[H.A.S.C. No. 110–123]

HEARING

ON

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2009

AND

OVERSIGHT OF PREVIOUSLY AUTHORIZED PROGRAMS

BEFORE THE

COMMITTEE ON ARMED SERVICES HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

READINESS SUBCOMMITTEE HEARING

ON

BUDGET REQUEST ON MILITARY CONSTRUCTION

HEARING HELD
FEBRUARY 28, 2008

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CONTENTS

CHRONOLOGICAL LIST OF HEARINGS

2008

Page

HEARING:

Thursday, February 28, 2008, Fiscal Year 2009 National Defense Authorization Act—Budget Request on Military Construction 1

APPENDIX:

Thursday, February 28, 2008 37

THURSDAY, FEBRUARY 28, 2008

FISCAL YEAR 2009 NATIONAL DEFENSE AUTHORIZATION ACT—BUDGET REQUEST ON MILITARY CONSTRUCTION

STATEMENTS PRESENTED BY MEMBERS OF CONGRESS

Forbes, Hon. J. Randy, a Representative from Virginia, Ranking Member, Readiness Subcommittee 2

Ortiz, Hon. Solomon P., a Representative from Texas, Chairman, Readiness Subcommittee 1

WITNESSES

Anderson, Hon. William C., Assistant Secretary of the Air Force, Installations, Environment and Logistics 9

Arny, Wayne, Deputy Under Secretary of Defense, Installations and Environment 4

Penn, Hon. B.J., Assistant Secretary of the Navy, Installations and Environment 6

Prosch, Geoffrey, Principal Deputy Assistant Secretary of the Army, Installations and Environment 11

APPENDIX

PREPARED STATEMENTS:

Anderson, Hon. William C. 109

Arny, Wayne 46

Forbes, Hon. J. Randy 43

Ortiz, Hon. Solomon P. 41

Penn, Hon. B.J. 82

Reed, David M., Deputy Assistant Secretary of the Army (Installations and Housing) submitted by Geoffrey Prosch 141

DOCUMENTS SUBMITTED FOR THE RECORD:

Naval Shipyard MCON History (Mil) Chart 171

WITNESS RESPONSES TO QUESTIONS ASKED DURING THE HEARING:

Mr. Bishop 179

Mr. Forbes 176

Mr. Hayes 178

Mr. Loebsack 179

Mr. Marshall 177

Page

WITNESS RESPONSES TO QUESTIONS ASKED DURING THE HEARING—Continued
Mr. Ortiz 175
Ms. Shea-Porter 178
Mr. Taylor 177

QUESTIONS SUBMITTED BY MEMBERS POST HEARING:
Mr. Courtney 190
Mr. LoBiondo 189
Mr. Ortiz 183
Mr. Rogers 189
Mrs. Napolitano 190

FISCAL YEAR 2009 NATIONAL DEFENSE AUTHORIZATION ACT—BUDGET REQUEST ON MILITARY CONSTRUCTION

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
READINESS SUBCOMMITTEE,
Washington, DC, Thursday, February 28, 2008.

The subcommittee met, pursuant to call, at 1:30 p.m., in room 2118, Rayburn House Office Building, Hon. Solomon Ortiz (chairman of the subcommittee) presiding.

OPENING STATEMENT OF HON. SOLOMON P. ORTIZ, A REPRESENTATIVE FROM TEXAS, CHAIRMAN, READINESS SUBCOMMITTEE

Mr. ORTIZ. The subcommittee will come to order.

I want to thank our distinguished witnesses for appearing before the subcommittee. Today, the Readiness Subcommittee will hear about our military construction programs. The President's budget proposes an increase in military construction that leads one to believe that the Department of Defense (DOD) will have a well-funded infrastructure program for fiscal year 2009.

That is a bell for Mr. Reyes because he has a lot of money in this budget. If he doesn't make it in time, Randy and I are going to split that money. [Laughter.]

However, I believe that a deeper review of the program may reveal that this is not the case. The services are trying to perform three complex tasks at the same time: Grow the Force, transformation, and maintaining existing infrastructure. Unfortunately, this budget proposal does not fully address any of these areas.

First let me say that this committee strongly supports the "Grow the Force" and expansion of the Army and Marine Corps end-strength. Unfortunately, this committee has heard reports that in many cases, the permanent infrastructure needed to support the end-strength increases will arrive well after the soldiers and Marines have already reported to their permanent duty stations.

To cover this gap in facilities, the Army and the Marine Corps have indicated that they will aggressively pursue a temporary building program and can finalize their permanent infrastructure. This is a very huge undertaking, with the Army alone maintaining over 10 million square feet of space in temporary facilities. These facilities will be minimally adequate and will affect the quality of life for our service-members and civilian employees. I understand the driving need for space, but I am very concerned that in the end we will spend a great deal of money on a short-term solution.

The services' transportation plans present us with similar concerns. I have always opposed Base Realignment and Closure (BRAC) and believe that our selection process was badly flawed, and the reason I say this is not because it is partisan. I had one of my bases shut down, but it was one of the newest bases in the Navy's inventory, something to the tune of close to a half-billion dollars, but that is another story for another day.

In the 2005 round of BRAC, we did not eliminate any excess infrastructure. We only moved facilities around the checkerboard. BRAC implementation costs have doubled. Savings are down and now I understand that the services may not be able to meet the September 2011 deadline. These are all concerning, and I hope that our witnesses will address these issues in their testimony.

On a related transformation note, I understand that the Air Force budget submissions include a request for additional F–22s, C–17s, and other aircraft. Unfortunately, the infrastructure to support these new airplanes won't be available until well after the arrival of these important aviation assets. This is a very puzzling disconnect and again causes me to worry about the transformation program, that it isn't being executed carefully.

Finally, let me again voice my concerns about the maintenance of our existing infrastructure. In the fiscal year 2009 budget request, the Department has proposed to fund the daily maintenance of its facilities at 90 percent of the requirement. This means that 10 percent of the things that are broken will not be repaired. Imagine if we only fixed 90 percent of our critical problems in our own homes every year. It wouldn't take long before our houses were in a state of disrepair.

In addition to this shortfall, the Army has elected to take a pause in recapitalizing the infrastructure, with zero restoration. These decisions continue a DOD trend of underfunding repairs and will lead to an accelerated decline of facilities that will decrease the quality of life and negatively impact operations on base. I don't think that this is smart management. Gentlemen, I think that we have a lot to discuss today, and I look forward to hearing you address these important issues.

And now the chair recognizes the distinguished gentleman and my good friend from Virginia, Mr. Forbes, for any remarks that he would like to make. Randy.

[The prepared statement of Mr. Ortiz can be found in the Appendix on page 41.]

STATEMENT OF HON. J. RANDY FORBES, A REPRESENTATIVE FROM VIRGINIA, RANKING MEMBER, READINESS SUBCOMMITTEE

Mr. FORBES. Mr. Chairman, as always I thank you for your leadership and thank you for holding this hearing.

To our distinguished panel of witnesses, we thank you for your service to our country and for being here. We know some of you have gone beyond the call of duty to be here on short notice, and we just thank you all for taking the time to do that.

This hearing is the first of a series of budget and oversight hearings the Readiness Subcommittee will conduct on the current state of military readiness, and how this budget addresses the real readi-

ness needs of the services. I share the chairman's great concern about the state of our military readiness and our Nation's ability to respond to troubled areas throughout the world. I agree that our military needs more resources to replenish and repair equipment worn out in fighting the global war on terror. But as we all know, building readiness is a complex art with many components.

Like most complex subjects, success begins with a strong base. I bring this up today to underscore that installation readiness—the subject of today's hearing—is a vital component of military readiness and the base upon which readiness is built. Readiness begins with the military services' real property infrastructure—the training ranges, airspace, sea lanes and buildings used by our troops to prepare for the arduous missions they face around the world.

In that regard, it is important that the record note the significant increase proposed in the Defense Department's military construction budget for fiscal year 2009, both in the recurring military construction budget and the BRAC accounts. This is important for a number of reasons.

First, it shows the administration and the Department of Defense are serious about effectively implementing the base closure round of 2005. Base closure authority was requested as a means to consolidate DOD assets more efficiently. A range of projects around the United States bear witness to that resolve, from improving medical facilities in the national capital region to consolidating Army communications electronics work at Aberdeen Proving Ground, Maryland, and a similar consolidation of Army logistical activities at Fort Lee, Virginia. Even though I was opposed, as the chairman was, to authorizing this BRAC round, it is the law and needs to be executed properly. Indeed, committed, prompt execution of the round will build readiness.

Second, the budget provides substantial sums for the Army and Marine Corps to provide the infrastructure and support of these services and Grow the Force initiatives, another important readiness component that will ultimately relieve stress on the active force. I applaud these increased military construction budget and BRAC requests, while realizing that execution of such large projects will be challenging.

Mr. Chairman, I look forward to working with you and our witnesses to make these transformational changes a reality and thereby doing all we can to improve the readiness of tomorrow's military.

Finally, I would like to ask the witnesses to comment on some unfinished business from last year. The Consolidated Appropriations Act of the last session reduced BRAC funding by over $1 billion. To my mind, that money is as critical to restoring readiness to our armed forces as anything we do, as it helps the Army and Marine Corps build the needed infrastructure for a larger force. I would like to request that the witnesses describe the impact on their services if that money is not restored.

Once again, Mr. Chairman, thank you for holding this hearing, and I yield back the balance of my time.

[The prepared statement of Mr. Forbes can be found in the Appendix on page 43.]

Mr. ORTIZ. Today, we are very fortunate to have a panel of very distinguished witnesses representing the Department. Our witnesses include Wayne Arny, the Deputy Under Secretary of Defense for Installations and Environment for the Department of Defense. Wayne and I—Mr. Secretary—we have known each other since my first day in Congress back in 1983, so it is good to see you again and congratulations on your new promotion.

Secretary ARNY. Thank you.

Mr. ORTIZ. The next gentleman is Assistant Secretary of the Navy for Installations and Environment, B.J. Penn. I have worked with you for many, many years.

Mr. Anderson, thank you, sir. Also, I have worked with you before, and thank you so much for joining us. He is the Secretary of the Air Force for Installations, Environment and Logistics.

And also my good friend George Prosch, I have known you for many years, so we are among friends today. He happens to be the Principal Deputy Assistant Secretary of the Army for Installations and Environment.

Without objection, the witnesses' prepared statements will be entered for the record.

Mr. Secretary, good to see you again, and welcome. If you are ready with the start of your testimony, you can proceed.

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

Secretary ARNY. Thank you, sir. You look just as good as you did all those years ago. [Laughter.]

Chairman Ortiz, Congressman Forbes and distinguished members of the subcommittee, I am honored to appear before you this afternoon. This is my first appearance, as the chairman said, before the subcommittee in my new capacity as the Deputy Under Secretary. I am pleased to discuss with you the President's Budget Request for Fiscal Year 2009 as it applies to those programs that support the Department's management of installation assets.

I don't need to tell you that I believe installations are the foundation of America's security. They are the critical assets that must be available when and where we need them, with the capability to support current and future mission requirements. Our installations are the core of U.S. combat power here and overseas, and they are an inseparable element of the Nation's military readiness and wartime effectiveness.

Our 2009 budget request supports a number of key elements of the Department's efforts to manage and maintain these assets. First, we continue to recalibrate our bases overseas and in the United States through global basing and base closure. To ensure the flexibility needed to contend with the 21st century security challenges, the budget reflects global restationing efforts by transforming overseas legacy forces, Cold War basing structures, co-station relationships, and forward capabilities to better contend with post–9/11 security challenges. For example, we are shifting our European posture south and east by transforming the 173rd Airborne Brigade in Italy and establishing a headquarters and infrastructure support for rotational presence in Romania and Bulgaria.

We are requesting $9.2 billion for BRAC 2005 implementation and $393.4 million for prior BRAC cleanup to support the stateside portion of our reconfiguration efforts. These amounts are approximately $1.1 billion higher than the 2008 request, and the $9.2 billion for BRAC 2005 represents full funding for the BRAC 2005 implementation assuming—and I go to Congressman Forbes and Mr. Chairman your statement—assuming the $939 million reduction to the 2008 appropriation is restored.

Regarding the 2008 reduction, we greatly appreciate this committee's action to provide authorization to the full amount. As Secretary Gates recently testified, if the $939 million is not restored, we believe we will have to work very, very hard to meet the September 15, 2011 deadline.

The huge size of the reduction requires careful evaluation and management on our part, and when restored, we will need that funding this year and next year's funding as early as possible in the fiscal year to continue our execution at an efficient and effective pace. The point at which we find ourselves right now in the BRAC implementation period underscores that requirement because every delay makes it increasingly difficult to complete implementation by the statutory deadline.

Second, we continue to renew and take care of what we own. Our goal has been to achieve a recapitalization rate of 67 years for our bases, and the 2009 budget request, if enacted, exceeds that goal by funding recap at a rate of 56 years. This is an improvement over the 76-year rate achieved in the 2008 budget and is due in part to the impact of funding for BRAC and global basing implementation. It equates to an increase of $2.8 billion compared to the 2008 request.

We have understood for years the limitations of this metric, and it was better than what we had before. We have been working with the services and with your staffs to change that. Next year, we will transition to a more comprehensive measure that we hope will provide a broader, more meaningful index for the Department and for Congress to measure our progress.

For sustainment, this budget request reflects an additional $796 million over last year which results in a Department-wide funding rate increasing from last year's 88 percent to 90 percent this year. We would like to hit 100 percent for the obvious reasons, some of which you outline, but we have had to make difficult tradeoffs within this budget with other parts of the budget with the services.

Third, we continue to provide the best housing available for our military members and families, primarily through privatized housing, but we will continue to operate housing overseas and in some few stateside locations. To date, the military services have leveraged DOD housing dollars by 12 to 1, with $2 billion in Federal investments generating $24 billion in housing development at privatized installations.

The 2009 request does include $3.2 billion for housing, an increase of $300 million over the 2008 level. This will construct new family housing to accommodate Grow the Force, improving existing housing, eliminating inadequate housing overseas, operate and maintain our remaining government-owned housing, and fund the privatization this year of 12,324 additional homes.

Fourth, environmental management is critically important to our stewardship of what we own now. Employing a strategy that goes beyond mere compliance with environmental laws and regulations, the Department is transforming our business practices by integrating environment into our acquisition process, maintaining a high level of environmental quality in all our defense activities and preventing pollution at its source.

We are also working to better forecast the impact of emerging contaminants. We have established a proactive program to make earlier and better-informed decisions. We have completed 20 impact assessments in the past 18 months for chemicals that include explosives, fuel constituents, corrosion preventives, firefighting foams, and industrial de-greasers.

We have also made significant progress implementing the core capabilities of the real property accountability business enterprise. This effort spans all components, applying best business practices and modern asset management techniques to provide access to secure reliable information on real property assets on environment, safety and occupational health sustainability.

