complete the waterfront restricted area at Naval Submarine Base, Bangor, ensuring the security of our strategic weapons arsenal.

We're making investments to protect and be good stewards of our natural environment, too. At its Recruit Depot in Parris Island, South Carolina, the Marine Corps will construct additional safety berms at its ranges to retain expelled rounds and thereby protecting the adjacent sensitive wetlands from copper and lead contamination. At the Naval Magazine in Indian Island, Washington, the Navy will provide shore power to an ammunitions pier, replacing leased generators that now run under operationally limiting air permits. And, unrelated to the broader issue of rebalancing forces to the Asia-Pacific Region, the Navy will correct deficiencies in the storm water and waste water systems in Guam, resolving an outstanding Notice of Violation issued by the Environmental Protection Agency.

Building Global Security The FY 2016 budget request supports global security by strengthening our international partnerships and enhancing our defense posture abroad. Fulfilling the U.S. commitment to our NATO allies regarding the Phased Adaptive Approach to European ballistic missile defense, we will construct an interceptor site in Redzikowo, Poland, complementing the one we're building in Romania. We have enduring interests in the Middle East and the Gulf region. In Bahrain, the pier replacement and ship maintenance support facility projects included in this budget request will enable our forces to respond swiftly to emerging threats.

We will also continue to rebalance our force structure to the Asia-Pacific region and this budget request includes funding to support the arrival of new aviation assets to Marine Corps Base Kaneohe, Hawai'i and Japan. Additionally, the DoN budget request provides $126 million to construct a live-fire training range complex in Guam that will support current and future training needs of the Marine Corps and our allied partners. Finally, DoD, through its Office of Economic Adjustment, is requesting an additional $20 million to supplement the amount of $106 million previously appropriated—and the associated authority— to continue improvements to Guam's civilian water and wastewater infrastructure necessary to support the Marine relocation.

Guam, and the relocation of Marines to that island, remains an essential part of the United States' larger Asia-Pacific strategy of achieving a more geographically distributed, operationally resilient and politically sustainable force posture in the region.

The Department appreciates the removal of the restrictions from the National Defense Authorization Act for FY 2014, as well as the language in section 2822 in the National Defense Authorization Act for FY 2015 permitting the Navy to enter into a Refuge agreement with the U.S. Fish and Wildlife Service. Together, these provisions will allow us to move forward on the essential Guam component of our Pacific force laydown plan.

Last July we provided Congress with our revised Guam Master Plan. Under this plan, also referred to as "the distributed laydown," approximately 5,000 Marines and 1,300 dependents will come to Guam versus the original plan that had considered approximately 8,600 Marines and 9,000 dependents. The estimated cost, scope, and schedule for the military construction and Government of Japan funded projects necessary to carry out the revised plan were detailed in the Guam Master Plan. In the next year the Government of Japan will commit $176 million to construct a Driver Convoy Course and a complex for Urban Terrain Range Operations at Anderson AFB South. To date, we have received in our Treasury almost $1 billion in Japanese funding toward completion of the relocation. This in itself is indeed a strong statement of the Japanese commitment to the relocation.

Projecting Power The advanced capabilities of our ships and aircraft help make us the most effective expeditionary fighting force in the world and these weapons systems and platforms require facilities and infrastructure capable of supporting them. The FY 2016 budget request will provide hangars and mission control facilities to accommodate our increasing deployment of and dependence on unmanned aerial systems such as the Navy's Triton and the Marine Corps' "Blackjack." As the Navy continues its transition from the Orion P-3 maritime patrol aircraft to the Poseidon P-8s, we will build hangars and other necessary facilities to enable their deployment to Hawai'i and Sigonella, Italy. Finally, the Navy will construct supporting facilities for the Littoral Combat Ships homeported in San Diego, California and Mayport, Florida. Together, these investments will increase our ability to collect intelligence, and conduct surveillance, reconnaissance and targeting—extending our reach and enabling us to prevail in anti-access and area-denial regions.

Investing in Our People

Overview The strength of our Navy-Marine Corps team lies not only in advanced weaponry or faster, stealthier ships and aircraft. Our naval forces derive their greatest strength from the Sailors and Marines who fire the weapon, operate and maintain the machinery, or fly the plane, and from the families and civilians supporting them. We continue to provide the best education, training, and training environments available so our forces can develop professionally and hone their warfighting skills. Providing quality of life is a determining factor to recruiting and retaining a highly professional force. To this end, we strive to give our people access to high-quality housing, whether government-owned, privatized, or in the civilian community, that is suitable, affordable, and located in a safe environment.

Training and Education Of the $1.7 billion request for military construction, the Navy and Marine Corps together have programmed almost $190 million in operational and technical training facilities, including the live-fire training range complex in Guam. Of the remaining projects, the majority support aviation training for a variety of manned and unmanned aircraft, including the Joint Strike Fighter, E-2D Hawkeye, KC-130 tankers, MH-60 and CH-53 helicopters, and the Triton. Finally, the Marine Corps will construct a Reserve Center that will support the training requirements of an amphibious assault unit that is relocating from Little Creek to Dam Neck, Virginia.

Unaccompanied Housing The Navy plans to make $117.6 million in operations & maintenance-funded repairs to its bachelor housing inventory, focusing on the barracks in the worst condition. This is a three-fold increase over the amount of funds programmed in FY 2015. Additionally the Navy's budget request includes two projects that will recapitalize inadequate (Q4) barracks at Naval Air Station Pensacola, Florida and at Naval Air Station, Patuxent River, Maryland. The Marine Corps completed programming of its substantial investment in unaccompanied housing in FY 2012, although several are in various stages of construction. The arrival of new aviation squadrons at Marine Corps Base Hawai'i will increase personnel base loading and in

response, the FY 2016 budget request includes funds to construct a new barracks and improve our Marines' quality of life.

Family Housing The Department continues to rely on the private sector as the primary source of housing for Sailors, Marines, and their families. When suitable, affordable, private housing is not available in the local community, the Department relies on government-owned, privatized, or leased housing. The FY 2016 budget request of $370 million supports Navy and Marine Corps family housing operation, maintenance, and renovation requirements. Of this amount, $11.5 million will revitalize government owned homes at Marine Corps Air Station Iwakuni, Japan and Wallops Island, Virginia. The budget request also includes $260.2 million for the daily operation, maintenance, and utilities expenses of the military family housing inventory.

To date, over 62,000 Navy and Marine Corps family housing units have been privatized through the Military Housing Privatization Initiative. As a result, the Department has leveraged its resources to improve living conditions for Sailors, Marines, and their families. The Department has programmed $28.7 million to provide oversight and portfolio management to ensure the Government's interests in these public/private ventures remain protected and quality housing continues to be provided to military families.

Safety Workforce Initiative: The safety workforce reform initiative is already in progress supporting over 750,000 personnel serving the Department in diverse, complex and evolving missions across the globe. The Naval Safety program is pressing forward on two key fronts: people and technology. To do this, the Department is recruiting, hiring and developing its safety professionals to ensure we employ the right people at the right place at the right time. Concurrently, we are expanding our global online training resources to ensure the Naval Safety workforce exceeds best practices found throughout industry.

Steps toward expanding the knowledge base of our safety workforce have yielded positive results. During FY 2014 global online safety training increased 65 percent from previous years with savings in administrative costs and the equivalent of 1,720 workdays

of productivity gained. The same was true for the Annual Joint Safety Professional Development Conference (PDC). As a result of the FY 2013 sequester, we offered the PDC as a "virtual" conference. "Web" attendance doubled actual attendance over previous years, with an approval rating reaching 97 percent, and an overall cost savings to the government in excess of $2.2 million.