Last but not least, we continue to fulfill our commitment to work with communities and states impacted by our closure and growth initiatives, assisting them in collaboration with other Federal resources to respond accordingly, thanks to our colleagues at the Office of Economic Assistance.

Mr. Chairman, the Department is working hard to reposition, to reshape, and to take care of our installations for the future, and we need the items we have requested in this budget, as well as the $939 billion for BRAC execution that was cut from our 2008 appropriations. We are going to do all that we can to make the Department successful, and we appreciate deeply all that this committee has done for us over the years. It has demonstrated repeatedly its support for installations, and we look forward to continuing to work with you this year to continue to advance our mutual interests.

Thank you.

[The prepared statement of Secretary Arny can be found in the Appendix on page 46.]

Mr. ORTIZ. Secretary Penn, whenever you are ready, you can proceed with your statement, sir.

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

Secretary PENN. Thank you, sir.

Chairman Ortiz, Congressman Forbes, members of the subcommittee, it is a privilege to come before you today to discuss the Department of the Navy's installation and environmental efforts. I would like to touch on a few of the highlights in this year's budget request—the largest facilities budget in well over 15 years. Our request is a robust $14.3 billion, or 9.6 percent of the Department's Total Obligational Authority (TOA).

Most apparent is our increase in infrastructure investment, both in Sustainment Restoration and Modernization (SRM) and the construction accounts. With regard to SRM, the Navy acknowledges that years of underfunding have degraded its core infrastructure to below industry standards and that is a substantial shot in the arm,

about 41 percent this year. It is necessary to reverse course and maintain these systems so that we can maximize their full service life.

The increase in construction—at 45 percent for military construction (MILCON), 13 percent for family housing—continues the trend begun last year with the Marine Corps' Grow the Force initiatives to ensure their bases are ready to house and operate with additional end-strength. Our military construction program also includes a number of projects to enhance the quality of life of our sailors and Marines, including four fitness centers, six child development centers, and four enlisted dining facilities.

Our fiscal year 2009 budget also includes the second increment of two MILCON projects that were proposed last year for full funding by the administration, but selected by Congress for incremental funding. While we did not consider any of the projects in our fiscal year 2009 program to be viable candidates for incremental funding, we have taken the lead in drafting criteria for incrementaling costly construction projects and working with DOD and Office of Management and Budget (OMB). We commit to work with the Congress to reestablish mutually acceptable and objective criteria in time for the next budget cycle.

Fiscal year 2009 marks the first year since 2005 that we have asked for appropriated funds for prior BRAC. We have been able to finance all or part of our prior BRAC with land sale revenue, but we have used all but $25 million which are applying to this year's program.

Our fiscal year 2009 request includes $179 million for prior BRAC. We will need appropriated funds in future years to complete our cleanup work, despite the prospect of some limited revenue from land sale revenue in Roosevelt Roads, Puerto Rico, and other small parcels. We have disposed of 91 percent of the prior BRAC properties, so there is little left to sell, and the real estate market is not as lucrative as it was several years ago.

With respect to the BRAC 2005 program, we have several good-news stories to share. Nearly all impacted communities have established local redevelopment authorities to guide local planning and redevelopment efforts. We were able to facilitate the reversion of the former naval station Pascagoula to the state of Mississippi last June, and we have been able to hold down our cost increases to a modest two percent for the implementation period of fiscal year 2006 through 2011.

However, our ability to meet the statutory deadline of September 15, 2011 hinges on the prompt restoration of the fiscal year 2008 reduction of $939 million. I ask the committee's support to help restore these funds as soon as possible. For the Navy, that was $143 million.

We continue to improve where our sailors, Marines and their families live. We have ordered our second barracks privatization pilot program in December of 2007—this one in Hampton Roads, Virginia—and we have almost finished with evaluating our third pilot project in the Jacksonville area. Surveys of our residents, both in family and unaccompanied housing, show that satisfaction has increased significantly since privatization began.

As a Department, we emphasize and participate in communication at all levels of management from the installation level, where focus groups bring together the residents, to command representatives and the property managers, to the annual meetings with partner Chief Executive Officers (CEOs). The Department remains engaged through all levels of management. The objective is to identify issues early and take prompt corrective action when required.

In fiscal year 2009, the Department is investing over $900 million in its various environmental programs. We were recognized last year for our efforts in several areas, winning six ozone protection awards from the Environmental Protection Agency (EPA) and the White House, the Closing the Circle award for progress in alternative fuels and fuel conservation.

I am troubled, though, by the press coverage lately about how the Navy's training and sonar testing affects marine mammals. One of the most challenging threats that our Navy faces is the modern quiet diesel electric submarines and the tactical use of Mid-frequency active (MFA) sonar as the best means of detecting potential hostile vessels.

The inability to train effectively with active sonar really puts the lives of thousands of Americans at risk. As you know, the Navy is operating under an exemption to the Marine Mammal Protection Act through January of 2009 to give the Department enough time to complete the required environmental impact statements and obtain letters of authorization for sonar use on our maritime ranges and operating areas.

What gets less airtime is that the Navy will invest $18 million, or more than any other agency in fiscal year 2008, for marine mammal research—again, more than any single agency. This research aims to develop effective mitigation and monitoring methods to reduce any potential effects to sonar and other human-induced sound on marine mammals.

We have made significant progress in the past year in planning for the relocation of Marines from Okinawa to Guam. We established the Joint Program Office, both the headquarters and forward elements. The environmental impact statement for Guam is underway with a targeted record of decision in January, 2010—in time for construction in fiscal year 2010.

We are working closely with our counterparts in the government of Japan to prepare the details for construction requirements and their phasing and construction priorities, and we are working with our domestic partners—the government of Guam, the Department of Interior, OMB and other Federal agencies—to ensure the island meets the challenges of such a concentrated influx of people and workload.

Finally, it has been an honor and privilege to serve this great Nation and the men and women of our Navy and Marine Corps team, the military and civilian personnel and their families.

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

[The prepared statement of Secretary Penn can be found in the Appendix on page 82.]

Mr. ORTIZ. Thank you, sir.

Secretary Anderson.

STATEMENT OF HON. WILLIAM C. ANDERSON, ASSISTANT SECRETARY OF THE AIR FORCE, INSTALLATIONS, ENVIRONMENT AND LOGISTICS

Secretary ANDERSON. Good afternoon, Mr. Chairman, Congressman Forbes. On behalf of America's airmen, I want to thank every member of this distinguished committee for your continued support of America's Air Force.

As our Nation finds itself both in a time of war and a time of transition, the Air Force continues to evolve to ensure we stand ready to protect America and our interests. Beginning with Operations Desert Shield and Desert Storm, the Air Force has been in continuous combat operations now for more than 17 years. We currently have over 22,000 airmen deployed in direct support of Operations Enduring and Iraqi Freedom. My team is firmly committed to supporting the Air Force's priorities of winning today's fight, taking care of our people, and preparing for tomorrow's challenges.

We are changing on a scale that we have not seen since the post-Cold War drawdown, and for us to support these priorities we must be transformational in all that we do. In order to provide global vigilance, global reach, and global power, we need high-quality warfighting platforms. Those are our installations. I would like to highlight just a few of the significant initiatives that we are implementing to ensure installation quality and superior warfighter support well into the future.

Under our corps of discovery concept, we benchmarked against Fortune 500 companies like GM, GE, IBM and Bank of America. We are capturing best practices in all aspects of infrastructure, from adopting new asset management philosophies to transforming our informational technology systems. With our organizational transformation, we are also committed to making joint basing a raging success.

The Air Force believes that joint bases should be the preferred duty station for every soldier, sailor, airman and Marine. To accomplish this in each instance, we must select the highest quality of life standard from among the individual bases and mandate that that quality of life standard is implemented across the entire joint base. Also maintaining individual service control of real property and resources allows for the natural tension between customer and supplier. This has proven to be the most effective and efficient way for suppliers to respond to customer needs.

On the environmental front, the Air Force has established an aggressive internal goal to have all cleanup remedies in place at our active installations by the end of 2012. That is two years ahead of the current DOD goals. We are proactively working with the EPA to break the paradigm of the inefficiencies of Federal Facilities Agreements, or FFAs. We feel FFAs are non-value-added instruments focusing on administrative process, as opposed to timely and effective cleanup.

Our proposed solution is a streamlined effort through an interagency agreement that meets the explicit requirements of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). The Air Force believes this process modification will protect our communities, reduce the taxpayer burden, and return back land to productive use as quickly as possible.

Let me take a moment to talk about one of my highest priorities, and that is energy. The increasing cost of energy and the Nation's commitment to reducing its dependence on foreign oil have led to the development of the Air Force energy strategy to reduce demand, increase supply, and change the culture within the Air Force so that energy is a consideration in everything that we do. The Air Force is investing in its facility energy future with $14 million in 2008 and $229 million across the remainder of the Five-Year Defense Plan (FYDP). We have been recognized as the number one Federal purchaser of renewable energy now four years running.

The Air Force is DOD's leading consumer of jet fuel and 10 percent of the total U.S. jet fuel market. To meet our jet fuel needs of the future, the Air Force is evaluating domestically-sourced synthetic fuel alternatives. We have certified the B–52 to fly on a synthetic fuel blend, and are on track to test and certify the C–27, B–1 and F–22 on synfuel this fiscal year, with the entire Air Force fleet being certified by early 2011.

At Nellis Air Force Base, Nevada, through a public and private partnership, we installed the largest solar array in the Americas, producing 14.2 megawatts of clean renewable power, while delivering savings of nearly $1 million a year to the installation and to the American taxpayer. At our underutilized land at Malmstrom Air Force Base in Montana, the Air Force is exploring the potential for a privately financed and operated coal-to-liquids fuel plant.

We are also pursuing energy enhanced-use lease projects at Edwards Air Force Base in California, Luke Air Force Base in Arizona, and Kirtland Air Force Base in New Mexico. We are also looking into the merits of hosting a small-package nuclear facility on an Air Force installation at the request of several Members of Congress.

At the same time, the Air Force recognizes that energy and environment are tightly linked. Not only have we committed to purchase only alternative energy sources with a greener footprint than current options, but the Air Force is committed to being a leader in establishing a global consortium to tackle the reduction, capture and reuse of greenhouse gas emissions.

Being a driving force is not risk-free. Our installations are warfighting platforms which must continually perform to support the warfighter. The fiscal year 2009 President's budget request for the Air Force military construction is more than $2.1 billion, comprised of traditional MILCON, BRAC and housing investments. Unfortunately, we do face demands on our resources that require us to make some very tough choices.

Our challenging budgetary environment includes increased operations, maintenance and personnel costs, the cost of the war against terrorism, and inflation factors that reduce overall buying power. These demands have forced us to self-finance the centerpiece of future dominance, a massive and critical recapitalization and modernization effort of our aging air and space fleet. To accomplish this, we are accepting manageable risk in facilities and infrastructure funding.

The current and future readiness and capability of the Air Force to deter our enemies and, when necessary, fight and win this Nation's wars depends heavily upon the state of our power projection

platforms—our installations. As the Air Force continues to modernize and recapitalize, we will wisely invest our precious funding allocated to military construction, operations and maintenance, BRAC, the environment, military family housing, and energy. This will enable us to win today's fight, take care of our people, and prepare for tomorrow's challenges.

Mr. Chairman, thank you.

[The prepared statement of Secretary Anderson can be found in the Appendix on page 109.]

Mr. ORTIZ. Thank you.

Secretary Prosch, go ahead with your statement, sir.

STATEMENT OF GEOFFREY PROSCH, PRINCIPAL DEPUTY ASSISTANT SECRETARY OF THE ARMY, INSTALLATIONS AND ENVIRONMENT

Secretary PROSCH. Mr. Chairman, Congressman Forbes, and distinguished members of the subcommittee, it is an honor to appear before you this afternoon to discuss the Army's military construction budget request for fiscal year 2009. We have submitted a 25-page detailed written statement. I will briefly summarize it in a page-and-a-half.

Thank you for your continued support to our soldiers and their families serving around the world. They are and will continue to be the centerpiece of our Army, and their ability to successfully perform their missions depends upon your continued support. We must transform and rebalance our Army in an era of persistent conflict. This transformation affects the entire Army, to include our operational forces, our institutional Army, and our installation infrastructure.

We will accomplish these efforts by translating the Army's four major imperatives—sustain, prepare, reset, and transform—into initiatives such as base realignment and closure, global defense posture realignment, Army modular force transformation, Grow the Army, the Army Medical Action Plan, and the soldier and family action plan.

Restoring balance to the Army is critical to our success in implementing the Nation's military strategy and providing our soldiers and families a quality of life commensurate with their quality of service. The fiscal year 2009 budget includes projects to ensure that our facilities continue to meet the demands of the transforming Army and help put the Army back into balance.

The Army's fiscal year 2009 budget request includes $11.4 billion for military construction appropriations and associated new authorizations, Army family housing, and BRAC. And $4.2 billion of this supports the Grow the Army initiative. We have put in place the necessary oversight structure to execute this critically important program.

The Army's BRAC request of $4.5 billion will continue to fund both BRAC and global defense posture realignment actions necessary to comply with BRAC 2005 law. The Army took a $560.2 million reduction as our share of the $938 million DOD-wide cut to the BRAC account last year. It is absolutely critical that we quickly recover and restore these funds this year. This cut includes 10 Reserve armed forces centers, 9 training and range projects, and

12 quality of life soldier family projects that I would be happy to go into more detail on during the hearing.

Our fiscal year 2009 military construction and BRAC budget request is for balanced programs that support our soldiers and their families, continued operations, Army transformation, readiness, and DOD installation strategy goals. We can execute these programs with your support through sustained and timely funding.

Thank you again for the opportunity to appear before you today and for your sustained continued support for America's Army.

Mr. ORTIZ. Thank you, Mr. Secretary.

At this moment, I would like to request unanimous consent, and after consultation with the minority, I ask unanimous consent that Representative Napolitano be allowed to participate in today's Readiness Subcommittee hearing and to be authorized to question the witnesses. She will be recognized at the conclusion of the questions by members of the subcommittee. Hearing no objection, so ordered.

Thank you so much for your testimony. Saying from the beginning that I am not partisan, let me ask a question about Naval Air Station Kingsville. [Laughter.]

Naval Air Station Kingsville has significant issues with regard to the maintenance and restoration of the facilities. The Department elected to fund maintenance facilities sustainment at 90 percent of the requirement. This level of funding will lead to accelerated deterioration of facilities. This question is directed to inquire as to the appropriate level of sustainment.

Mr. Secretary, I believe that you have been to Naval Air Station Kingsville, Secretary Arny, and can see the value of continued maintenance of facilities over the long term. Yet the Department requested the funds for sustainment at 90 percent at all installations. Why does the Department continue to advocate for facilities sustainment below optimal levels?

Secretary Penn, I understand the Naval Air Station Kingsville was funded at 48 percent of sustainment in fiscal year 2008. Can you explain this incredibly low sustainment rate and maybe I can understand why this is being done? It is hard to understand, but maybe you can make me understand why it is at this low level.

Take your time, take your time. [Laughter.]

Secretary PENN. Mr. Chairman, as you know, the facilities sustainment and recap metrics were developed by DOD as macro-level programmatic tools, and the results can be distorted both up and down when applied at the installation level. For instance, Navy centrally manages costly special projects which can be in the range of tens of millions of dollars for sustainment and recap rates. I think it is that variation that you see.

Mr. ORTIZ. Would you like to add anything to that?

Secretary ARNY. From a macro point, as I mentioned to you before, the base that I was most used to was Beeville and it is gone now, in Texas.

Mr. ORTIZ. We can make it up in Kingsville. [Laughter.]

Secretary ARNY. Okay—especially during the fall, during hunting season. I understand Kingsville is very good in the fall during hunting season.

From the macro perspective, Mr. Groening, my predecessor, I think went a long way toward bringing sustainment back up to higher rates. As you well know, within the services we are contending with our procurement associates for scarce funding in all of our budgets.

At the Office of the Secretary of Defense's (OSD's) urging initially and then finally mandated that all the services be sustained at 90 percent or higher, and it was Mr. Groening's goal and I hope to pursue that to get that through the Program Objectives Memorandum–10 (POM–10) back up to 100 percent. One-hundred percent has always been OSD's goal, but up until this year, it wasn't mandated. In order to get it back up to the rate at which we felt it needed to be, we mandated 90 percent and we are going to go to 100 percent. Now, that is on a macro scale.

I have talked with Mr. Penn and his staff and we are working with ours to discuss the specific incidence at Kingsville, but that is at a macro level and at certain levels the regions make their puts and takes on certain bases. We will have a specific answer for you on Kingsville.

Mr. ORTIZ. You know, Secretary Penn, the recap rate at Kingsville is 230 years. The recap rate at Corpus Christi is 100 years. Maybe you can explain why there is this big difference at the local levels.

Secretary ARNY. If I could comment? Again, from a macro level, we have all felt the inadequacy of the recap rate when we measure it in years, because it only looks at a specific year. Right now, we are boasting in our statements that we have recap rates well below 67 years. I mention in my statement that is masked by the fact that we are making a lot of investments in BRAC.

So if you look at the BRAC bases where we are realigning, like moving Willow Grove in the Navy to McGuire primarily. We are moving Brunswick down to Jacksonville. Their recap rates will be very, very low in numbers of years. We have all recognized over the past few years that recap rates in years is not a very good measure. It is the best that we have. And we have worked for the past few years, and next year we will have a rate that takes these factors into effect.

So I don't know the specifics on those two bases, and we are checking on that, but I think you will find that they haven't had a MILCON project in a couple of years. Now, they may be in wonderful shape and they don't need one, and then next year they may get one or two large projects, which would drive their recap rate from 100 or 200 years down to 25 or 50 years. So it is not a very good measure. It is the best we have, but it does have inconsistencies up and down. As far as the details of those specifics, we will have to get back to you.

[The information referred to can be found in the Appendix beginning on page 175.]

Mr. ORTIZ. One of the reasons why I am concerned with both of the bases, as you well know, we are way down south, and it doesn't take too much reading or looking at activity to realize what is happening in Central and South America. This is why I feel that we need to keep our bases in tip-top shape, from training, to the facilities deterioration. I could go on and on. This is why I am con-

cerned. I hope that by all of us working together that we will be able to find the right solution to address these problems.

I don't want to take too much time because we have members who are still here even though we will finish at 12 o'clock. Let me allow now my good friend, Mr. Forbes, to see if he has any questions. Randy?

Mr. FORBES. Mr. Chairman, could I request that Mr. Hayes go out of order and take my spot at this particular point? He has a plane to catch, if you don't mind.

Mr. ORTIZ. We understand. Go right ahead.

Mr. HAYES. Thank you, Mr. Chairman.

Mr. Arny, Mr. Reed is co-chair of the House Impact Aid Caucus, a high priority for all of us to increase impact aid assistance to local school districts, and you know the details. It is my understanding the Department of Defense has been working with the Department of Education to improve the process. Could you bring us up to date on the status of those efforts and where we are now?

Secretary ARNY. Sir, I am new to education, but I did get a briefing and I would be happy to get back to you with more details. I know we are working very closely with the Department of Education. As a matter of fact, we received legislation I think thanks to the Congress that allows us to reach out from the Office of the Secretary of Defense to the Department of Education to work with them and to work with the communities to make sure, especially at the bases where we have significant growth, to work with the states in making sure that those education facilities are in place as our troops get there.

Mr. HAYES. I appreciate that. As you know, Fort Bragg is the epicenter of the universe.

Secretary ARNY. I thought it was Kingsville. [Laughter.]

Mr. HAYES. And with the expansion underway, for which we are very grateful, and Mr. Prosch is very familiar, and I appreciate your efforts on that, and if you will get back to us and give us the good news about how we are going to help Dr. Harris in the local schools.

[The information referred to can be found in the Appendix beginning on page 178.]

Mr. HAYES. Mr. Prosch, do you have a comment?

Secretary PROSCH. Well, I would just like to say that OSD, with the Office of Economic Adjustments, has done a very good job grabbing the bull by the horns here. Working with the Department of Education, we have made four joint trips to Fort Riley, Fort Drum, Fort Benning and Fort Bliss. I think the Department of Education is starting to have confidence in our numbers and starting to see progress there. We are hoping that we can eventually change this policy to provide impact aid in advance, rather than a year after the students are on the ground.

OSD is doing a good job trying to pursue that goal. We are hoping to visit OMB, led by OSD, in the near future to try to work that policy change, because that would be a tremendous advantage and a tremendous tool for some of your poorer counties that would have a hard time raising literally hundreds of millions of dollars for new schools if they had the advantage of having the advance

impact aid to hire teachers, to buy books, to even lease perhaps mobile classrooms while waiting for the brick and mortar.

So OSD is doing a good job, and I think we are going to see some progress here, sir.

Mr. HAYES. I appreciate that. We will continue to encourage them because it is crucially important. It gives our local school systems flexibility to do things that they need to do, and they are working with us very well.

Last question, Mr. Reed, again speaking for Fort Bragg, reflects the wonderful men and women wearing the uniform everywhere. But as BRAC moves forward and U.S. Army Forces Command (FORSCOM) and Army Reserve headquarters move to Fort Bragg, the status of BRAC implementation—are we on track for the fiscal year 2011 deadline?

And also I know we have a little bit of a traffic delay moving our Special Forces folks down to Eglin, with some issues there. Could you update us on that? Mr. Prosch, you look like you are ready to go. Take it and run with it.

Secretary PROSCH. Yes, sir. Sir, we are on track. We do have the FORSCOM headquarters move funded. It would help if we could get that $560 million restored to make sure that we can take care of all of our needed projects. I would tell you that General Wilson is launching tonight down at Eglin Air Base with a team to coordinate with the Air Force. We are getting good cooperation with the Air Force for the move of the Seventh Special Forces Group. We will keep you posted on that.

We feel confident about the BRAC moves. I was at Fort Bragg recently speaking to the Chamber of Commerce. I hosted a visiting delegation this morning for breakfast from Fort Bragg. So there is an active dialogue going between your district in Fayetteville and the Army team.

Mr. HAYES. Absolutely. I will be there tomorrow.

Mr. Chairman, thank you.

Mr. ORTIZ [continuing]. So we are happy to have you. [Laughter.]

Mr. HAYES. We have a lot of the district covered there. I just kind of take ownership of it.

Mr. ORTIZ. He couldn't make it. He is ill today. That is why Mr. Reed is not here, but we have a good replacement for him.

Mr. HAYES. Jim Marshall even speaks favorably. He keeps the "air" in "airborne." Right, Jim?

Mr. ORTIZ. Mr. Marshall.

Mr. MARSHALL. Thank you, Mr. Chairman.

I appreciate all of your services, the work that you do, and I particularly appreciate Secretary Prosch being here on short notice doing his duty.

Secretary Arny, I will use Robins Air Force Base as an example, but it applies to installations across all of the forces and across DOD generally. We have a large number—in the thousands—of Robins employees who are working in facilities that are World War II warehouses that were renovated at some point quite some time ago, and are about as dated as facilities can possibly be.

We also in Robins—and there are a number of other issues, but I will just highlight one—Air Force Reserve has some of its per-

sonnel located off-base. If for no other reason than force security, we would like to move those folks from off-base on-base.

With the initiatives that this Congress and DOD put together for military housing, we have had remarkable success in bringing in private dollars and essentially recapitalizing. It has really truly inured to our benefit in ability to retain, to recruit, to keep our families happy—that sort of thing.

I know that DOD has given some thought to using a similar device to recapitalize some of the facilities that I have just described. There is no question that productivity—just simply the wellness of our employees—will be enhanced if we could recapitalize and put them in modern facilities, safer facilities, more efficient facilities, those sorts of things.

Now, I know the concern is that the tendency by Congress and any given Administration would be to frontload and effectively obligate future taxpayers to pay for the toys that we are buying right now. That would be true of platforms. It is true of weapons systems. It is true of installations as well.

But I would like you to comment a little bit about, are you thinking about any way in which we could move forward? I just use Robins as an example because I am familiar with that, but I know we have similar problems across the force, and I suspect that there are a few instances in which we have brought in private developers. They fund it and they fund it against some long-term lease agreement, something along those lines entered into with DOD, in order to upgrade installations.

Secretary ARNY. We looked at that. I spent the last six years working with Mr. Penn and his colleagues in the Navy, and worked heavily on privatization for housing and also in family housing and bachelor housing. And back in 2002, I took a look personally at how we could do privatization for administrative facilities, because I agree with you that there are a lot of administrative facilities that we use and we don't maintain them as well as we should.

The problem that I have found is we got permission thanks to the Congress—begrudgingly I think out of OMB and the Congressional Budget Office (CBO)—to do this program. I spent 2 1/2 years in the 1980's working at OMB so I think I understand the mentality. You were right in saying that they want to make sure that we don't put a debt on the future that we don't clearly lay out there. So they are very much for full funding.

The advantage that we have for privatization is that we take the basic allowance for housing and we give it to the sailor, soldier, airman and Marine, and then he makes that choice. The privatized housing is truly private. It belongs to the corporation, which in the Navy's case we are a minority partner. We transfer the assets physically to them.

So you have a stream of potential income to that housing that is not controlled by the Department. We give it to the sailor and he makes a choice. He either goes into private housing or he rents a house off-base or he buys a house off-base. That has been the key to privatization for housing.

Unfortunately, in administrative facilities, we don't have that. We don't give our units—maybe it would be better if we did, if we assigned a certain amount of money to the units and then they had

to go buy or rent space on the base. To date, and I defer to other members of the panel, I have not figured out nor have the people working with me, figured out a way to be able to do that without——

Mr. MARSHALL. Without having the problem that I described, that we would frontload everything and pass the buck to the next generation.

Secretary ARNY. Yes, sir.

Mr. MARSHALL. I will ask a question of Secretary Anderson. You mentioned very briefly that at the request of a couple of Members of Congress, you were looking in to the possibility of nuclear power generation on military facilities. I am interested in that.

My time is up, I think. Mr. Chairman, is my time up or not? It was red to start out with, so if I can inquire about this?

Mr. ORTIZ. Go ahead, because we appreciate the fact that a lot of members stayed here. We want to allow everybody and I know you have flights to catch——

Mr. MARSHALL. Well, let me very quickly explore this. Could you give us a little detail about that initiative? I was on the USS Enterprise this Thanksgiving and was struck by how efficient all of our—well, throughout the Navy—the use nuclear power has been, and beneficial to us. Could you describe a little bit more about what you all have in mind and what you might be thinking about?

Secretary ANDERSON. Sure. Yes, sir. Just to kind of step back a little bit, I think that the request specifically came to the Air Force from several members of the Senate, because of our status as the largest user of energy in the Federal Government. So rather than being a research or policy type of a request, it was more looking at us as a large major user of energy in this country.

Back in the summer, we received some requests by letter for the Air Force to look at whether it would be feasible to host what they call a small package gas-cooled new type of technology reactor on an Air Force base, the issue of course being that the United States has lost its technological advantage or edge in nuclear over the last number of decades.

As we move forward in finding locally sourced or domestically sourced sources of energy, we ought to have nuclear in the debate. The Air Force, having bases that are secure—you can put these pieces of equipment behind the fence and defend them that way—seemed to make a lot of sense.

In addition, the Defense Sciences Board suggested that the vulnerability to the grid would suggest that generating power on a military installation makes a lot of sense, and having an energy source that only needs refueling every number of months or years certainly provides an advantage.

We spent the entire summer taking a look, talking to the Department of Energy, the developers, the financiers in this industry, and determined that it would be potentially a feasible alternative.

Mr. MARSHALL. Let me interrupt if I could.

Secretary ANDERSON. Sure.

Mr. MARSHALL. Again, everybody's time is kind of precious here, as well as yours.

What size are you thinking? Do you have specific sizes? Do you have specific manufacturers? Do you have locations? Could you

share the names of the senators who are asking that these things be put into their states? I assume that is what is going on—those sorts of things?

Secretary ANDERSON. Okay. Absolutely. The two senators were Senators Craig and Domenici. There has been no decision where to put these things. We all believe, including the two senators, that there has to be a significant amount of research done before we decide on a site.

The size of the reactors are somewhere between, we believe, 100 to 250 megawatts each as individual units. None are currently in production. There are companies around the world that are looking at these technologies. None are Nuclear Regulatory Commission (NRC) licensed yet, and we know it has to occur.

Our vision, sir, is essentially to do the following. Next week, we will be having the nuclear——

Mr. MARSHALL. Let me interrupt you.

Secretary ANDERSON. Sure.

Mr. MARSHALL. Is this an initiative that you are involved with DOD-wide, so DOD generally is interested in this?

Secretary ANDERSON. I don't want to speak for my colleagues.

Mr. MARSHALL. Secretary Arny, just briefly?

Secretary ARNY. Again, I am new here. I think some of our staff is working with the Air Force. It is one of the items that I need to look into.

Mr. MARSHALL. I guess, Mr. Secretary——

Mr. ORTIZ. We have other members that——

Mr. MARSHALL. Yes. Could you give us as much information in writing as you can about this, and then keep us apprised as you move forward?

Secretary ANDERSON. Absolutely. We will get written material to the committee right away.

Mr. MARSHALL. Thank you.

[The information referred to can be found in the Appendix beginning on page 177.]

Mr. ORTIZ. Mr. Forbes.

Mr. FORBES. Thank you, Mr. Chairman.

I am going to be as concise as I can. If I can throw out two questions at one time so that we can get to the answers, and if you can't do it today, if you would submit it for the record.

First for Secretary Penn, as you know, the Navy is currently looking at the possibility of some Outlying Landing Fields (OLFs) in Virginia and North Carolina. I was just wondering if you had a timeline for when the environmental impact studies would be back on any of those sites.