Finally, the Department is in the process of acquiring a system of commercial off-the-shelf information technology tools that will revolutionize our tireless fight to reach our objective of zero mishaps – the only ethically acceptable goal if we are to keep faith with our magnificent Sailors and Marines. The Risk Management Information initiative comprises a streamlined mishap reporting system, data base consolidation, state-of-the-art analytical innovations, and sophisticated data collection and distribution capabilities that will allow us to ascend above explaining mishaps after the fact and begin predicting and preventing them before they occur.

Managing Our Footprint

Overview It has long been a basic tenet that the Department of Defense should own or remove from public domain only the minimum amount of land necessary to meet national security objectives. The Department is grateful for the Congressional land withdrawals during 2013 and 2014. These withdrawals allow the Department to continue vital testing and training in California at China Lake, Twentynine Palms, and the Chocolate Mountains Range. The FY 2016 budget request includes funds to modernize and expand the Townsend Bombing Range in Georgia. This project will allow pilots based on the East Coast to train using precision guided munitions without having to travel to the Bob Stump Training Complex in Arizona and California.

Base Realignment and Closure (BRAC) The Department of the Navy fully supports the Administration's request to authorize a single round of BRAC in 2017. The BRAC process continues to offer the best opportunity to objectively assess and evaluate opportunities to properly align our domestic infrastructure with our evolving force structure and laydown. Under previous BRAC efforts, the Navy has been able to realize approximately $4.4 billion in annual recurring savings.

We appreciate the support of the Congress in providing additional FY 2015 funds for environmental cleanup at BRAC properties. For FY 2016, the Department has programmed $157 million to continue cleanup efforts, caretaker operations, and property disposal. By the end of FY 2014, we disposed of 93 percent of our excess property identified in previous BRAC rounds through a variety of conveyance mechanisms with approximately 12,710 acres remaining. Of the original 131 installations with excess property, the Navy only has 17 installations remaining with property requiring disposal. Here are several examples of what we were able to achieve last year:

In the San Francisco Bay Area, the Department completed the transfer of 624 acres at Naval Station Alameda to the Department of Veterans Affairs under a no-cost transfer that will ultimately support an outpatient clinic, a National Cemetery, and office space. The Department also completed radiological surveys of over 700 residential housing units at Naval Station Treasure Island, most of which are under lease to the City of San Francisco. Additionally, the Department and the Treasure Island Development Authority signed a Development Conveyance that will allow initial property transfers to begin in FY 2015.

We reduced our overall number of BRAC installations by four last year completing final disposals at Naval Support Activity New Orleans, LA, Naval Air Station Cecil Field, FL, and Navy/Marine Corps Reserve Centers in Akron, OH, and Reading, PA.

The balance of the property at the remaining installations will be disposed as we complete our environmental remediation efforts, which we project will cost $1.1 billion (FY 2016 and beyond) with nearly 50 percent of the costs attributed to long-term operations and monitoring of remedies already in place. The major program cost drivers are low-level radiological waste and munitions cleanup.

Although cleanup and disposal challenges from prior BRAC rounds remain, we continue to work with regulatory agencies and communities to tackle complex environmental issues and provide creative solutions to support redevelopment priorities, such as Economic Development Conveyances with revenue sharing.

Compatible Land Use The Department of the Navy has an aggressive program to promote compatible use of land adjacent to our installations and ranges, with particular focus on limiting incompatible activities that affect the Navy and Marine Corps' ability to operate and train, and protecting important natural habitats and species. This includes the Air Installation Compatible Use Zones Studies and Range Air Compatible Use Studies that are provided by Installations to nearby or adjacent communities to encourage development compatible with installation and range operations in their comprehensive development plans. A key element of the program is Encroachment Partnering, 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 is grateful to Congress for providing funds for the DoD Readiness and Environmental Protection Integration (REPI) Program. Since 2005, DoN has acquired restrictive easements on approximately 73 thousand acres around Navy and Marine Corps installations. We are poised to purchase restrictive easements over additional lands using funds appropriated this year for the REPI program and are developing projects for future funding.

Protecting Our Environment

Overview The Department is committed to environmental compliance, stewardship and responsible fiscal management that support mission readiness and sustainability, investing over $1 billion across all appropriations to achieve our statutory and stewardship goals. The funding request for FY 2016 is about 1.7 percent more than enacted in FY 2015, as shown in Figure 2:

Category	FY 2015 ($M)	PB 2016 ($M)	Delta ($M)	Delta (%)
Conservation	89	86	-3	-3.4%
Pollution Prevention	30	29	-1	-3.3%
Compliance	504	485	-19	-3.8%
Technology	29	37	8	27.6%
Active Base Cleanup (ER,N)	277	292	15	5.4%
BRAC Environmental	127	145	18	14.2%
TOTAL	**1,056**	**1,074**	18	1.7%

Figure 2: DON Environmental Funding by Program

The Department continues to be a Federal leader in environmental management by focusing our resources on achieving specific environmental goals, implementing efficiencies in our cleanup programs and regulatory processes, proactively managing emerging environmental issues, and integrating sound policies and lifecycle cost considerations into weapon systems acquisition to achieve cleaner, safer, more energy-efficient and affordable warfighting capabilities.

Partnering for Protection – In FY 2016 we will focus on environmental planning for at-sea training in the Pacific Northwest and the Gulf of Alaska, and on Combined Joint Military Training in the Marianas Islands. The Department has been partnering with the National Marine Fisheries Service (NMFS) over the past two years to improve the regulatory process and reduce the cost of obtaining authorizations for at-sea testing and training. We are exploring mutually agreeable recommendations with NMFS which could reduce the time and cost of preparing environmental planning documentation and securing permits, while ensuring the continued protection of marine mammals.

We are also leading Federal efforts in the Pacific islands to standardize and implement biosecurity plans for military actions. The importance of effective biosecurity is demonstrated by the recent infestation of the Coconut Rhinoceros Beetle in Hawai'i. The Department, in cooperation with U.S. Department of Agriculture and State of Hawai'i, has taken important steps to help eradicate this destructive insect that was initially discovered at the International Airport and quickly spread to Joint Base Pearl Harbor-Hickam. The Department is also partnering with the State of North Carolina and non-governmental organizations on recovery of the Red Cockaded Woodpecker and expanding training capabilities at Marine Corps Base Camp Lejeune, and with the Bureau of Ocean Energy Management on sharing marine mammal science on the east coast. Working together we can save money and achieve better results.

Fueling Combat Capabilities

Overview The Department of the Navy's Energy Program has two central goals: (1) enhancing Navy and Marine Corps combat capabilities, and (2) advancing energy

security afloat and ashore. Partnering with other government agencies, academia and the private sector, we strive to meet these goals with the same spirit of innovation that has marked our history—new ideas delivering new capabilities in the face of new threats.

Enhancing Combat Capabilities Our naval forces offer us the capability to provide presence – presence to deter potential conflicts, to keep conflicts from escalating when they do happen, and to take the fight to our adversaries when necessary. Presence means being in the right place, not just at the right time, but all the time; and energy is key to achieving that objective. Using energy more efficiently allows us to go where we're needed, when we're needed, stay there longer, and deliver more firepower when necessary.

Improving our efficiency and diversifying our energy sources also saves lives. During the height of operations in Afghanistan, we were losing one Marine, killed or wounded, for every 50 convoys transporting fuel into theater. That is far too high a price to pay. Reducing demand at the tip of the spear through energy efficiency and new technologies takes fuel trucks off the road.

Improving Energy Security and Resilience We need to make smart investments to ensure our shore installations stay up and running because installations, like our shipyards, are central to our forward operations. That means maintaining and upgrading our utility infrastructure and getting smarter about how we're using electricity. It means managing our electricity demand to reduce stress on the electric grid and decrease outages. And, it means investing in technologies like advanced storage, fuel cells, and solar panels so we increase our resilience in the face of natural events or future threats like cyber attacks that affect the electric grid.