Second, are you considering or can you discuss any potential incentives that might be utilized for any of the local residents and officials who might be impacted by the location of those outlying fields?

And then third, will the Navy be seeking any authorization or appropriation for the outlying fields in the current budget?

As you are looking at that, if the other witnesses would consider either for today or to submit for the record, if each of you would address what impact specifically in terms of cost and/or delays, does the $1 billion cut in BRAC funds have on the departments

and each of your respective services in terms of execution of the 2005 BRAC round, because that is something that is important for us to know as we are trying to fight to get those funds back in.

[The information referred to can be found in the Appendix beginning on page 176.]

Mr. FORBES. Secretary Penn, do you have any thought on the OLF situation?

Secretary PENN. Yes, sir, I have. Thank you. Thank you for the opportunity.

As you know, we listened to the population in North Carolina, so we have withdrawn Washington County from our choices. We have been working closely with both the governor of Virginia and North Carolina, to environmental agencies. North Carolina has given us two additional sites, and Virginia three sites, that we are going to conduct the Environmental Impact Statements (EISs) at. We are going to look at them.

The EIS normally takes 3 years, or 30 months. The cost is about $10 million. Thus far, we have no funding, no MILCON funding at all in any of the OLF accounts. We have $3 million for the EIS for this year and $2 million for next year, and that is all we have programmed.

On incentives, we are looking at several different incentives. We are still on the ground level at that with everything from schools on, to make it truly beneficial, but nothing has been decided yet and we haven't gone to Mr. Arny with our recommendations.

We have no appropriations at all. We really need the OLF. We are sending our troops into harm's way. As I say, we have two sites in North Carolina, three in Virginia, and we have included the tactical airplanes from Norfolk, as well as Oceania, in our study. So we want one field where all the tactical aircraft can practice their carrier landings.

Mr. FORBES. The cuts, with specificity, or is that something you need to submit for the record at a later point?

Secretary PROSCH. Yes, sir. Let me just say that predictable and timely funding is absolutely key for us to be able to operate an organization the size of the United States Army, with a million men and women in uniform, over 200,000 civilians, and over 200,000 contractors.

When funding is unpredictable, it makes it very hard to plan long term. One of our great concerns as part of this right now is the BRAC funding. Last year, you all did not fund the entire BRAC bill, and for the Army we were $560 million short going into this year in BRAC funding.

It is going to make it very, very difficult for us to meet what the law requires—finishing BRAC by September, 2011. We need the funding. We need it sooner, rather than later, as well as military construction funding which is critical to maintaining support for our families. We are moving tens of thousands of soldiers around the world. We are building housing, support structures all around the world.

The delays that we have experienced in receiving the military construction funding has complicated our ability to be able to build what we need, when we need it, and maintain the type of detailed synchronization that is necessary in order to manage the personnel

in a huge organization such as the Army. So thank you for reconsidering that.

Secretary ARNY. Mr. Forbes, we will get some specifics to you. We have been asking for it. As you well know, and I have spent most of my life in and around the military, we have a "can-do" attitude. So consequently, when people ask us to slip and make a later target time, we always stretch it. Sometimes I can't give you the specifics.

All I know is we are planning. We are planning around it now to the point where we believe—at least in the Navy, where I was a couple of weeks ago—there are a couple of buildings that if we don't get that money by the very beginning of the first quarter of 2009, and the immediate response from some folks is, well, we can wait until 2009—well, unfortunately, we have seen over the past years and you all know, we can't get our funding for the 2009 budget in on October 1 of 2009. It just doesn't happen.

So we really do need it prior to the end of this fiscal year. In about three months we will be able to see some of the ripple effects on the slow-down and perhaps be able to give you more details.

Mr. FORBES. My time is up and I don't want to impose on other members, but I just want to let you know, we are trying to help all of you. This is the hearing to be able to get that information in the record, so I am just giving you that opportunity to put it in the record at a later point in time if you can. But we need that specificity so that we can try to help and make sure that that takes place. So you have that open invitation if you would like to later put it in.

[The information referred to can be found in the Appendix beginning on page 176.]

Secretary PENN. To repeat what Mr. Arny was saying, we are going to have to delay some moves from 2008 to 2009, and delay the award of two BRAC construction awards. One of the areas is in investigative facilities agencies, which we are trying to consolidate at Quantico. We are putting all the services down there in one large investigative agency. The other is the Reserve Center at Fort Lewis, Washington. So if we don't get the money as soon as possible, we are not going to do it. We can't do it.

Secretary ANDERSON. And just briefly from the Air Force perspective, of the $1 billion, $235 million fell upon the Air Force, and represents 20 percent of our fiscal 2008 programs, so it is significant. As you know, sir, because of the complexity of many of these, it is a domino effect. So as you don't pick over one domino in one year, it certainly trickles down and puts us at risk at the end of the game.

We have already deferred 21 projects, and are trying to analyze the impact of that to making the September, 2011 final deadline. If that money is restored sometime during this fiscal year, we will figure out a way to get back on track. If it is permanently lost, though, to be honest, we will be hard broke. We will not be able to make if the money goes away permanently.

Mr. FORBES. Please take advantage of that invitation.

Mr. Chairman, I want to help you. We just need the specificity so we can do it. Mr. Chairman, thank you.

Mr. ORTIZ. Thank you.

Mr. Forbes, Mrs. Napolitano and any other member that might have questions for the record, I ask unanimous that they be allowed to submit those questions.

Mr. Courtney.

Mr. COURTNEY. Thank you, Mr. Chairman.

I want to thank the witnesses. It is good to see Secretary Arny and Secretary Penn and the others here today. I particularly want to congratulate Secretary Penn on his son-in-law's appointment as the new Admiral for the squadron in the Northeast. We look forward to seeing him in Groton.

Secretary PENN. Thank you.

Mr. COURTNEY. I wanted to just take a moment, Secretary Penn, to have your thoughts on the budget which we have before us that indicates that the sub base in Groton is going to receive $104 million over the next 5 years. That is on top of some investment in the base over the last year. It was $14 million for demolition of some of the old structures that Secretary Arny approved. Mr. Ortiz was extremely helpful in terms of getting special grant funding for the sub learning center at the Groton sub base.

The reason why I go through this litany is that as you know Connecticut has gone through three BRAC rounds where it was the perils of Pauline in terms of whether Groton was going to survive. Frankly, people have a bit of a concern that it is just a matter of time before the Navy puts us on the chopping block again. So I was wondering what your perspective is on the future of sub base New London in Groton, Connecticut as far as the Navy's future plans are concerned.

Secretary PENN. I think with the MILCON we are programming to invest in Groton—as you know, we are doing a pier. We are looking at a commissary, a rec center. We just put the new Submersible ship-guided nuclear (SSGN) submarine training center in. Fortunately, I was just there maybe six months ago, and I see a lot of good things happening at Groton. I see it as an enduring base.

We are putting money in there, MILCON in there. I also think what the state is doing to enhance the infrastructure is going to help long term. We are looking for ways we can work with you on that. Thank you for that contribution.

Mr. COURTNEY. Absolutely. The sub learning center at the end of the day is probably the most exciting new development there.

Secretary PENN. It is.

Mr. COURTNEY. As you know, it is the largest operational military base in New England, and the people obviously are the most important, and the young men who are trained there. It is so impressive to see the way the Navy shapes that skill.

Secretary PENN. Yes, sir.

Mr. COURTNEY. One of the projects that is happening this year is the construction of the new pier. That, combined with the pier that was in last year's plan, goes a long way in terms of accommodating the Virginia-class assault attack submarines. I guess, though, it is unclear whether or not there are other piers slated after we get done with this project this year, is it your sense that there is going to continue to be that upgrading of that critical part of the infrastructure?

Secretary PENN. We are still studying that at this time. As you notice, we have a two-year window between the construction efforts, just to allow us to continue our op tempo that we need, but we are still studying that at this time.

Mr. COURTNEY. Thank you. As you know, the state of Connecticut itself has made a commitment through the legislature and the governor's office to partner with the Navy, and we look forward to working with you and Secretary Arny in terms of moving that forward. I want to thank you for your strong statements here today.

With that, I yield back, Mr. Chairman.

Mr. ORTIZ. Mr. Loebsack.

Mr. LOEBSACK. Thank you, Mr. Chairman.

Thanks to all of you for being here today. I am from Iowa, and as I like to say, we don't have a submarine base. In fact, we don't have any bases to speak of, but we have lots of National Guard folks and Reserve. I think the Iowa National Guard has made a tremendous contribution to the operations overseas in recent years.

We have four facilities in Iowa that were included in the 2005 BRAC, and three of them just happen to be in my particular district. So I guess following the tradition here, I am learning as a freshman, that I will go ahead and speak specifically to my district or ask questions about my district.

At the same time, I think as Congressman Marshall said, too, what I am going to ask probably is very relevant to lots of other districts and facilities in other districts around the country. I don't think I am being too presumptuous to make that statement.

The Cedar Rapids and Middletown sites include armed forces readiness centers and field maintenance shops. The Muscatine site is a readiness center. These facilities were built in 1916, 1950 and 1973 respectively. They are too small to support current operations. They contain asbestos. They are prone to flooding. Yet the Iowa National Guard does not receive sufficient funding, of course, to improve the sites over 15 years.

The Iowa National Guard, like National Guard units around the country, faces increasing recruiting and retention shortfalls. I might say, at a time when they are being called upon to perform more of the regular duties of the regular Army for example, rundown, unhealthy facilities weigh heavily on recruitment and retention, and the readiness centers are therefore absolutely vital to the health of the Guard.

The Army approved and funded designs for all three BRAC sites in my district to not only modernize infrastructure and maximize funding, but will also allow for increased joint operations and training between the Iowa National guard and reserve forces. The good news is that the Iowa National Guard did receive design funding for these facilities this year, for fiscal year 2008.

However, I was able to follow up testimony of former Under Secretary Groening back in December of a phone conversation. At that time, he said the construction funding was not slated to be provided until fiscal year 2010 construction. So the design is there for 2008, but construction not until 2010.

So I am obviously very concerned that cost overruns and delays in the BRAC process have led the Army to prioritize funding in

such a way that the National Guard in Iowa is being left behind, with the possible result that the Cedar Rapids, Muscatine, and Middletown sites will have to be scaled back, and the effectiveness of BRAC 2005 reduced.

So I just do want to ask Mr. Arny and Mr. Prosch, obviously if you can't provide specifics today—even though I would like to hear from you in writing—but I would like to know the status, if you will, of the construction funding for these particular sites. The design funding is there for 2008, but we are not talking about construction money until 2010. So do you have any sense of what might happen with that? Might we be able to expedite that process and provide the construction funding for 2009?

Secretary ARNY. I think I will defer to Mr. Prosch for the details, and we can work with them to get details for you. I suspect from looking at it, that they are funded. As you said, they are probably in 2010. This cut of $939 million doesn't help us getting that money earlier, rather than later, and may cause it to slip, but I am only guessing at this point. So it is urgent for us to get that in. I will check. I defer to Mr. Prosch on the details.

Secretary PROSCH. Sir, the Cedar Rapids, Muscatine and Middletown armed forces rec centers are ready to award. The funds are available in 2008. We would like to provide for the record all of our projects that are being impacted by the $560 million cut. I would like to thank this committee for giving us tools such as MILCON exchange and like-type exchanges that allows us to do some innovative things with our armed forces rec centers during the BRAC era, where you could take an old, perhaps worn-out armed forces rec center in a large urban area where the land is quite valuable, and you can use that to build a more modern facility outside of town that could be a joint-type facility. So your committee has helped us to that and we thank you for that.

The costs are acted for fiscal year 2010, and no scope has been left out. But we need your help to encourage all of Congress to ensure that these 10 armed forces rec centers are not left out due to that $560 million cut. We will keep you posted with the details, sir.

Mr. LOEBSACK. I do appreciate that. Thank you very much. Again, I think it is just important that we recognize how important the National Guard is in our efforts overseas, and how important they continue to be in the coming years. As a congressman from Iowa, I think it is really critical that I state that publicly. So thank you very much. Thank you.

Secretary PROSCH. Yes, sir.

[The information referred to can be found in the Appendix beginning on page 179.]

Mr. ORTIZ. Mr. Bishop.

Mr. BISHOP. Thank you, Mr. Chairman.

For the four gentlemen here, I appreciate your willingness to serve the country, as well as the military, and your willingness to be here this afternoon when we work so hard today on the floor. We are probably tuckered out by it.

I am happy for you guys to be here. I wish to say, I am not necessarily happy for me to be here because, as you know, I am going to continue being parochial. The reason I am here is obviously because not everything is satisfactory. In my state, there are two

Army—actually, I only have about four questions, two for Mr. Prosch and perhaps another two, if I could, to Secretary Anderson.

Mr. Prosch, first of all, in my state there is the Dugway Proving Grounds and the Tooele Army Depot. Dugway Proving Grounds is vital to the chemical and biodefense system of this United States. It is the only place you really have to be able to do that, and it is truly an isolated and remote facility by every definition.

You are going to take an hour's drive getting there to the nearest community from Dugway. The only positive thing about that is you can drive as fast as you can because no one else will really care about it. The only limitation is the road that is not all that cool anyway.

Since 9/11, the workload has been increased by 800 percent at Dugway, but the infrastructure has simply not. The infrastructure, the water system, the biolevel 3 labs—the biolevel 3 labs are still being done in temporary trailers, which is not the greatest situation in any of the weather conditions out there. The community club is 50 years old. Part of it is condemned. It doesn't have running water in it. Even though there was design money in 2006 that was appropriated for it, it has now been pushed off the MILCON FYDP so far to the right.

The water system is also 50 years old and inadequate. It was on the FYDP last year, scheduled for year 2010. Once again, it has disappeared from that particular list this year. The biolevel lab is a $29 million project that is necessary for existing space, and once again that keeps being pushed to the right as well.

The first time we saw this year's proposal, there were no MILCON anywhere in the FYDP for any of these proposals. I understand one of them may be on in year 2012. I am not quite sure. The problem I have here is we have talked about this in the past. To be honest, the answers are simply not acceptable.

These are impossible conditions in these two areas. The Tooele Army Depot, which has provided a great deal of the ordnance in our conflicts, has not had any MILCON since 1994 in that area, and they are still required to try and be competitive in the system that we have, without the infrastructure to do it.

The question I have is that when I look at the situation, and I may be inaccurate, it seems like the 800-pound gorilla in the room is BRAC—the MILCON requirements for BRAC—which seems to be eating the lunch of the other requirements we have for ongoing programs and existing facilities.

Perhaps the only question that I could possibly ask—I could ask you when this is going to be rectified, but I don't think you can give me an answer. But perhaps the only question I could ask, is it really the costs for BRAC-related MILCON, as well as—before 2012 is kind of an arbitrary figure. If indeed, that could be extended somehow, a couple of years? Could some crumbs from the BRAC-necessary MILCON be extended to some of these other programs that are ongoing? Because basically, this is an extremely frustrating situation for these two areas.

Mr. Prosch.

Secretary PROSCH. Thank you, sir.

We understand. We have competing operational demands for MILCON. It is not just BRAC, but BRAC is a mandated law that

we must comply with. We are also growing the Army by 74,000 soldiers. We are bringing 41,000 soldiers back from Germany and Korea under the global defense posture and realignment. We are balancing the force. We are trying to improve quality of life.

So the Army's priority is to create operational depth and strategic flexibility in order to rebalance the force. We have competing priorities and we have limited resources. Unfortunately, our non-operational facilities are competing for these limited resources when we prioritize. I understand how you feel that your research, development, test and evaluation (RDT&E) installation has been disadvantaged. I will promise to work with you and try to articulate your very valid points you have made today, sir.

Mr. BISHOP. Sir, I don't want to be overly critical because everyone has talked to you about needs they have in their particular areas. But once again, this is 15 and 20 years on stuff that is significant. I recognize the prioritization has to be there. If you can find out a way, realizing the military in my estimation is underfunded in every branch and we have been for many years, if you can find a way to work through that, I would be more than happy to work on those issues, but this is coming up here.

I have a second specific question just for you. I want to make sure I read this so I get it properly. My office has been told by the Army legislative liaison that it is Army policy not to release the full Army FYDP that comes over to the Hill, on which our 2009 MILCON budget is based, to member offices, even to member offices that are on the Readiness Subcommittee. They state that it is only going to be provided—the detailed information to committee staff. I simply do not know if this is correct. If it is, is there a policy decision for withholding this information from committee member staff?

Secretary PROSCH. Sir, I would defer to OSD, that has told us to comply with that guidance.

Mr. BISHOP. It is the correct policy, though? It is an official policy?

Secretary ARNY. Yes. We will get back to you, sir.

[The information referred to can be found in the Appendix beginning on page 179.]

Mr. BISHOP. That is fair enough. That is fair enough.

Secretary Anderson, if I could ask you two quick questions. First, if you have any comment on the enhanced use lease policy we are trying to accomplish at Hill Air Force Base, and the position on how this is progressing.

The second question I also have is once again a long-time interest, an energy policy of the United States should be one that makes us energy independent. The question I have is it in any way possible for the Air Force to be energy independent if indeed we do not have some form of coal to gas, coal liquefaction projects that are going on.

Secretary ANDERSON. Okay, yes, sir. First, let me talk quickly about the Hill Air Force Base enhanced use lease. From my perspective, sir, that is a real good-news story. We have recently gone through the bid process and have accepted a developer called Sunset Ridge Development, and entered negotiations to enter into a contract.

Mr. BISHOP. Can I interrupt?

Secretary ANDERSON. Yes, sir.

Mr. BISHOP. Maybe to help this process go on, are you satisfied with how it is progressing down there?

Secretary ANDERSON. Satisfied? Absolutely. Yes, sir.

Mr. BISHOP. I am, too.

Secretary ANDERSON. Good. Okay.

Mr. BISHOP. Let us go to coal-to-gas, if you could.

Secretary ANDERSON. Okay. From my position, not being an energy policy person, but a businessman, based on current technologies, the world can't survive without using coal, and we have to figure out how to use it in an environmentally friendly way. The United States is the number one depository of coal in the world, and if we don't use it as part of our energy independence strategy, we are never going to get there, but that is Bill Anderson talking.

Mr. BISHOP. I am seeing that. I am sorry. I will just summarize this and I am done.

Mr. ORTIZ. Please do because we have other members that——

Mr. BISHOP. Yes, I just saw the red light and I apologize.

It becomes essential. Without that, we are not going to be independent for military needs.

Secretary ANDERSON. In my opinion, yes, sir.

Mr. BISHOP. Thank you.

And I apologize. Thank you, sir.

Mr. ORTIZ. I know you are very valuable to our team, so don't leave now.

Mr. BISHOP. If I was that valuable, I wouldn't be sitting this far away from you. [Laughter.]

Thank you, sir.

Mr. ORTIZ. Ms. Shea-Porter.

Ms. SHEA-PORTER. Thank you.

Today has been a very good day. I have had the privilege of being at the national defense authorization budget for the Army hearing with the Secretary of the Army and General Casey. I also had the honor of speaking on the floor to honor a fallen soldier from my district.

And then I went to the Budget Committee hearing to speak about military families and more money for TRICARE. And now I have the honor to be here. So I just want to say that always we think about the men and women who serve this country and we thank them and we are working for them.

Now, I am going to get a little provincial myself, but this is actually pretty important because I want to talk about the Portsmouth Naval Shipyard. The Portsmouth Naval Shipyard continues to show that it is the best yard in the fleet. They regularly exceed the Navy's expectations by bringing projects in under cost and ahead of schedule. They are the fastest and the most efficient. They are so good at what they do that detachments from Portsmouth have been sent to San Diego to get the operations on track.

Despite their proven record of quality and efficiency, they have received virtually no support from the Navy. Portsmouth has not received a single MILCON project from the Navy since 1971. For the last 37 years, they have relied on congressional earmarks for 51 projects and BRAC and the global war on terror (GWOT) money

for others. In comparison to the other public yards, Portsmouth has received only eight percent of the total MILCON for public shipyards since 1992.

In 30 months, the first Virginia-class submarine will arrive at Portsmouth for maintenance, and Portsmouth needs the waterfront maintenance facilities promised by the Navy. Pearl has gotten their facilities, but Pearl doesn't have the first ship.

So Mr. Arny, I wanted to ask you, please, why does the Navy seem to be leaving Portsmouth off the list? And why isn't the Navy funding the facilities at Portsmouth that they need to take care of our newest, best Navy platforms?

Secretary ARNY. I will defer the details to my Navy colleague, Mr. Penn. I will let him, because I am not sure what the MILCON is specifically for Portsmouth. Again, we are trying to maintain all our bases at a high enough level, and I know that Portsmouth feels like it has been left out. I know the Navy has a plan to fix that.

Ms. SHEA-PORTER. Okay. You know, it is not just perception. I have a chart here that is absolute reality. I would be very happy to show it to you. It is color-coded so you can catch it very quickly. We have been left out, so I appreciate your attention to it.

Secretary PENN. I will have to take that question for the record. I will have to see your chart and we will address it appropriately.

Ms. SHEA-PORTER. Thank you. I appreciate your attention and I will look forward to your reply.

I yield back. Thank you.

[The chart referred to can be found in the Appendix on page 171.]

Mr. ORTIZ. The kind—response? If not, my good friend, the kind gentleman from Mississippi decided to pass and allow Ms. Bordallo to ask a question.

Ms. BORDALLO. I want to thank my colleague, Mr. Taylor, for such a kind gesture.

Mr. Chairman, thank you for calling this hearing and for your continued——

Mr. TAYLOR. Ms. Bordallo, could I have a note for my wife?

[Laughter.]

Ms. BORDALLO. Yes, yes, I will. He owes me one so I think we are even.

I want to thank you, Mr. Chairman, for your leadership on this subcommittee and for calling this meeting today.

Secretary Arny, thank you for coming here today and congratulations on your promotion. I knew you in your other life.

And Secretary Penn, who I see almost daily.

And Secretary Anderson and Secretary Prosch, thank you for testifying today.

Secretary Penn, I appreciate your working closely with our office to identify and work on solutions for some of the difficult issues that we face in Guam. We have made some progress this year, and I look forward to working with you during this critical year of the buildup.

As you know, I have called for the drafting of a memorandum of understanding (MOU) between the government of Guam and the appropriate Federal agencies. Guam will need substantial assistance in bringing its infrastructure, schools, hospitals and utilities

up to par in order to handle the influx of people as a result of the buildup. Guam will need a commitment of funding, especially as new administrations take over here in Washington and even back in Guam.

Moreover, a commitment of funding in writing will signal to private industry that the Federal Government is serious about the buildup. Can you share with this committee your feelings on an MOU? And also can you give us an indication where you are in the process of working MOUs between the Federal Government and the government of Guam?

Secretary PENN. As you know, ma'am, we have established an interagency working group with the Department of Interior and with the governor of Guam to identify the requirements and to marshal resources across the Federal Government to address the needs. OMB is also participating. In fact, we had a meeting—I think it was Tuesday—with five other government agencies to address the process and what we need to do. In fact, GovGuam gave us a sheet where they requested $3 billion to get their programs going.

Just before I came here this afternoon, I was with Secretary Kempthorne at the DC Hospital Association to see if we can't get some partnership going with the hospital on Guam. We have the military hospital, but the civilian hospital is what we need. In fact, we wanted to do the entire Marshall Islands and the government of the Marianas. The Secretary of Interior has the administrative responsibility for coordinating the Federal policies out there for us. The policy is being elevated. I will say it like that.

As far as the MOU, I can't specifically say when that will be signed, what it will contain. I heard you Tuesday when you talked about it. We listened to you. We will make something happen with that.

Ms. BORDALLO. Good. I think it will just give the people of Guam, the leaders of Guam some assurance that what we are really doing here is really going to happen. Some of us are a little bit queasy. We see the 2009 budget request and a lot of it does not include anything in the way of assistance to Guam.

Secretary PENN. We cannot do construction. We can't turn the first shovel of dirt until the National Environmental Policy Act (NEPA), the EIS process is completed.

Ms. BORDALLO. That is correct.

Secretary PENN. And we will not be able to request this funding until fiscal year 2010. I was in Japan maybe two weeks ago, three weeks ago, talking with their Minister of Defense and others about the sincerity of their budget issues. As you know, several people there have turned over. They are still moving forward. Okay? We are moving forward on this and 2014 is still our date.

Ms. BORDALLO. Good. Thank you, Mr. Secretary.

I have another question for you. The special purpose entities, the SPEs, will be funding some of the most critical components of the buildup, including the military housing and the utilities. Some of us here in Congress are concerned that the SPE funding portion is too limited in scope.

Moreover, we want to ensure that utility improvements and military housing construction are done to U.S. standards. So can you

first update the committee on the status of negotiations between the U.S. Government and the government of Japan, which you just spoke to, on the SPE funding portion of the Guam military build-up?

And second, can you address some of the concerns that have been raised about implementation of the SPEs, notably the restriction on how SPE funding will be utilized?

Secretary PENN. We have a number of details we are working with Japan. Some of the examples include the applicability of the Federal Acquisition Regulation (FAR), the FARs, the interpretation with utility systems on Guam, and privatization of funds. The government of Japan is not familiar with the way we do public-private venture (PPV), so this is a totally new experience for them. We are meeting with the government of Japan and representatives monthly. In fact, they will be Guam next week when we are there for the industry forum. I am sure we will meet at that time as well. We are just working through these details.

We have Mr. Scott Forrest, who does the planning, programming, and budgeting (PPB) for us in the Navigation Package (NAVPAC) going to the meetings. He is traveling to Guam and trying to explain the process as to how it works so they will be better prepared to make the decision. They will be funding several of the SPEs for us.

Ms. BORDALLO. Good.

And finally, Secretary Penn, I am somewhat concerned about the level of military construction funding for fiscal year 2009, which I just mentioned, and you said until we get our environmental study, and of course our master plan should be ready sometime next month.

Secretary PENN. Yes, ma'am.

Ms. BORDALLO. But the President's budget has only programmed $169 million of construction work on Guam, which is about a 26 percent decrease in construction spending since last year. In our previous conversations, we both have recognized that Guam has construction capacity constraints and that military construction funding would need to be ramped up in the years before the realignment construction begins in order to enhance Guam's construction capacity. So that is why I was surprised at this year's decrease in funding.

Can you comment on why there was an overall decrease in Navy military construction? And also can you comment on why there were not any projects that are specifically directed at preparing Guam for realignment of Marines from Okinawa? Particularly the first part of that question, because not anything to do with the Marines, but just beefing up our construction on Guam as is.

Secretary PENN. Our 2009 MILCON is $141 million, compared to the $285 million we had in 2008. You are correct there. All of the money is used to upgrade our existing facilities. As you know, we went for several years without putting any MILCON, really any money into Guam. We thought it might be BRAC'd eventually, so we didn't invest the money.

Now that it is not, we are doing several things. In fact, the things we are doing, we are putting in there now, we decided to do before we knew the Marines were coming, such as the hospital

and other things. We are investing substantial amounts in Guam over the next few years.

Ms. BORDALLO. All right. I am just concerned, because I just feel, you know, we should really be stepping up this activity, and to see it being decreased just prior to this buildup concerns me. So I just wondered what the rationale was. Let us face it, it is not just the Marines, but the Air Force will be enhanced, the Navy will be enhanced. So there is a need for funding in these areas. I have just been concerned.

Secretary Anderson, yesterday I was at the Air Force's posture hearing and asked Secretary Wynne about the 32 percent overall decrease in Air Force military construction funding. I was disappointed in Secretary Wynne's answer to my question. He simply does not make any sense to me, or it simply does not make any sense to me that we are procuring new airframes without having places to house this new equipment.

I believe the Air Force is taking a very dangerous approach to the future quality of their installations. I am concerned about the quality of life, which has been a hallmark for the Air Force and the readiness of our airmen will suffer.

So my question is, I am particularly concerned about construction projects at Anderson. I understand that there is about a $700 million unfunded requirement for construction at Anderson over the next several years. I further understand that the environmental impact statements for these projects have been completed and they simply need funding. The Navy and Marines anticipate beginning the bulk of their construction activities in fiscal year 2010 and 2011, the same time that the Air Force anticipates its construction to occur.

I fear that the Navy and the Marine Corps projects will take precedence over the Air Force projects. So I simply do not understand why funding was not programmed in earlier years to meet the demands of realigning forces from Korea to Anderson Air Force Base, who by chance arrive earlier on Guam than the Marines.

There are also examples of F–22s in Alaska and Hawaii that will without supporting infrastructure for several years. At a macro level, you are cutting personnel and facilities, but increasing the number of planes. I always believed that you need people and facilities before you get the planes. So can you please explain this?

Secretary ANDERSON. Yes, ma'am. Let me see if I can try. There are a lot of good questions in your comments. First, it is not a matter of more planes. It is a matter of replacing older—very old, sometimes—aircraft, with newer technology that is easier to maintain, less expensive to the taxpayer, and the whole nine yards.

Let me try to touch directly on Guam and Anderson and Elmendorf or Alaska, if I could. In Guam, there are plans to do some significant intelligence, surveillance, and reconnaissance (ISR) and strike MILCON over the next couple of years. You are correct. It has slid to the right, farther out. That was based on some hard choices that we had to make based on limited funding. We had to look at the whole realm of all Air Force projects, not just Guam, but the whole Air Force worldwide, and prioritize based on the amount of money available.

You are correct. The MILCON program for that is programmed in wedges in the fiscal year 2009 to 2013 FYDP. In fiscal years 2010, 2011 and 2012, you are again correct that that does run up against what the Navy is doing. All I can tell you is the relationship between the Air Force and the Navy on Guam has been a terrific one, with the commanders on the ground working together to work through these issues, with BJ's team and my team working together. It will be difficult. I am not going to try to candy-coat it, but I am confident that the Navy and the Air Force can work together and get this right.