In 2014, the Department executed an agreement through our Renewable Energy Program Office to buy renewable energy produced from a 17 megawatt solar array located across three Navy and Marine Corps installations in Hawai'i. That agreement includes the ability for us to draw power from the solar panels even when the grid goes down. Not only does this project enhance our energy security, it will save us money on our electric bills, too. We also awarded a $13 million Energy Savings Performance

Contract for Webster Field, an outlying annex of Naval Air Station Patuxent River in southern Maryland. The contract will provide for ground source heat pumps, lighting retrofits, and various other energy conservation measures that are projected to virtually eliminate the need for shore fossil fuel, reducing energy consumption by 38 percent in the first year of performance.

More recently, we entered into a lease with Duke Energy for just over 80 acres on Camp Lejeune for development of 17 megawatts of renewable electric power for the North Carolina grid to meet renewable portfolio standards. Electricity will be made available to meet the base's contingency energy requirements under the agreement.

Strategic Investments to Fuel the Future As we look to the future, we have to make smart investments that preserve operational flexibility. The private sector, including major airlines like United and Cathay Pacific, is diversifying its fuel supply through the use of alternative fuels. Our program to test and certify emerging alternative fuels is critical for us to keep pace with those developments and maintain interoperability with the private sector.

Under a Presidential Directive, the Department of the Navy has also worked with the Departments of Energy and Agriculture to promote the growth of a domestic biofuel industry. In September 2014, the Department of Defense, under the authority provided by the Defense Production Act (DPA), provided funds to three companies supporting the construction and commissioning of biofuel refineries to produce cost competitive, drop-in biofuels. The total of $210 million in government commitments to those companies is expected to be matched by nearly $700 million in private investment. The three refineries are planned to have a combined annual production capacity of more than 100 million gallons of advanced drop-in alternative fuel.

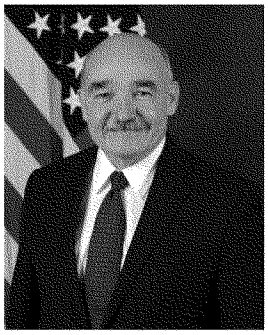
It is important to point out that neither Defense Logistics Agency (DLA) Energy (through which the Navy buys operational fuels) nor the Navy is under any obligation to purchase alternative fuels from any company – including the three that received DPA awards. In fact, Section 316 of the FY2015 NDAA requires that drop-in alternative fuels be cost competitive with traditional fuels (unless waived by the Secretary of Defense). That requirement is consistent with DoD and DoN policy

Conclusion

Our Nation's Navy-Marine Corps team operates globally, having the ability to project power, effect deterrence, and provide humanitarian aid whenever and wherever needed to protect the interests of the United States. The Department's FY 2016 request supports critical elements of the 2014 Defense Quadrennial Review by making needed investments in our infrastructure and people; preserving access to training ranges, afloat and ashore, and promoting energy resiliency and security.

Thank you for the opportunity to testify before you today, I look forward to working with you to sustain the war fighting readiness and quality of life for the United States Navy and Marine Corps, the most formidable expeditionary fighting force in the world.

Dennis McGinn



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Assistant Secretary of the Navy
Energy, Installations & Environment

Mr. Dennis McGinn was appointed Assistant Secretary of the Navy (Energy, Installations & Environment) on September 3, 2013. In this position, Mr. McGinn develops Department-wide policies, procedures, advocacy and strategic plans. He also oversees all Department of the Navy functions and programs related to installations, safety, energy, and environment. This includes effective management of Navy and Marine Corps real property, housing, and other facilities; natural and cultural resource protection, planning, and compliance; safety and occupational health for military and civilian personnel; and timely completion of closures and realignments of installations under base closure laws.

Mr. McGinn is the former President of the American Council On Renewable Energy (ACORE), an organization dedicated to building a secure and prosperous America with clean, renewable energy. While at ACORE, he led efforts to communicate the significant economic, security and environmental benefits of renewable energy. Mr. McGinn is also a past co-chairman of the CNA Military Advisory Board and an international security senior fellow at the Rocky Mountain Institute.

In 2002, after 35 years of service, Mr. McGinn retired from the Navy after achieving the rank of Vice Admiral. While in the Navy, he served as a naval aviator, test pilot, aircraft carrier commanding officer, and national security strategist. His capstone assignment was as the Deputy Chief of Naval Operations for Warfare Requirements and Programs, where he oversaw the development of future Navy capabilities. In a previous operational leadership role, he commanded the U.S. Third Fleet.

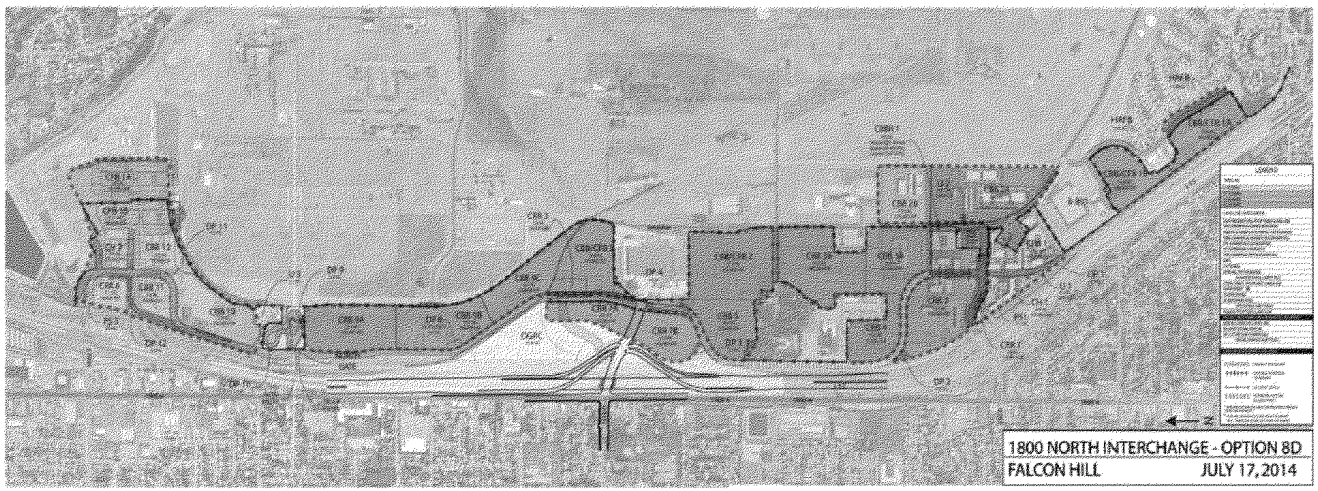
Mr. McGinn is a past member of the Steering Committee of the Energy Future Coalition, the United States Energy Security Council, and the Bipartisan Policy Center Energy Board. He earned a B.S. degree in Naval Engineering from the U.S. Naval Academy; attended the national security program at the Kennedy School of Government, Harvard University; and was a Chief of Naval Operations strategic studies fellow at the U.S. Naval War College.

DOCUMENTS SUBMITTED FOR THE RECORD

MARCH 3, 2015

Not Moving DGRC - Impact

- Reduce AF land for EUL developer / less PIK for AF
- Higher interchange costs
- DGRC becomes 'island' from Hill AFB



WITNESS RESPONSES TO QUESTIONS ASKED DURING THE HEARING

MARCH 3, 2015

RESPONSES TO QUESTIONS SUBMITTED BY MR. GIBSON

Mr. CONGER. The Department's global infrastructure network supports the mission requirements of a defined force structure. As such, the Department continuously evaluates its infrastructure as strategic objectives, force structure and mission sets evolve. The Department strives to ensure its infrastructure is aligned with force structure requirements, supporting both steady state activities and rapid force projection, while promoting efficiencies (such as joint use of facilities) to the greatest extent practicable. That is why it is so important for Congress to authorize a new BRAC round—it is only through BRAC that the Department can effectively accomplish that objective. [See page 18.]