Regarding the F–22s in Alaska, we are delaying the construction of new facilities that can house these aircraft. They are specifically built for the F–22. That doesn't mean that they will be sitting out in the snow. F–15s are coming out of Elmendorf. There are hangars that are not perfect for an F–22, but they keep the F–22 out of the snow and the weather. We are going to have to do work-arounds.

It is going to be harder for the people. But again, we have to prioritize our construction projects and we will get the new hangars built. We can keep the F–22s safe and secure and do the mission and get the pilots up and rated to do what they have to do for national security in the older facilities until the money comes around.

Ms. BORDALLO. So you do have temporary housing for these?

Secretary ANDERSON. Yes, ma'am. Absolutely.

Ms. BORDALLO. All right.

I would also like one last question, Mr. Chairman, to address what level of cooperation in integration you have provided to the Joint Guam Program Office as you develop this year's budget. I feel if there was more cooperation, maybe we would not be having this discussion today. Do you cooperate with the Joint Program Office?

Secretary ANDERSON. As a matter of fact, we have Air Force assets in the Joint Program Office.

Secretary PENN. And we have what we call a Guam Executive Council——

Ms. BORDALLO. Yes, I understand.

Secretary PENN [continuing]. Which is joint. In fact, I think some people from your staff sit there as well. But we have frequent meetings, a lot of correspondence.

And we have two of your people——

Secretary ANDERSON. I believe so, yes.

Secretary PENN [continuing]. In the Guam Executive Office.

Ms. BORDALLO. Yes.

I want to thank you all.

Mr. Chairman, it is just that this buildup is such a magnificent size and we are doing so much work right now, not just within the military, but also the other Federal Governments, to build up Guam and be ready for the Marines when they arrived.

Also, since I do have the Air Force here, I do want to extend my condolences to the Air Force on the crash of the B–2 plane out there. That was just a tremendous shock to all of us on Guam. Thank goodness that the pilots are well. I understand one was injured, but he is in Tripler Hospital right now recovering from a back injury. So our deepest sympathies to the Air Force, but thank goodness no life was lost.

Secretary ANDERSON. Thank you for your concern.

Ms. BORDALLO. Thank you.

Thank you, Mr. Chairman.

Mr. ORTIZ. Thank you.

Mr. Taylor.

Mr. TAYLOR. Thank you, Mr. Chairman.

Thank you, gentlemen, for staying around this long.

A couple of weeks ago, I was fortunate enough to have dinner with Admiral Ruffed, the Chief Naval Officer (CNO), and several of the base commanders from South Mississippi—and I am sorry for the mental lapse. Interestingly enough, I have probably been tracking insurance industry issues more than anybody, given what happened in my congressional district in the wake of Katrina.

But one of the things I had failed to consider was that every one of those base commanders made a point to the CNO that their folks—and Secretary Penn, you very appropriately point out that three out of four sailors and Marines live off-station. Their point is that every one of those folks who is living on the economy was having trouble making ends meet, due primarily to the dramatic increase in the cost of wind insurance in coastal America.

Keeping in mind that half of all Americans live in coastal America, that a very high percentage of all of our military installations are in coastal America, whether it is Eglin Air Force Base, Keesler Air Force Base—fill in the blanks. I would imagine more than half of our installations are in coastal America.

Your concern about the basic allowance for housing—are you factoring that in? Because the last thing I want to hear is that people are getting out of the military because they can't keep up with the basic allowance for housing because our folks aren't taking a look at the dramatic increases. I will give you a for-instance: in South Mississippi today, a single unit to be rented—$300 a month per unit per month just for wind insurance. That is not homeowner's, that is not flood—that is just for wind insurance.

I have tracked this around the country and the insurance industry has pulled out of every coastal state one by one, leaving that burden to the states. The states have had to dramatically increase rates. I am just curious if you all have taken that into account when you determine basic allowance for housing, because quite frankly, I hadn't thought of it until those base commanders brought it to the CNO's attention.

The second is a request. I realize that the Navy Commander and the Air Force Colonel are the only two people in this room who are guaranteed a job next January. The rest of us are iffy. [Laughter.]

But in the time that all of us are here, I can't emphasize enough, based on what I saw after Hurricane Katrina, that when people come to you with proposals that say let us privatize our water wells, let us use the city sewer system, please don't. In South Mississippi, the only people who could take a shower south of I–10, the only people who had flush toilets south of I–10 for several weeks after that hurricane, were the people on our military installations.

At the Seabee base, the only hot meals being served in South Mississippi south of I–10 for probably 3 or 4 days after that storm, were served at the Seabee base because they had their own water wells, because they had their own water treatment plant, and the same thing with Keesler Air Force Base, and the same thing with

the folks out at the Stennis Space Center. That really is something. You don't miss your water until the well runs dry.

The city well was not operating. The city sewage treatment plants were not operating. They were overwhelmed. They had a million things to do. And I know it was one of the initiatives of former Secretary Rumsfeld to privatize that. Please think this through before you do that.

If there is an attack on the homeland, it is going to look a lot like Katrina. There is going to be no electricity. There is going to be no just-in-time at your local gas station, at your local food mart. And we are going to count on our bases as the place where the cavalry rides to the rescue from. One of the many differences between things going well in Mississippi and things going poorly in New Orleans is that we had wall-to-wall military installations to call on to ride to the rescue, and they didn't.

And again, just an observation, the last thing is for Secretary Anderson. I read your statement, and perhaps I missed it, but I am aware that you are fairly close to making a decision on the cybercommand for the Air Force.

Secretary ANDERSON. Yes, sir.

Mr. TAYLOR. I was curious if that money had been budgeted and how close you are to making that decision.

Secretary ANDERSON. I can give it to you relatively quickly, if I could.

Mr. TAYLOR. Okay.

Secretary ANDERSON. Because this is such an important decision, standing up a new major command, and also standing up a capability in a new domain, we are going to take this very, very carefully. We have a provisional command set up. Barksdale is the temporary location for that command. We anticipate planting a flag for a permanent command probably in October, but that will not be the time at which we will be in a position to determine where the final location for the command is going to be.

We are going to take this step by step, making sure that we give the communities adequate time to talk to us, give us their impression of the value that they would provide to this command. I am going to send a letter out early next month telling all the governors that there will be a call for information. That call for information will come somewhere in early May. We will expect to have the information back in the July timeframe, and then spend the summer and the fall sending teams out to the various bases.

So far, we have gotten indications of interest from 16 different states, going out and really understanding what the issues are. We probably won't narrow down to the final four or five, whatever it happens to be, short list candidates probably until the end of the year if we want to do this right.

Mr. TAYLOR. Do you expect a final decision on your watch?

Secretary ANDERSON. The final decision will probably not come on my watch. No, sir. The wickering down to the final short list will be, in my guess, probably February or March of 2009, which is after I will be gone, and the final decision will occur.

Mr. TAYLOR. If I can backtrack to the statement that again, my gut tells me that the vast majority of our military installations are within 50 miles of a coastline. And given that this is not just a Mis-

sissippi phenomenon with the incredible increases in insurance, because so many people live off-station, to what extent have you all factored that into your determination of Basic Allowance for Housing (BAH)?

Secretary ARNY. Let me take a shot at that. We do annual updates in the Basic Allowance for Housing. We go out and seek these kinds of inputs.

Mr. TAYLOR. Do you ask that question specifically?

Secretary ARNY. Pardon?

Mr. TAYLOR. Do you ask, because this is a fairly new phenomenon in the past three years of having to buy a separate wind policy from your homeowner's policy.

Secretary ARNY. I understand that. The base commanders make their inputs into our system for all four of the services, including the Marine Corps. Now, it does take a while to react, but if it has been a couple of years phenomenon, that should be being cranked in. I will go ask that specifically. It is more of a personnel issue.

We don't do the BAH ourselves. The personnel folks do, but I will go back and ask that specific question as to how that is being handled, because there also may be some things we can do to make sure that rate comes down to something more reasonable.

Mr. TAYLOR. Secretary Arny, the thing I would ask you to also consider is that when you are crunching the numbers to decide whether or not we are going to do base housing as a Nation, or go to a public-private partnership, our Nation is self-insured. If you go to a public-private venture, that is most certainly going to be a factor in that business person's equation.

Again, this is a fairly recent phenomenon that I hope we are factoring into these equations because I don't see it going away anytime soon. We have a legislative effort to address that that is stalled in the United States Senate. But until that happens, this is something that men and women who serve our country are going to have to deal with, and we as a Nation in fairness to them have to deal with.

Secretary ARNY. We try to account for all those factors to make sure it is zero out-of-pocket.

Mr. TAYLOR. Thank you, sir.

Thank you, Mr. Chairman.

[The information referred to can be found in the Appendix beginning on page 177.]

Mr. ORTIZ. I think we are going to have to do what we did. Secretary Penn, do you remember when we went to the private-public housing? In the beginning, it was so expensive for some of those service people. What we did, we supplemented some of the rent payments.

But he has brought up a very, very good point, Congressman Taylor. If there is any way that we can look at it to see how we can help, because he is right. You know, I represent a naval city, and we have some of the same problems you are talking about with most of us. I hope that we can look into it and see if there is any way that we can do something similar to what we did when we first initiated the public-private housing venture.

Any questions? I will tell you what. This was a good hearing today. We certainly appreciate your expertise in the areas that we

are talking about, and your dedication and your service to our country. We look forward to working with you. We serve the same country. We are in the same boat, and we are going to have to continue to work together.

I would like to have unanimous consent to allow members to submit questions for the record. Hearing no objection, so moved.

This hearing is adjourned. Thank you so much.

[Whereupon, at 3:20 p.m., the subcommittee was adjourned.]

A P P E N D I X

February 28, 2008

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

FEBRUARY 28, 2008

ORTIZ OPENING STATEMENT,
MILITARY CONSTRUCTION HEARING,
READINESS SUBCOMMITTEE
February 28, 2008

This hearing will come to order.

(PAUSE)

I thank our distinguished witnesses for appearing before this subcommittee today.

Today the Readiness subcommittee will hear about our military construction and BRAC programs. The President's budget proposes an increase in military construction that leads one to believe that the Department of Defense will have a well funded infrastructure program in FY09.

However, I believe that a deeper review of the program may reveal that this is not the case. The services are trying to perform three complex tasks at the same time: Grow the Force, transformation and maintaining existing infrastructure. Unfortunately, this budget proposal doesn't fully address any of these areas.

First, let me say that this committee strongly supports the "Grow the Force" expansion of the Army and the Marine Corps' end strength. Unfortunately, this committee has heard reports that in many cases the permanent infrastructure needed to support the end strength increases will arrive well after the Soldiers and Marines have already reported to their permanent duty stations. To cover this gap in facilities, the Army and the Marine Corps have indicated that they will aggressively pursue a temporary building program until they can finalize their permanent infrastructure. This is a huge undertaking, with the Army alone maintaining over 10 million square feet of space in temporary facilities. These facilities will be minimally adequate and will affect the quality of life for our servicemembers and civilian employees. I understand the driving need for space but I am very concerned that in the end we will spend a great deal of money on a short term solution.

The Services Transformation plans present us with similar concerns. I have always opposed BRAC and believe that our selection process was badly flawed. In the 2005 round of BRAC we didn't eliminate any excess infrastructure; we only moved facilities around the checkerboard. BRAC implementation costs have doubled, savings are down and now I understand that the Services may not be able to meet the September 2011 deadline. These are all concerning and I hope our witnesses will address these issues in their testimony.

On a related transformation note, I understand that the Air Force's budget submission includes a request for additional F-22s, C-17s and other aircraft. Unfortunately, the infrastructure to support these new airplanes won't be available until well after the arrival of these important aviation assets. This is a puzzling disconnect and again causes me to worry that the transformation program isn't being executed carefully.

Finally, let me again voice my concerns about the maintenance of our existing infrastructure. In the FY09 budget request, the Department has proposed to fund the daily maintenance of its facilities at 90%

of the requirement. This means that 10% of the things that are broken will not be repaired. Imagine if we only fixed 90% of our critical problems in our own homes every year. It wouldn't take long before our houses were in a state of disrepair. In addition to this shortfall, the Army has elected to take a pause in recapitalizing their infrastructure. Zero restoration. These decisions continue a DOD trend of underfunding repairs and will lead to an accelerated decline of facilities that will decrease the quality of life and negatively impact operations on base. This is not smart management.

Gentlemen, I think that we have a lot to discuss today and I look forward to hearing you address these important issues.
The Chair recognizes the distinguished gentleman from Virginia, Mr. Forbes, for any remarks he would like to make.

Statement of Congressman Randy Forbes
Ranking Member, Subcommittee on Readiness

Subcommittee Hearing on the Department of Defense Military Construction Budget Request for Fiscal Year 2009

I thank the chairman. This hearing is the first of a series of budget and oversight hearings the Readiness Subcommittee will conduct on the current state of military readiness and how this budget addresses the real readiness needs of the services. I share the chairman's great concern about the state of our military readiness and our nation's ability to respond to troubled areas throughout the world. I agree that our military needs more resources to replenish and repair equipment worn out in fighting the Global War on Terrorism. But as we all know, building readiness is a complex art with many components. Like most complex subjects, success begins with a strong base.

I bring this up today to underscore that installation readiness, the subject of today's hearing, is a vital component of military readiness and the base upon which readiness is built. Readiness begins with the military services real property infrastructure: the training ranges, airspace, sea lanes, and buildings used by our troops to prepare for the arduous missions they face around the world. In that regard, it is important that the record note the significant increase proposed in the Defense Department's military construction budget for fiscal year 2009, both in the recurring military construction budget and the BRAC accounts.

This is important for a number of reasons. First, it shows the administration and the Department of Defense are serious about effectively implementing the base closure round of 2005. Base closure authority was requested as a means to consolidate DOD assets more efficiently. A range of projects around the United States bear witness to that result, from improving medical facilities in the National Capital Region to consolidating Army communications-electronics work at Aberdeen Proving Ground, Maryland, and a similar consolidation of Army logistical activities at Fort Lee, Virginia. Even though I was opposed to authorizing this BRAC round, it is the law and needs to be executed properly. Indeed, committed, prompt execution of the round will build readiness.

Secondly, the budget provides substantial sums to the Army and Marine Corps to provide infrastructure in support of these services' Grow the Force initiatives, another important readiness component that will ultimately relieve stress on the active force.

I applaud these increased military construction budget and BRAC requests, while realizing that execution of such large projects will be challenging. Mr. Chairman, I look forward to working with you and our witnesses to make these transformational changes a reality and thereby doing all we can to improve the readiness of tomorrow's military.

Finally, I'd like to ask the witnesses to comment on some unfinished business from last year. The Consolidated Appropriations Act of the last session reduced BRAC funding by over $1 billion. To my mind, that money

is as critical to restoring readiness to our armed forces as anything we do, as it helps the Army and Marine Corps build the needed infrastructure for a larger force. I would like the witnesses to describe the impact on their services if that money is not restored.