Secretary BALLENTINE. The United States Air Force continues to successfully support strategic maneuver to include XVIII Airborne Corps Global Response Force (GRF) and others with assets not co-located with Sister Service forces. Per coordinated discussion with the United States Air Force and Air Mobility Command, divestment of the 440th Airlift Wing (Pope Army Air Field—AAF) will have negligible impacts to XVIII Airborne Corps' GRF Joint Forcible Entry (JFE) capacity and capability. Under the current installation landscape, DOD can deliver the GRF direct to an objective around the globe via USAF assets non-collocated at Pope AAF. Given sufficient strategic warning, the GRF can be forward staged, and the JFE executed via an integrated package of C–17s and C–130s. Additionally, 100 percent of current deployment requirements of the XVIII Airborne Corps are met through units external to Pope AAF.

The USAF remains committed to supporting US Army airborne training requirements through the Joint Airborne/Air Transportability Training (JA/ATT) Management System (JMS) program. Using JMS, the US Army can schedule additional JA/ATTs to make up for the sorties currently flown by AFRC C–130Hs based at Pope AAF. The Air Force—via the JA/ATT construct—also supports 100 percent of the missions at Fort Benning, Fort Campbell, and many other Army, Marine Corps, and Special Operations Command units, whether or not they have co-located transport aircraft. In 2010, the 18th Air Force, XVIII Airborne Corps, and 82d Airborne Division senior leaders began to formalize what is now known as the quarterly JFE Readiness Symposium to allow Army and Air Force senior leaders to prioritize training objectives, to maximize training outcomes, and to resource joint exercises that enhance JFE readiness of both Army and Air Force units. [See page 18.]

RESPONSE TO QUESTION SUBMITTED BY MR. SCOTT

Secretary BALLENTINE. The Air Force January 2015 strategic, headquarters-level CONUS capacity analysis considered nine broad categories comparing simple ratios relating capacity to force structure and determined the Air Force has approximately 30% excess infrastructure capacity. The categories include Reserves Parking Apron; ANG Parking Apron; Education & Training Parking Apron; Small Aircraft Parking Apron; Large Aircraft Parking Apron; Education & Training Classroom Space; Depot Labor; Space Operations; and Product Centers, Laboratories and Education & Training Facilities. [See page 22.]

QUESTIONS SUBMITTED BY MEMBERS POST HEARING

MARCH 3, 2015

QUESTIONS SUBMITTED BY MR. WITTMAN

Mr. WITTMAN. Under constrained resources, the Department is balancing risk among force structure, modernization, and readiness to meet defense strategic requirements. The infrastructure investment accounts have taken a large portion of the risk.

a) Explain how the Department aligned infrastructure investments with the defense strategic requirements?

b) If Congress adopted the President's Budget in fiscal year 2016, how would the infrastructure investments impact readiness? What are the risks to infrastructure and readiness already inherent at this investment level?

c) If Congress fails to repeal sequestration, how would the corresponding decrease in infrastructure investment impact readiness? What are the risks to infrastructure and readiness that would be assumed under a budget constrained by sequestration?

d) Do you have any examples of failed or failing infrastructure based on the risks taken under sequestration and the Bipartisan Budget agreement?

Mr. CONGER. a) The Department's infrastructure investment supports the defense strategy identified in the 2014 Quadrennial Defense Review. Our 2016 budget request prioritized infrastructure investments to ensure that our military has mission capable facilities as necessary to protect the homeland, to build security globally, and to project power and win decisively. Our budget request also prioritizes infrastructure investments to ensure the life, health and safety of our military and civilian workforce, while maintaining a high quality of life for our service members and their families.

b) The President's FY 2016 budget requests $8.4 billion for the Military Construction (MilCon) and Family Housing Appropriation to invest in facilities that address critical mission requirements and life, health and safety concerns, to include the bed-down of forces returning from overseas bases, restoration and modernization of enduring facilities, and acquisition of new facilities where needed to ensure mission capability and readiness. This figure represents a 30% increase over the FY 2015 enacted level. This increase begins to reverse the high risk to readiness experienced since sequestration began. While the FY 2016 MilCon request ($6.7 billion) includes projects in support of the strategic shift to the Asia-Pacific, projects needed to support the realignment of forces, and projects that are crucial to ensure that we can deliver the quality of life necessary to attract and retain an all-volunteer force, it is still not at the level to allow DOD to address recapitalization needs that have been delayed due to sequestration.

c) If the Department's FY 2016 budget request is reduced to the Budget Control Act levels, the infrastructure investment will likely be impacted similar to the FY 2015 funding levels. At these reduced funding levels, DOD could see the $1.8 billion increase in military construction, $2.5 billion increase in facility sustainment and $946 million increase in restoration and modernization disappear, which could then have DOD Components continue addressing only facility life, safety and health issues. As we continue to stress the infrastructure associated with our readiness platforms, the risk to missions also increases and home and workplace quality of life suffrage continues to erode.

d) A few examples of failing/failed infrastructure related to sequestration can be seen in the following:

- China Lake Airfield. Deferral of major asphalt overlays caused all 3 runways to deteriorate into a compromised state of readiness simultaneously. In early 2014, pieces of the crumbling runway caused damage to an F/A–18F.
- Patuxent River Airfield. A restoration & modernization project had to be phased due to limited availability of funds resulting in delayed restoration and increased operational risk. As a result of deteriorated conditions, the right door and the external flap of the engine exhaust nozzle on a BF–5 aircraft was damaged.
- Dam Neck Combat Systems Training Facility. Navy was unable to fund an restoration & modernization project to repair the roof and building envelope of a Fleet training building at Dam Neck Annex. As a result, radar training must

be suspended during inclement weather so computer equipment can be turned off and covered with tarps to prevent damage.

Mr. WITTMAN. In conjunction with the fiscal year 2016 budget request, the Department of Defense is submitting a legislative proposal seeking an additional base realignment and closure (BRAC) round.

a) Has the Secretary of Defense completed an updated assessment on whether excess infrastructure exists in the Department?

b) What empirical support can the Department provide to support a request for additional BRAC rounds?

Mr. CONGER. a. Army conducted a programmatic analysis of real property needed to support an end-strength and corresponding force structure of 490,000 active component Soldiers. For inside the United States, they report that their excess capacity ranges between 12 and 28 percent, depending on facility category group, with an average of approximately 18 percent.

Air Force has also completed a capacity analysis, comparing current infrastructure capacity to projected force structure and mission requirements. The results indicate the Air Force has approximately 30 percent excess infrastructure capacity. This excess capacity results from decreases in Air Force personnel and force structure outpacing reductions in infrastructure. Since the last BRAC round in 2005, the Air Force has 50,000 fewer personnel and 500 fewer aircraft in its planned force structure.

b. The opportunity for greater efficiencies is clear, based on three basic facts that have not changed over the last year:

- In 2004, DOD conducted a capacity assessment that indicated it had 24% aggregate excess capacity;
- In BRAC 2005, the Department reduced only 3.4% of its infrastructure, as measured in Plant Replacement Value—far short of the aggregate excess indicated in the 2004 study;
- Force structure reductions subsequent to that analysis—particularly Army personnel (from 570,000 to 450,000 or lower), Marine Corps personnel (from 202,000 to 182,000 or lower) and Air Force force structure (reduced by 500 aircraft)—point to the presence of additional excess.

We project that a new efficiency-focused BRAC round will save about $2 billion a year after implementation with costs and savings during the six-year implementation period being a wash at approximately $6 billion. Our projection is based on the efficiency rounds of the 1990s.

Mr. WITTMAN. According to the Department's report, implementing EIC actions will not reduce the operational force structure or military capabilities in Europe, only excess infrastructure.

a) Please explain the process and factors the Department used to ensure military capabilities in Europe were not reduced?

b) The Department has stated that a BRAC-like process was used to inform the EIC decision process. Can you describe any lessons learned from the EIC effort that should be considered as the Department manages its overseas infrastructure moving forward?

Mr. CONGER. a) A defined force structure plan provided by the Joint Staff served as a baseline for the EIC analysis. The process did not allow for any reductions in or changes to that force structure. Additionally, maintaining military value as a primary analytical factor helped ensure that no military capabilities were compromised.

b) The EIC process showed that overseas capacity should be reviewed from a theater perspective to the greatest extent practicable, with a focus on joint use of infrastructure.

It also demonstrated substantial savings are possible from realignment actions on scales much smaller than returning an entire installation.

Mr. WITTMAN. The infrastructure investment accounts have taken a large portion of risk the last several years under constrained budgets.

a) Within the President's Budget in fiscal year 2016, what level of risk has your Service taken in infrastructure?

b) Do you have any examples of failed or failing infrastructure based on the risks taken under sequestration and the Bipartisan Budget agreement?

c) Can you discuss how you are leveraging privatization efforts, public-private partnerships, or other innovative authorities to mitigate the risk in infrastructure investments and achieve financial savings while improving the quality of infrastructure or services?

d) Due to sequestration, the Army announced force structure reductions in 2013 bringing the Active Duty end-strength down from 562,000 to 490,000. The Army is currently assessing options to implement further reductions to its end-strength and

has stated it may need to go to a force of 420,000 if sequestration-level funding returns in fiscal year 2016. If these force structure reductions are implemented, will the requirements for, or scope of, any of the military construction projects contained in the fiscal year 2016 budget request be impacted?

e) The Army's military construction budget is primarily focused on recapitalization to support current missions. Can you discuss the process used by the Army to prioritize military construction projects funded in fiscal year 2016 versus those contained in the Future Year Defense Program (FYDP)?

Secretary HAMMACK. a) The Army continues to take risk in this budget to maintain, restore, or modernize its facilities and infrastructure. While fiscal year 2016 limitations present challenges across all Army installations, further budget reductions would substantially increase risks to readiness and wellbeing. What the Army needs is consistent, predictable funding to apply to the life cycle management of its facilities and infrastructure. The FY 2016 budget for Facility Sustainment, Restoration and Modernization (FSRM) will fund those most critical projects that meet the criteria established by the Army Facility Investment Strategy in the project prioritization review process in FY 2016.

b) All projects in the FY16 President's Budget request address failed or failing facilities or address critical capability shortfalls. Some examples include constructing a new pier to replace the failed Pier #2 at Military Ocean Terminal Concord, California; improving Army cyber capability with a command and control facility for the US Army Cyber Command Headquarters and the Joint Forces Headquarters—Cyber at Fort Gordon, Georgia; replacing the obsolete and failed Waste Water Treatment Plant at West Point, New York; replacing the failed and obsolete WWII-era structure at Corpus Christi Army Depot to modernize the Army's only organic, depot level facility for the repair, overhaul and maintenance of rotary wing aircraft and aircraft components; and replacing WWII-era facilities at Fort Indiantown Gap, Pennsylvania, providing a safe and efficient space to store, maintain, and fabricate training devices. All of these projects address pressing failed or failing infrastructure risks that are being addressed in the Army's FY16 President's Budget request.

c) The Army is leveraging public-private partnerships such as the Residential Communities Initiative (RCI) privatized housing, the Privatization of Army Lodging (PAL), and utilities privatization (UP) programs. These programs have realized significant savings and cost avoidance for the Army since their inception. These programs have greatly mitigated the risk in infrastructure investments by leveraging private sector expertise and funding to improve the overall quality and long-term sustainability of infrastructure services.

The Army is leveraging private industry investment to improve facilities and infrastructure through authorities for energy savings performance contracting, utilities privatization, and power purchase agreements. The Army has the most extensive energy savings performance contracting and utility energy services contracting program in the Federal Government with over $2.26 billion of third party investment leveraged to provide energy and water savings facility improvements. These efforts use private industry technical expertise to develop, construct, operate and maintain more efficient facility infrastructure. We have privatized over half of our installation utilities infrastructure through the utilities privatization that not only improves the condition and reliability of installation utilities services, but also has resulted in substantial savings in natural gas and water. Our Office of Energy Initiatives is also utilizing the power purchase authority to attain mandated renewable energy goals and provide energy security infrastructure to installations, partnering with private industry to develop commercial scale renewable energy systems on our installations.

The Army is in the process of implementing its plan to use the public-public partnership authority first published in NDAA 2013 and updated in NDAA 2015. This updated authority broadens the ability to realize cost savings or cost avoidance, as well as gaining efficiencies in the conduct of installation support services through the use of intergovernmental support agreements (IGSAs). Internally, the Army will communicate with its commanders through official orders and Army Senior Leader correspondence, to spread the word that IGSAs may now use legal instruments other than FAR-based contracts. The Army will also ensure that commanders fully understand the process of submitting IGSA partnership concepts for approval.

Externally, the Army will host a public-facing webpage to convey partnership information to the general public, as well as to the Army Commands. In addition, the Army will participate in public forums with the Association of Defense Communities, Association of United States Army, Society of American Military Engineers and others to engage with the communities and States that are interested in partnering with us.

The Army will continue to assist commands with their Army-Community partnering meetings, identification of partnership opportunities, concept development and agreement consummation. These engagements provide valuable insight and lessons learned which help us to refine the partnership program and ensure it remains meaningful for all Army Commands.

d) The MILCON projects requested in the FY16 Presidents' Budget request are neutral with respect to pending force structure decisions associated with end-strength reductions and will continue to be required regardless of the final force structure decisions made as informed by the Supplemental Programmatic Environmental Assessment

e) The Army prioritization process for fiscal year 2016 projects is the same process used for all projects in the Future Year Defense Program.

To facilitate an objective assessment of the MILCON programming process the MILCON Integrated Programming Team (IPT) was established. This body consists of representatives from across the Army Staff and the Reserve Components along with subject matter experts on critical project related issues. The MILCON IPT acts under a charter which grants it formal recognition as an official Intra-Army Committee by the Administrative Assistant to the Secretary of the Army. The factors used in the prioritization process are aligned with the Army's Facility Investment Strategy (FIS).

On an annual basis the MILCON IPT develops an integrated, prioritized 1–N (order of merit) list for MILCON projects. This list includes the following appropriations: MCA, MCNG, MCAR and AFHC. The factors that are considered in the project's ranking are: Existing facility condition and functionality (capability of the facility to meet its mission) from the ISR (Installation Status Report); Demolition/disposal/facility reduction; Facility shortfall versus requirement from RPLANS (Real Property Planning and Analysis System); Army Focus Facilities—facility types identified for expeditious buyout of deficits; and Command priority

For projects in the first two years of the FYDP, the MILCON IPT conducted a comprehensive risk analysis to ensure those projects will be executable in the near term.

The MILCON IPT then met to deliberate on every project to ensure Congressional language, OSD, or Army leadership adjustments and priorities, and supplemental or clarifying information are considered. The MILCON IPT made appropriate adjustments to the prioritization of the project. Finally, the MILCON IPT program recommendation went through a vetting process consisting of a series of briefs culminating in program approval by the Under Secretary of the Army (USA) and Vice Chief of Staff of the Army (VCSA) level.

Mr. WITTMAN. The Army has again proposed to defer investments in facilities sustainment, budgeting across the services at 80% of the model, on average, versus the recommended 90%.

a) Why did the Army elect to take risk in the sustainment accounts versus more risk in restoration and modernization and recapitalization activities?

b) Can you explain the long-term effect of a delay in funding the facility sustainment account?

c) Can you quantify the current backlog of facility sustainment, restoration, and modernization requirements across the Army?