Thank you.

HOLD UNTIL RELEASED
BY THE COMMITTEE

STATEMENT OF

MR. WAYNE ARNY
DEPUTY UNDER SECRETARY OF DEFENSE
(INSTALLATIONS AND ENVIRONMENT)

BEFORE THE
SUBCOMMITTEE ON READINESS
OF THE
HOUSE ARMED SERVICES COMMITTEE

February 28, 2008

Chairman Ortiz, Congressman Forbes, distinguished members of the Subcommittee: I appreciate the opportunity to appear before you today to address the President's Budget request for fiscal year (FY) 2009 and to provide an overview of the approach of the Department of Defense to the management of the Nation's military installation assets.

Overview

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

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

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

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

Global Defense Posture

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

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

- Continued force posture realignments within and from Central Europe which enable advanced training and lighter, more flexible ground force capabilities to support NATO's own transformation goals;
- Shifting our European posture South and East by transforming the 173rd Airborne Brigade in Italy and establishing a headquarters and infrastructure support for rotational presence in Romania and Bulgaria;
- Setting conditions for future realignments in the Pacific as part of U.S.-Japan force posture changes that will have far-reaching, beneficial impacts for the U.S.- Japan alliance;

- Continued consolidation and reduction of forces on the Korean peninsula to strengthen our overall military effectiveness for the combined defense of the Republic of Korea; and
- Developing basic infrastructure and capabilities for current and future operations in the U.S. Central Command area of responsibility and other war on terrorism operating regions.

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

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

Implementing Base Realignment and Closure (BRAC) 2005

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

implementation of each recommendation within two years of the date the President transmitted the Commission's report to the Congress and complete implementation of all recommendations within six years of that date which is September 15, 2011.

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

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

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

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

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

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

Other DoD Components chose to recapitalize (build new) rather than renovate and expand existing facilities to accommodate mission change and incorporate lessons learned. For example, both the Missile Defense Agency and the National Geospatial Intelligence Agency determined that increased costs to build special compartmental intelligence facilities were worth

the added investment to meet mission needs. The Army originally intended to use existing space at Fort Knox, KY for the co-location/consolidation of its military personnel and recruiting command with the Accessions and Cadet Command creating a Human Resources Center (HRC) of Excellence. The Army determined the increased cost to build a "new" HRC complex was more cost effective than renovating 1950's era facilities spread throughout the installation.

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

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

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

operational and/or business case effects, go forward on the schedule previously provided to Congress.

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

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

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

there are 6 BRAC MILCON projects that support Global Rebasing currently on going. We continue to make great progress at Fort Lee, Virginia, with the award of the projects that will support the creation of a Combat Service Support Center of Excellence and at Fort Benning, Georgia, with the consolidation of the Armor and Infantry schools. The Navy's largest BRAC 2005 operational action is to close Naval Air Station Brunswick, Maine and consolidate the East Coast maritime patrol operations in Jacksonville, Florida. The Navy awarded contracts for the final two increments to complete the contracting actions required to build a new hangar ($123 million) for the P-3 squadrons that will move to Jacksonville. When completed in FY 2011, the Navy will have streamlined East Coast maritime patrol operations and expects to save over $100 million per year.

Assisting Communities

The Department, through the Office of Economic Adjustment (OEA) and the Defense Economic Adjustment Program (DEAP), continues to work with states and the more than 175 communities across the country impacted by the effects of BRAC 05, Global Defense Posture Realignment (GDPR), Army Modularity, and "Grow the Force" actions.

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

is to be included as part of an application to the U.S. Department of Housing and Urban Development (HUD) for that Department's review for compliance with the statute.

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

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

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

for participants to share their challenges, plans, and experiences regarding a variety of specific community growth issues including education, housing, transportation, workforce adjustment, infrastructure, healthcare, and compatible use/sustainability.

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

The ability to support states and communities affected by these DoD actions goes beyond the Department's capacities, resources, and authorities. Accordingly, the Department relies upon the Economic Adjustment Committee (EAC) to implement the Defense Economic Adjustment Program (DEAP) pursuant to Executive Order 12788 (as amended). The EAC is comprised of 22 Federal agencies to coordinate interagency and intergovernmental adjustment assistance and serve as a clearinghouse for the exchange of information between Federal Government, state, and community officials involved in the resolution of economic adjustment concerns resulting from DoD actions. To help facilitate this exchange of information, OEA has begun a major initiative this fiscal year to develop an information portal to support the mission of the EAC. By providing all stakeholders with a shared understanding of planned drawdowns, increases, and other vital information, the EAC will be able to best facilitate cooperation among federal, state, local and regional partners, in order to minimize confusion, delay, and sub-optimal progress.

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

Managing Infrastructure

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

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

improve real property inventory reporting, the Department continues to provide inventory and performance data to the Federal Real Property Profile annually.

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

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

the Department-wide sustainment funding rate from 88 percent in the Fiscal Year 2008 budget request to 90 percent, which equates to a $796 million increase.

Sustainment and Recapitalization Request
(President's Budget in $ Millions)

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

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

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

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

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

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

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

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

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

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

Comparison of Military Construction and Family Housing Requests
(President's Budget $ in Millions – Budget Authority)

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

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

Improving Quality of Life

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

To date, the military Services have leveraged DoD housing dollars by 12 to 1, with $2 billion in federal investments generating $24 billion in housing development at privatized installations. The Fiscal Year (FY) 2009 budget request includes $3.2 billion, an increase of $300 million above the FY 2008 enacted level, which will construct new family housing to accommodate Grow the Force, improve existing housing, eliminate inadequate housing overseas,

operate and maintain government-owned housing, and fund the privatization of 12,324 additional homes.

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

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

Tenant satisfaction is high, particularly for revitalized and newly constructed housing. Given DoD's objective of improving quality of life for its service members, the degree of satisfaction service personnel experience in privatized housing units is a critical indicator of overall program success. Since DoD provides military families with Basic Allowance for

Housing (BAH) at privatized bases, a military family's decision to live in privatized housing is a significant measure of satisfaction. The occupancy rate of nearly 90 percent program-wide demonstrates the overall success of the program in providing suitable housing.

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

Under the Military Housing Privatization Initiative (MHPI), private sector developers and lenders develop, maintain, and operate the privatized housing and resolve issues when they arise. Market forces drive contractor performance and the primary enforcement mechanism is the ability of the military members to choose where to live. If a housing project is not meeting performance expectations, lenders have the option, with the approval of the Department, to replace the owner with a more viable entity. One developer, American Eagle, currently owns five projects and is experiencing financial difficulties. American Eagle was the general partner or owner of six MHPI projects, including one Navy project, one Army project, and four Air Force projects. The company sold its Navy project in late 2007 and is in the process of selling its remaining five projects. The Army project, at Fort Leonard Wood, Missouri, is stable and in the process of being sold to another developer. American Eagle continues to fund maintenance of the existing inventory of homes for the four Air Force projects. The Air Force is maintaining

constant dialogue with the projects' owner and bondholders while American Eagle pursues the transfer to another developer. The Department recently conducted an assessment of the overall financial condition of DoD housing privatization owners. This assessment shows that with the 87 awarded MHPI projects involving over 173,000 units, the likelihood of developers experiencing financial stress is low across the board.

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

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

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

Energy Management

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

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

DoD has significantly increased its focus on purchasing renewable energy and developing resources on military installations. Renewable energy projects are consistently more expensive than similar conventional energy sources, resulting in limited opportunities that are life cycle cost effective, so innovative strategies have been employed, such as the power

purchase agreement resulting in 14 megawatts of solar electrical production at Nellis Air Force Base, Nevada. The Department has increased the use of Energy Conservation Investment Program (ECIP) funds for renewable energy projects from $5 million in Fiscal Year 2003 to $28.2 million planned in Fiscal Year 2008, and plans call for ECIP to increase $10 million per year, up to $120 million in FY 2013, and renewable energy projects will continue to be a high priority. The Department exceeded the Energy Policy Act (EPAct) 2005 renewable energy goal of 2.5 percent in Fiscal Year 2007, reaching 5.5 percent of facilities electrical consumption under the Department of Energy accounting guidelines. In 2005, DoD set a goal to reach 25 percent renewable energy procured or produced by Fiscal Year 2025 and Congress placed this goal in the National Defense Authorization Act 2007. I am pleased to say that the Department reached 11.9 percent renewable energy procured and produced for Fiscal Year 2007, placing it well on track to achieve the goal. While EPAct 2005 did not articulate a specific water reduction goal, Executive Order 13423 includes a goal of a 2 percent water reduction per year. The Department began tracking water consumption in Fiscal Year 2002. By Fiscal Year 2007, DoD has reduced water consumption intensity by an impressive 25 percent and total water consumption by 27 percent or 43.8 million gallons per year. While we will continue to strive to exceed the requirements, our prior achievement has served to set the baseline low, so continuing the trend will be a challenge.

Environmental Management

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

invested almost $42 billion to ensure the success of our environmental programs, and the fiscal year 2009 budget request of $4.3 billion will sustain our environmental progress in support of the warfighter.

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

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

The Department uses Integrated Natural Resource Management Plans (INRMPs), critical habitat designations have been avoided at 35 installations. That, coupled with our conservation

efforts to protect species at risk and common species before they become rare, provides the Department more flexibility in its mission activities.

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

Employing a strategy that goes beyond mere compliance with environmental laws and regulations, the Department is transforming our business practices by integrating environment into our acquisition process, maintaining a high level of environmental quality in defense activities, and preventing pollution at its source. From Fiscal Year 2000 through 2007 there was a 23 percent reduction in the number of new Federal and state enforcement actions received despite an eight percent increase in the number of regulatory inspections. For January through June 2007, the latest information available, installations achieved a 95 percent compliance rate

with wastewater treatment permits, and 98 percent of the 3.6 million customers served by DoD drinking water systems received drinking water that met or exceeded Safe Drinking Water Act standards, which compares favorably with the Environmental Protection Agency's goal of 95 percent. Using an integrated approach that enhances waste reduction and optimizes solid waste reduction, in 2007 the Department diverted almost 3.5 million tons or 60 percent of our solid waste from landfills avoiding approximately $180 million in landfill costs, and reducing hazardous waste disposal by 20 percent compared to 1999. The Department is also effectively managing air quality, reducing hazardous air pollutant emissions at our installations by 728 tons in 2006. To further reduce waste and resource consumption, in 2004 the Department established a Green Procurement Program (GPP), which encourages Components to buy recycled, recovered, and bio-based products whenever feasible. Through the GPP, the Department has become the leader in green procurement, and we continue to make further improvements to GPP, most recently issuing policy direction in December 2007 requiring DoD contracting officers to use a contract provision giving preference to biobased products. Through GPP and all other environmental programs we will ensure a more secure and sustainable future for the environment and our Armed Forces.

Emerging Contaminants

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

actions take place or materials become unavailable, thus protecting our people, assets, and mission.

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

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

Our experience with Perchlorate is particularly instructive. Perchlorate has been used by DoD since the 1940s as an oxidizer in explosives, pyrotechnics, rocket fuel, and missiles. Its high ignition temperature, controllable burn rate, and stable chemical characteristics reduce

handling and storage risks and the likelihood of unexpected detonations which makes it among the safest and least expensive explosive we use. DoD was quickly blamed for perchlorate found in drinking water supplies in over 34 states.

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

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

Sustaining the Warfighter

Our Nation's warfighters require the best training and the best equipment available. This means sustaining our vital range and installation infrastructure where we test equipment and conduct training. Incompatible land use in the vicinity of DoD installations and ranges continues to challenge sustainability. The unintended consequences of this encroachment upon our ranges and installations are varied and include such challenges as more noise complaints from new neighbors, complaints about smoke and dust, diminished usable airspace due to new structures or increased civil aviation, a loss of habitat for endangered species, and a compromised ability to test and train with the frequency needed in time of war.

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

In 2002, the Congress provided statutory authority to use Operations and Maintenance (O&M) funds to create buffers around our ranges and installations. Using this authority the Department established the Readiness and Environmental Protection Initiative, or REPI, and has worked with willing partners to cost-share land conservation solutions that benefit military readiness and preserve natural habitat. In FY 2005, REPI leveraged $12.5 million of O&M funding to secure $58 million worth of buffer land and easements, encompassing 14,688 acres at seven installations. In FY 2006, REPI leveraged $37 million of O&M funding to secure $71 million worth of buffer land and easements, encompassing 18,833 acres. The FY 2006 acreage

will increase pending the completion of some unfinished projects. The 2007 and 2008 projects will continue to leverage REPI funds against partner contributions. REPI and partner funding has allowed DoD to protect the Navy's one-of-a-kind La Posta Mountain Warfare Training Facility in California; to keep training areas open at Marine Corps Base Camp Lejeune, North Carolina; and buffer live-fire training ranges at Fort Carson, Colorado; just to name a few projects. Overall in FY 2007, REPI initiated 26 projects in 17 states, and for FY 2008 an additional 46 projects have been identified for funding. For FY 2008 the Congress appropriated $46 million for REPI. The President's Budget request for FY 2009 for REPI is $40 million.

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

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

such as the ones near Naval Air Station Fallon in Nevada can also help preserve the local agricultural way of life.

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

In 2007, DoD continued to work closely with other Federal agencies to sustain military readiness. On energy issues, the Department of Defense continues to work with other Federal agencies to ensure that wind farm projects and energy transmission corridors are compatible with military readiness activities. The Department also continues to work with the Department of Homeland Security to ensure that our military readiness activities and infrastructure in border regions are not impacted by new security measures. Outreach to non-Federal and non-governmental organizations continues to be a significant part of the Department's sustainability program, and today we are working with state, county, and local governments, Tribal, and environmental groups on issues of mutual concern to seek win-win solutions. Overseas, DoD

continues to develop mission sustainment procedures to work with our host nations Global Defense Posture partners. To sustain today's warfighters, and our nation's future warfighters, the Department of Defense will continue its engagement and partnering efforts.

Safety and Health Risk Management

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

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

For motor vehicle safety, motor vehicle crashes – both in military operations and on U.S. highways – continue to be the number one cause of military fatalities outside of direct combat. We continue to work with tactical vehicle developers to provide safer vehicles for combat operations, and work with the Services and Combatant Commands to improve operating doctrine for using the vehicles in a manner that minimizes crashes. The greatest risk to our soldiers returning from Iraq is being the victim of a crash on U.S. highways. The Military Services recognize this challenge, and have aggressive programs to reorient soldiers back to safe driving habits in the U.S. While our highway crash experiences are very similar to the general public,

we still work to prevent each of these losses. Every fatality still means that one of our Nation's sons or daughters has been needlessly lost.

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

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

Integrating Business Enterprises

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

RPA is aligning end-to-end business processes and enhancing management visibility into operations by establishing and integrating common processes and data standards, redefining

defense business in terms of functions managed and customers served rather than who performs the task.