Secretary HAMMACK. The Army continues to take risk in Facility Sustainment, Restoration and Modernization (FSRM). The Army's priority is to maintain Unit and Soldier readiness. With the budget caps under current law, the Army can only afford to fund sustainment at 80% (increase of 10% from FY15) of the Facility Sustainment Model. The Restoration and Modernization funding request represents 67% of our critical requirement.

Long-term effects associated with deferring facility SRM varies based on a number of factors, including facility type, materials, geographical location, age, and use. Over time, deferred sustainment causes a more rapid decline in facility life-spans and increases R&M and MILCON requirements. Further reductions in SRM will negatively impact operational readiness, training, and Soldier well-being, by increasing facility maintenance backlogs, steepening facility degradation rates, and increasing facility component failures.

The Army has a $3B sustainment maintenance backlog. This equates to an estimated 5520 major work orders. The Army has made significant strides in reducing the routine demand maintenance order backlog since FY13 when sequestration caused the deferral of over 100,000 routine demand maintenance orders per month.

Mr. WITTMAN. The infrastructure investment accounts have taken a large portion of risk the last several years under constrained budgets.

a) Within the President's Budget in fiscal year 2016, what level of risk has your Service taken in infrastructure?

b) Do you have any examples of failed or failing infrastructure based on the risks taken under sequestration and the Bipartisan Budget Agreement?

c) Can you discuss how you are leveraging privatization efforts, public-private partnerships, or other innovative authorities to mitigate the risk in infrastructure investments and achieve financial savings while improving the quality of infrastructure or services?

Secretary BALLENTINE. a) We assess our infrastructure investment risk as moderate. In our previous budget requests, the Air Force attempted to strike the balance between a ready force for today with a modern force for tomorrow under constrained budget levels. To help achieve that balance, the Air Force elected to accept risk in installation support, military construction (MILCON) and facilities sustainment. These reductions were critical to maintain adequate resourcing across the Future Years Defense Program (FYDP) for some of the Air Force's unique capabilities. However, in the FY 2016 request, the Air Force begins to reduce the impacts of that risk by increasing funding for installations in all three of the areas noted above.

b) The Cape Canaveral Range Communications Facility that we are seeking MILCON funding for in the FY 2016 request is a perfect example of the risks in infrastructure the Air Force was required to take under sequestration and the Bipartisan Budget Agreement. The original 1950's vintage facility has had long standing leak problems that were made obvious during Tropical Storm Fay in 2008 when the building experienced severe flooding. This project has been the Air Force's number one current mission space infrastructure MILCON requirement since 2013 but has been unable to be funded under the constrained budget levels previously mentioned.

c) The Air Force is committed to making every dollar count. As such, the success of money and time-saving innovations are critical to the Air Force's ability to operate in this fiscally constrained environment. Budgetary constraints are motivating our Department of Defense, our installations and community partners to re-evaluate the way we do business and seek alternatives to the status quo for methods to support our missions and maintain quality of life programs for our Airmen and their family members. The Air Force can achieve these goals by exploring partnership opportunities with stakeholders that include local cities/counties/states, utility companies, universities, and private sector property managers, developers and financiers. There are now 48 installations in the AF Community Partnership Program who with their community partners have identified over 1,000 initiatives across the spectrum of installation services and mission support; many of these initiatives are undergoing further refinement and development with potential application Air Force-wide. Initiatives identified to date include: agreements with communities to operate waste water treatment plants; medical, security, emergency response and civil works training; refuse management; grounds or pavements maintenance; construction/maintenance of ball fields; operation of Airmen support services such as libraries, golf courses and youth programs; and airfield operations and maintenance services. There has been much said regarding Section 351 (10 USC 2679) and how his new authority will facilitate our Department of Defense, our Air Force and the other Services to enter into intergovernmental support agreements with local governments. It will, since this authority will enable partners to provide, receive or share installation support services. However, there are many existing authorities that enable us to innovatively partner now to include the areas of enhanced use leasing, utility privatization and energy initiatives; Federal Acquisition Regulations and financial parameters. We want to highlight that the Air Force is committed to working with the appropriate DOD offices, the other Services and the Small Business Administration to ensure it addresses small business concerns consistently. This includes the effects upon small business prior to making a secretarial determination and working with local communities to mitigate impacts when feasible. More and more you are going to hear how the Air Force is committed to innovate and partner to achieve our mission and Airmen support goals and objectives.

Mr. WITTMAN. The term "energy security" is defined by the QDR as having "assured access to reliable supplies of energy and the ability to protect and deliver sufficient energy to meet operational needs."

a) How is the Air Force developing renewable energy projects on its installations that are compatible with this goal, and providing redundant power in the event of a failure of the public grid?

b) How is the Air Force doing on the advanced metering program? Not just in regards to the installation of the meters, but also the supporting infrastructure necessary to collect the data and use it to help manage the installation energy program?

Secretary BALLENTINE. a) Traditionally, the Air Force has ensured all critical operational power needs through use of emergency generators and emergency backup battery systems if commercial power fails. Efforts to develop renewable energy projects on Air Force installations have historically been driven by economics using third-party financing mechanisms, and not mission requirements or energy/mission security. The Air Force is looking beyond financial considerations and accepting in-kind considerations that improve its energy security posture without increases in the rate it pays for electricity, while still pursuing a third-party financing strategy.

This third-party approach uses Power Purchase Agreements (PPAs) and Enhanced Use Leases (EULs) to develop renewable energy projects; both are accompanied by either financial benefits or in-kind considerations. A recent example of a third party approach that improves Air Force energy security is the Phase II solar photovoltaic project at Nellis AFB, NV. Under the agreement, the installation will purchase the electricity at the tariff rate (i.e., no discounted rate) in favor of an in-kind benefit from the Phase II land lease. Specifically, this in-kind consideration is a $10 million substation and associated feeder lines, providing system redundancy. Under this set up, the electricity generated by the PV system will flow through the installation before it goes to the commercial grid.

b) Due to financial constraints and technical issues, the Air Force was unable to achieve the 2012 target set by 42 USC § 8253 for the installation of advanced metering systems. The Air Force has developed a Meter Data Management Plan and intends to invest $42 million through FY2020 to ensure cyber-secure advanced meter reading systems (AMRS) are installed at its highest consumption installations. This plan puts the Air Force on track to capture 60% of the Air Force's total energy consumption by the end of FY2020. After reaching the 60% milestone, the Air Force will conduct a business case analysis to determine whether it is cost effective to deploy additional advanced metering systems.

Mr. WITTMAN. According to the EIC report, implementing EIC actions will not reduce the operational force structure or military capabilities in Europe, only excess infrastructure. Please provide additional information on how losing the fuel capacity and ramp space at RAF Mildenhall in the United Kingdom does not reduce military capability in Europe.

Secretary BALLENTINE. Military capability in Europe was preserved by consolidating missions at installations that have excess infrastructure. For example, the Air Force will not compromise any military capability by relocating the Special Operations and tanker units from RAF Mildenhall to Spangdahlem AB and Ramstein AB in Germany. By taking advantage of the excess infrastructure (fuel, ramp space, etc) at Spangdahlem and Ramstein, we can divest the costly and unnecessary infrastructure at Mildenhall. It should also be noted that our EIC analysis also accounted for the infrastructure requirements necessary to support current Operational Plans and anticipated contingency operations.

Fuel storage and ramp space requirements being met by RAF Mildenhall today will be met by the redeployment of units to Spangdahlem AB (CV–22 and MC–130J) and Ramstein AB (KC–135 tankers) in Germany.

Mr. WITTMAN. The Air Force has again proposed to defer investments in facilities sustainment, budgeting across the services at 80% of the model, on average, versus the recommended 90%.

a) Why did the Air Force elect to take risk in the sustainment accounts versus more risk in restoration and modernization and recapitalization activities?

b) Can you explain the long-term effect of a delay in funding the facility sustainment account?

c) Can you quantify the current backlog of facility sustainment, restoration, and modernization requirements across the Air Force?

Secretary BALLENTINE. a) We are not deferring investment in Facility Sustainment. We continue to fund Facility Sustainment at 80% of the OSD Facility Sustainment model. With our asset management principles, we can sustain this level of investment indefinitely.

b) We use asset management principles to make more effective use of existing resources, thereby reducing facility risk. This requires improved asset visibility. Based on an increasingly fiscally constrained environment, the FY 2016 budget focuses on ensuring investment in the most critical facility requirements to support Air Force priorities, while continuing to enable streamlining of business operations and enhancing operational efficiencies. The Air Force will fund Facilities Sustainment at 80 percent of the calculated OSD Facilities Sustainment Model (FSM) to continue driving efficiencies while ensuring the proper level of support. Centralization and prioritization of replacement and repair projects using Asset Management tools will ensure investment in the most critical facility requirements.

c) The Air Force's calculated backlog is $11.1B.

Mr. WITTMAN. The infrastructure investment accounts have taken a large portion of risk the last several years under constrained budgets.

a) Within the President's Budget in fiscal year 2016, what level of risk has your Service taken in infrastructure?

b) Do you have any examples of failed or failing infrastructure based on the risks taken under sequestration and the Bipartisan Budget Agreement?

c) Can you discuss how you are leveraging privatization efforts, public-private partnerships, or other innovative authorities to mitigate the risk in infrastructure investments and achieve financial savings while improving the quality of infrastructure or services?

Secretary MCGINN. A) Department of Navy (DON) installations provide the backbone of support for our maritime forces, enabling their forward presence and providing our training ranges and care for Sailors, Marines and their families. However, the Department is taking risk in our shore infrastructure in support of operational readiness. One example of this risk is our facilities sustainment levels. The President's FY16 budget funds the Marine Corps at 81% and the Navy at 84% of the Department of Defense facilities sustainment model. The OSD guidance is to fund 90% of the requirement. We are aware that underfunding facilities sustainment increases the rate of degradation of our shore infrastructure, which leads to more costly repair, restoration and new construction in the future.

B) The fiscal challenges we face today will be exacerbated and significant challenges will be forced on all Services if FY16 sequestration reductions are implemented. We continue to evaluate long-term impacts of sequestration. Although the Marine Corps has made significant progress over the last 8 years in replacing old and unsatisfactory buildings, delayed or canceled military construction projects will have long term impacts on the future operating budget, force posture, and the overall welfare of our Marines. The Navy has been compelled to reduce funding in shore readiness since FY 2013, and as a result, many Navy shore facilities are degrading. At sequestration levels, this risk will be exacerbated and the condition of our shore infrastructure, including piers, runaways, and mission-critical facilities, will further erode. Specific examples of recent failures include:

- China Lake Airfield. Deferral of major asphalt overlays caused all 3 runways to deteriorate into a compromised state of readiness simultaneously. In early 2014, pieces of the crumbling runway caused damage to an F/A–18F.
- PAX River Airfield. A SRM project had to be phased due to limited availability of funds resulting in delayed restoration and increased operational risk. As a result of deteriorated conditions, the right door and the external flap of the engine exhaust nozzle on a BF–5 aircraft was damaged.
- Rota Communications Facility. Due to funding shortfalls, the Navy was unable to perform required repairs to the facility. In early 2015, the facility suffered extensive flooding due to heavy rain. Flooding compromised multiple spaces, with some water entering through the foundation walls. This resulted in significant mold, and accelerated foundation/structural degradation which could have been avoided if repairs had been accomplished in a timely manner.

If sequestration continues, examples of potential future DON impacts include:

- Lack of airfield maintenance will cause foreign object debris (FOD) that could damage aircraft
- Lack of pier maintenance could compromise Navy's ability to resupply, maintain and deploy ships
- Deferred sustainment of our training ranges impacts warfighter training and readiness
- Unresolved HVAC problems can lead to mold and health issues in our barracks
- Delaying roof repairs can lead to leaks that will deteriorate the building structure and interior, making operational and maintenance facilities unusable

The Department of Defense released an assessment of sequestration impacts in an April 2014 report, "Estimated Levels of Sequestration-Level Funding," and we continue to review and refine this assessment as conditions warrant.

C) We continue to look for ways to leverage private sector investment and partner with our community to improve our infrastructure and services ashore. Our public/private ventures continue to provide quality family housing and the new Renewable Energy Program Office is working with industry to establish cost-effective renewable energy projects to improve our energy security. However, partnerships will not offset the harmful effect of sequestration. A return to sequestration in FY 2016 would necessitate a revisit and revision of the Defense Strategic Guidance.

Mr. WITTMAN. a) The fiscal year 2016 military construction budget for the Department of the Navy includes a number of investments in energy-related construction projects on Navy and Marine Corps installations. Can you explain how these

projects either improve mission effectiveness or demonstrate a return on investment that supports their prioritization over other projects?

b) The Secretary of the Navy established energy goals that far exceed the requirements for the other military services, including 50% alternative energy ashore by 2020, 50% decrease in non-tactical vehicle fossil fuel consumption by 2015. What is the impetus for these targets, and why do you believe this is critical to national security?

Secretary MCGINN. a) The Department's FY2016 budget requests several utilities MILCON projects to increase our Energy Security ashore and improve the mission effectiveness by providing installations with reliable and resilient power. The Department of the Navy has accepted risk in our Shore infrastructure in order to support warfighting readiness and operations, and the condition and age of our utility infrastructure is a special concern. These MILCON projects will increase our Energy Security improving our ability to provide reliable electrical power to critical infrastructure during normal operations as well as during natural or manmade events. The projects are summarized below:

P610, Electric Repairs Piers 2, 6, 7 and 11, NS Norfolk, VA $44,254,000 The electrical conduit and cable systems on the double deck piers have failed in many locations and continue to have outages caused by storms. Without this project, system failures and expensive recurring repairs will continue as well as significant life/safety concerns for electricians and other personnel in the area will remain. Each power failure results in the loss of shore power capability requiring vessels to produce their own power.

P416, PMRF Power Grid Consolidation, PMRF Barking Sands, HI $30,623,000 The project will consolidate separate electrical distribution systems at Pacific Missile Range Facility (PMRF) Barking Sands. Without this project, sharing and distribution of loads as well as renewable energy sources throughout the installation would not be possible. Providing continuous and reliable electrical power is essential for the mission of PMRF which is to provide Training, Tactics Development, and Test & Evaluations for air, surface, and sub-surface weapons systems and Advanced Technology Systems.

P614, Upgrade Waterfront Utilities, Norfolk Naval Shipyard, VA $45,513,000 The electrical service in Dry Docks 2, 3, and 4 are severely undersized, severely inefficient, and were constructed as early as 1967. Upgrading the utility systems is imperative to maintaining ship repair schedules. Several breaks and outages have already occurred and interrupted ship repair schedules. The shipyard will continue to lose man-hours to install and remove temporary utility systems.

P715, UEM Interconnect STA C to Mamala, Joint Base Pearl Harbor-Hickam, HI $6,335,000 The project will install an electrical interconnection between former Naval Station Pearl Harbor and former Hickam Air Force Base power grids, establish new interconnections of high voltage circuits, modernize switch stations, and replace aging infrastructure. The project will enable load sharing and optimized power distribution across the Joint base, resulting in increased system efficiency and reduced energy costs.

P670, ICS INFRASTRUCTURE, SUBASE Kings Bay, GA $8,099,000 Providing continuous and reliable electrical power is essential at SUBASE Kings Bay. This project improves electrical distribution reliability and redundancy through the installation of programmable, digital protective relays. Any unplanned electrical outages delays mission readiness and increases fuel use and manpower requirements to produce onsite power. Under contingency conditions where commercial power is curtailed, the installation can't provide power in an emergency or reliable dispatch power from the Central Control Center to all base loads. This project also enables faster deployment of repair personnel in the event of a water or thermal system malfunction, which will reduce commodity losses and mission impacts.

b) The Navy and Marine Corps' strength is the ability to provide presence; to be in the right place, not just at the right time, but all the time. That takes energy. The Secretary's goals are focused on delivering that presence and increasing our combat capability.

The goals drive improvements in the energy efficiency of our weapons platforms that enable us to go further on a tank of gas or a battery charge. That focus on efficiency will be even more important as we deploy emerging weapons systems like the rail gun and directed energy weapons that will rely on electricity generated by the same fuel that powers a ship's engines. The goals promote fuel diversity to improve operational flexibility and ensure that we remain interoperable with the commercial logistics chain. And, they encourage energy efficiency, load shedding, and the use of distributed generation at our shipyards and other installations. The energy security and resiliency of our installations is critical given the role they play in enabling operations and readiness. Fulfilling the secretary's goals decreases the

chances that we will experience power outages, and enhances our ability to recover in the event the grid does goes down.

Mr. WITTMAN. The Navy has again proposed to defer investments in facilities sustainment, budgeting across the services at 84% of the model, on average, versus the recommended 90%.

a) Why did the Navy elect to take risk in the sustainment accounts versus more risk in restoration and modernization and recapitalization activities?

b) Can you explain the long-term effect of a delay in funding the facility sustainment account?

c) Can you quantify the current backlog of facility sustainment, restoration, and modernization requirements across the Navy?

Secretary MCGINN. A) Over the last several years, the Department has taken risk in our shore infrastructure in order to support operational readiness and capabilities. This risk includes both reduced sustainment and deferral of many needed projects that restore and modernize our facilities, ranges and support infrastructure ashore. Our FY2016 budget requests funding to execute most critical projects to enable the Department to support the three pillars upon which the 2014 Quadrennial Defense Review is based: protect the homeland, build security globally; project power and win decisively.

B) We are aware that underfunding facilities sustainment increases the rate of degradation of our shore infrastructure, which leads to more costly repair, restoration and new construction in the future.

C) Deferred maintenance backlog for the Department of Navy is $41.1B, which includes $38.66B based on the Commander Navy Installations Command 2014 annual report and $2.45B based on the Marine Corps Installations Command 2014 annual report.

QUESTIONS SUBMITTED BY MS. BORDALLO

Ms. BORDALLO. I understand you have partially privatized the lodging at Joint Base San Antonio where the Air Force is the operating service branch. Since this is a joint base where combining operating efficiencies is an important part of reducing costs, can you leverage the privatized lodging program to include the Air Force, non-privatized lodging? Would doing so extend the privatization benefit across the entire installation, support the mission of joint basing and eliminate the non-privatized lodging dependency on the Federal Government?

Mr. CONGER. The Army, through their Privatization of Army Lodging (PAL), had privatized 983 units on Fort Sam Houston prior to the establishment of the Joint Base. It operates under the supported component's contract but the function transferred to the Joint Base. The Air Force has currently chosen not to exercise the authorities for privatized lodging, but retain their lodging as a nonappropriated fund (NAF) operation. There is not a plan to include the Air Force facilities in the Army PAL inventory at this time.

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Secretary BALLENTINE. The Fort Sam Houston lodging facility was included in the Privatized Army Lodging contract, prior to Joint Basing. According to the Government Accountability Office (GAO), July 2010 Report to Congressional Committees on Defense Infrastructure titled, "Army's Privatized Lodging Program Could Benefit from More Effective Planning", the Army's decision to privatize lodging was directly related to the poor condition of their facilities and the high estimated cost to repair them. The Air Force has maintained a dedicated Lodging Fund, separate from the Morale, Welfare and Recreation Fund, managed by Air Force accounting and hospitality professionals since 1974. This allows the Air Force to sustain lodging facilities to mid-level commercial lodging standards. Our Civil Engineers continue to program adequate funding for sustainment, restoration and modernization of facilities, resulting in lodging facilities AF-wide that are in overall good condition. Looking forward, we've programmed additional funds for recapitalization efforts at 15 properties over the next four years.

The Air Force is very engaged in identifying opportunities to increase efficiencies and effectiveness in Air Force Lodging. The Army's privatized lodging is one model the Air Force is reviewing. We continue to analyze their results, and that of other

military lodging and commercial hotel models to help identify areas for improvement.

QUESTIONS SUBMITTED BY MR. BISHOP

Mr. BISHOP. The Air Force's current Program of Record at Hill AFB, Utah associated with Phase 2 of the Falcon Hill Enhanced Use Lease (EUL) has the existing location for the Army's Defense Generator and Rail Equipment Center (DGRC) being placed outside the Air Force's Security Perimeter beginning as early as 2018, making the DGRC completely isolated from the rest of Air Force property. This raises a number of questions:

a) What is the Army's plan to construct or otherwise provide an adequate security perimeter around the DGRC which meets DOD Force Protection standards? Please provide cost estimates, and indicate whether these costs are reflected in the Army's FYDP.

b) How many additional personnel billets will be required for the Army to staff its own security perimeter and at what estimated cost?

c) Since the DGRC will no longer be within the Air Force Security perimeter, it will no longer be receiving base support services such as garbage and snow removal services from the 75th Air Base Wing. How will the Army procure these needed services and at what estimated cost?

Secretary HAMMACK. DGRC is a DOD mission for which the Army is the DOD executive agent. The DGRC mission is a tenant activity at Hill Air Force Base, which is real property managed by the Air Force acting on behalf of DOD. Support agreements outline what services are provided between DOD components. The applicable support agreement in this case includes the provision of security and base operations services by the Air Force. The Army does not have any plans to make changes to security perimeters, security personnel, or other base support services. These matters are the responsibility of the installation host.

QUESTIONS SUBMITTED BY MR. SHUSTER

Mr. SHUSTER. I am pleased to hear of your efforts to reduce the Navy's energy footprint, as highlighted by its adoption of energy efficient tubular LED (T–LED) on board ships. I understand that to date, almost 13% of the Navy fleet has converted to T–LED lighting, which has been successful and yielded energy and cost savings. In this regard, can you please advise on the Navy's efforts to bring T–LED lighting to shore on bases?

Secretary MCGINN. The Navy believes strongly in the potential for new technologies, including LED lighting, to improve lighting quality and reduce energy and maintenance costs on our shore bases. In order to enable our adoption of these technologies as quickly as possible, we have expanded our use of Energy Savings Performance Contracts (ESPC). These contracts allow contractors to identify and install, where appropriate, technologies that provide energy savings and also share in those savings. We expect LED's to be widely evaluated and used in these contracts. We also intend to work with industry to address any technical issues relating to the compatibility of existing fixtures with T–LEDs. We hope that engagement will enable us to more broadly and quickly adopt the technology.

Mr. SHUSTER. Given the energy and cost savings that have been realized from T–LED lighting on ships, would you agree that the Navy should consider revising the uniform facilities criteria (UFC) to allow for the option of T–LED technology on bases?

Secretary MCGINN. The existing Unified Facilities Criteria (UFC) supports the installation of T–LED systems in new construction. The UFC also supports the replacement of existing lighting systems with T–LED systems (full fixture and tube replacement). In the case of retrofitting non-LED fixtures with T–LED bulbs, we intend to work with industry to address any technical issues relating to the compatibility of existing fixtures with T–LEDs. We hope that engagement will enable us to more broadly and quickly adopt the technology.

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