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

The groundwork for RPA is nearly complete. Over the past few years, the Department has developed enterprise-wide capabilities for real property accountability and visibility, environmental liabilities accountability and valuation, and hazardous materials operational controls. These capabilities are founded on requirements for a common business process model, standard data elements and data definitions, business rules, and recommendations for policy changes. The Components are fine-tuning and implementing plans to fully integrate these requirements into their operating environments.

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

- Assignment of unique identifiers to all DoD's real property assets to provide more granular physical location data for DoD's legal interests in all user communities. Current accurate

location information provides enhanced access to essential data for strategic decisions, increasing accountability, and reducing costs.

- Incorporation of fundamental geospatial standards in the Business Enterprise Architecture, the Department's business information infrastructure. Utilization of these standards provide a common set of mapping information and tools which enhance geospatial visualization capabilities while avoiding redundant acquisition of geospatial resources across the Department.
- Real property inventory tools and procedures have been developed, and we have made progress towards implementing and maintaining consistent, accurate, and complete information on the real property portfolio across the Department.
- Initial operating capability for the Hazardous Material Master Data Capability, a year ahead of schedule, which placed the chemical and regulatory data essential for safe and effective handling of hazardous materials in a production environment. In partnership with the Defense Logistics Agency, we will improve the availability of accurate, authoritative hazard data while eliminating redundant data purchases, entry, and maintenance burden across the Department.

Over the past few years, the Department has developed enterprise wide capabilities for real property accountability and visibility, environmental liabilities accountability and valuation, and hazardous materials operational controls. Accurate and timely data is fundamental to effective management of assets, and ultimately to military success.

Conclusion

In closing, Mr. Chairman, I sincerely thank you for this opportunity to highlight the Department's successes and outline its plans for the future. To meet the ever changing

warfighting landscape our military must be flexible and responsive and our installations must adapt, reconfigured, and be managed to maximize that flexibility and responsiveness. I appreciate your continued support and I look forward to working with you as we transform these plans into actions.

Not for publication until
Released by the
House Armed Services Committee

Statement of

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

Before the

READINESS SUBCOMMITTEE

of the

HOUSE ARMED SERVICES COMMITTEE

28 FEBRUARY 2008

Not for Publication until
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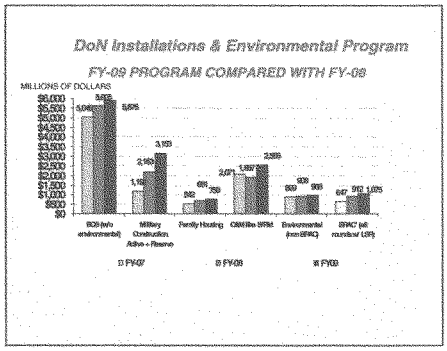
Chairman Ortiz, Mr. Forbes, and members of the Committee, I am pleased to appear before you today to provide an overview of the Department of Navy's investment in its shore infrastructure.

THE NAVY'S INVESTMENT IN FACILITIES

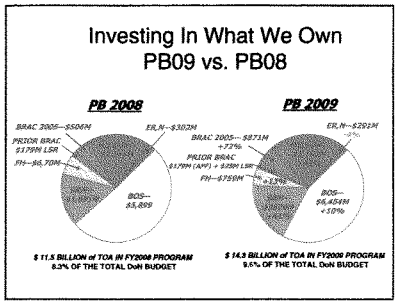
We live in an increasingly globalized and interlinked world—through our economic, communication, and financial networks, yet a world in which rogue nations, terrorists, and even the forces of nature disrupt the delicate balance between war and peace on a daily basis. *A Cooperative Strategy for 21st Century Seapower* establishes that we must not only be capable of winning wars, but must also strive to prevent war by fostering the collective security of all by working with our interagency, international, and private sector partners.

To fulfill this challenge we must ensure our Sailors and Marines have the training, education, and tools necessary to prevail in conflict and promote peace abroad. The Department of Navy's (DoN) investment in our shore infrastructure represents our deepening commitment to this goal. Our installations are where we homeport the Fleet and her Marine forces, train and equip the world's finest Sailors and Marines, and develop the most sophisticated weapons and technologies. Our FY-09 shore infrastructure baseline budget totals $14.3 billion, representing 9.6 percent of the DoN's FY-09 baseline request of $149 billion.



The **Base Operating Support (BOS)** request of $6.5 billion, excluding environmental, comprises the largest portion of the Department's facilities budget request. This account funds the daily operations of a shore facility, e.g., utilities; fire and emergency services; air and port operations; community support services; custodial and grounds maintenance costs.

Our FY-09 request of $6.5 billion for **BOS** reflects a 9.4 % increase from the FY-08 request. The Navy request of $4.3 billion includes an increase of $348 million over last year's request and matches the budget request with recent execution performance. The Marine Corps request is $2.1 billion, an increase of $207 million over last year's request, and is consistent with their execution experience.



The FY-09 **military construction** (active + reserve) request of $3.2 billion is $1.1 billion more than the FY-08 request. This is a 50% increase above the FY-08 request, and nearly three times the size of the FY-07 request. This unprecedented growth in Department's military construction request is primarily due to the Marine Corps' "Grow the Force "initiative.

The FY-09 **Family Housing** request of $759 million represents a 13% increase over our FY-08 request. This growth is also spurred by the need for additional family housing for the Marine Corps' Grow the Force initiative. The Navy and Marine Corps have continued to improve their overseas housing, which is not eligible for privatization as has been done in the U.S.

Sustainment, Restoration and Modernization (S/RM) includes military construction and operation and maintenance funds. Our FY-09 request of $2.7 billion funds the Department at 90% of the DoD sustainment model requirement and includes only the amount of S/RM funded with Operations and Maintenance. It represents a 41% increase over our FY-08 request to improve sustainment of existing facilities and rehabilitate older buildings to meet current standards.

Our FY-09 request of $966 million for **environmental programs** at active and reserve bases is comprised of operating and investment appropriations[1], roughly $58 million more than our request for FY-08 due to higher compliance and conservation costs.

[1] Includes the following accounts: RDT&E,N; MC,N; OP,N. Excludes BRAC environmental

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

Our FY-09 **prior BRAC** program consists of $179 million in appropriations and $25 million in remaining land sales revenue from past prior BRAC property sales. This is the first time since FY-05 that the Department has requested appropriated funds for prior BRAC as we have exhausted our land sales revenue from previous sales. We anticipate some limited future revenue as we move to dispose of the former Naval Station Roosevelt Roads in Puerto Rico and some other smaller property sales. We will use revenue from these future sales to accelerate cleanup at the remaining prior BRAC locations.

The FY-09 budget includes a request of $871 million to implement the **BRAC 2005** recommendations. We are proceeding apace with implementation; however, there has been considerable turbulence in execution in part due to the late receipt of Congressional appropriations. The FY-08 $939 million Congressional reduction to this DoD account, for which the Navy share is $143 million, adds additional execution concerns which I will address later in the statement. I urge the Congress to promptly restore the FY-08 reduction.

Here are some of the highlights of these programs.

MILITARY CONSTRUCTION

The DoN's FY-09 Military Construction program requests appropriations of $3.2 billion including $239 million for planning and design and $13.7 million for Unspecified Minor Construction.

The active Navy program totals $1.1 billion and includes:

- **$176 million** to fund five waterfront projects: Wharf Upgrades in Diego Garcia to support stationing of a Land-class tender; Berth Lima Conversion at Naval Air Station North Island, CA to accommodate homeporting an additional 3rd nuclear powered aircraft carrier, subject to the completion of an ongoing Supplemental Environmental Impact Statement; the second increment of the Magnetic Silencing Facility in Naval Station, Pearl Harbor, HI; a pier replacement project at Submarine Base New London, CT; and Improvements to Alpha Wharf at Naval Station Mayport, FL, to make structural and utilities repairs to the existing bulkhead.
- **$62 million** to fund three airfield projects: the second increment of the Hangar 5 Recapitalization at Naval Air Station, Whidbey Island, WA; an Aircraft Maintenance Hangar and Aircraft Parking Apron at Camp Lemonier, Djibouti.

- **$60 million** to fund four expeditionary operations projects, including headquarters for the 25th Naval Construction Regiment in Naval Construction Battalion Center, Gulfport, MS; two projects supporting Joint Forces Command, one in Naval Station Pearl Harbor to build a Deployment Staging Area and another at MacDill Air Force Base, FL to construct a Communications Squadron Equipment Facility.
- **$111 million** to fund two training projects: a Special Programs Barracks to conduct remedial training at Recruit Training Command, Great Lakes, IL; and an Integrated Training Center for the P-8A, the replacement for the Maritime Patrol aircraft.
- **$102 million** to fund two weapons related projects: the 5th of 7 increments of the Limited Area Production and Storage Complex at Naval Submarine Base, Bangor, WA; and the second increment of the Kilo Wharf Extension in Guam.
- **$91 million** to construct four research and development facilities, including a new laboratory in the District of Columbia that will consolidate 17 separate labs conducting research in unmanned systems.
- **$60 million** to support ship maintenance operations, including dredging the Norfolk Harbor Channel to enable carriers to navigate up the Elizabeth River to Norfolk Naval Shipyard without risk to the propulsion system.
- **$268 million** to increase the quality of life for our Sailors and their family members, including two BEQs, five Child Development Centers, and 3 Fitness Centers.
- **$57 million** for planning and design efforts.

The active Marine Corps program totals $2 billion, a $989 million increase over the FY-08 Military Construction and GWOT requests. This program includes:

- **$1.3 billion** for facilities to support the "Grow the Force" initiative, which I will discuss in greater detail below;
- **$312 million** for the Marine Corps BEQ Initiative to build over 3,600 spaces and an additional $856 million in the Marine Corps Grow the Force to build over 8,700 permanent party/trainee spaces. The total funding devoted to Bachelor Enlisted Quarters is $1.2 billion.
- **$133 million** in operations and training facilities and an additional $121 million in the Grow the Force initiative funds Military Operations in Urban Terrain facilities at 29 Palms, CA, and Ranges at Camp Pendleton, CA, and Camp Lejeune, NC; Academic training facilities for The Basic School at Marine Corps Base Quantico, VA, the School of Infantry at Camp Pendleton, CA, and the Marine Aviation Weapons and Tactics Squadron at Marine Corps Air Station Yuma, AZ; operational facilities for V-22 aircraft support at Marine Corp Air Station Miramar and Marine

Corps Air Station New River, NC, and apron space at Marine Corps Air Facility Quantico, VA.

- **$36 million** and an additional $73 million accelerated with the Marine Corps Grow the Force initiative funds Quality of Life facilities such as enlisted dining facilities at Marine Corps Air Station, New River, NC and Camp Lejeune, NC, and a Child Development Center at Camp Lejeune, NC;
- **$64 million** and an additional $62 million from the Grow the Force initiative funds new recruit quarters at Marine Corps Recruit Depot Parris Island, SC and Marine Corps Recruit Depot San Diego, CA as well as Student Officer Quarters for The Basic School at Marine Corps Base Quantico, VA;
- **$53 million** in Grow the Force funding will accelerate additional utility infrastructure improvements at Camp Pendleton, CA.
- **$67 million** and an additional $10 million accelerated from our Grow the Force initiative funds aircraft maintenance facilities at Marine Corps Air Facility Quantico, VA, Ordnance Facility at Marine Corps Air Station Beaufort, SC and Communications and Electronics Maintenance Facilities and Regimental Maintenance Facilities at Camp Pendleton, CA.
- **$44 million** supports other facilities such as the replacement of the 2nd Marine Air Wing Headquarters facility at Marine Corps Air Station Cherry Point, NC, destroyed by fire in 2007, a satellite fire station for Marine Corps Air Station Miramar, CA; and road improvements for entry into Marine Corps Base Quantico, VA.
- **$183 million** for planning and design efforts.

The Navy and Marine Corps Reserve Military Construction appropriation request is $57 million to construct a total of five reserve centers: two Navy; two Marine Corps; and one joint Armed Forces center.

Marine Corps Grow the Force

To meet the demands of the Long War as well as the uncertainty of our Nation's security environment, the Marine Corps must be sufficiently manned, well trained, and properly equipped. Like the Cold War, the Long War is a generational struggle that will not be measured by the number of near-term deployments or rotations; it is this long-term view that informs our priorities and plan for growth.

To fulfill its obligations to the Nation, the Marine Corps will grow its personnel end strength to 202,000 Active Component Marines. This increase will enable the Marine Corps to train to the full spectrum of military operations and improve the ability of the Marine Corps to address future challenges in an uncertain environment. This growth will enable the Marine Corps to recover its

ability to respond in accordance with timelines outlined in Combatant Commander war plans — thereby reducing operational risk. It will also relieve strain on those superb Americans who have volunteered to fight the Nation's battles. This growth includes:

- Adequate expansions of our infrastructure to provide for our Marines, their families, and their equipment; and
- The right mix of equipment for the current and future fight.

Exacerbating our requirements, the Marine Corps for many years funded only its most critical needs. As a result, Marine Corps installations are in a poor position to properly house and operate with additional Marines. Most of the efforts in FYs -07, -08 and proposed -09 accelerate non-unit specific facilities which benefit all those aboard the installation — such as bachelor quarters, family housing, ranges, operational facilities, and landfills. This will assist in getting our installations ready to support our Grow the Force initiative. Beginning in FY-10, we are planning facility programs to support the final unit specific end-strength growth. Unit-specific construction will begin in FY-10 in concert with the expected completion of the National Environmental Policy Act review. Because Marines will begin to arrive before construction at many locations is complete, the Marine Corps is planning to lease, or purchase temporary support facilities.

As a result of the rapid, but rigorous planning process, the Marine Corps submitted its end-strength growth stationing plan to Congress in October 2007. Our proposed FY-09 request is based on that stationing plan. This plan will ensure that adequate facilities are available to support the phase-in and Full Operating Capability of a 202,000-Marine Corps while meeting our environmental stewardship requirements.

Incrementally funded MILCON projects

For over 30 years, the Congress and the Department of Defense have had a mutual understanding that projects that could not be expensed within a single fiscal year (~ $50 million) or built within two years could be incrementally funded over several years. This mutual understanding led to the best balance of funds to meet the Department's urgent priorities. Since FY-07, however, the Office of Management and Budget (OMB) began enforcing the full funding requirement of OMB's Circular A-11 with the result that no new DoN projects greater than $50M in FY-07 or FY-08 were deemed by OMB to have a major national security impact and such projects required full funding in the first year. Congress, however, responded by incrementing one DoN project in FY-07 and two in FY-08, stating it will "continue to exercise its prerogative to recommend

incremental funding where it is deemed appropriate..."[2] We have taken the lead in drafting criteria for incrementing costly construction projects and working with our partners within OMB. The DoD and OMB commit to work with the Congress to reestablish mutually acceptable and objective criteria for incrementing costly DoD military construction projects.

Meeting the Energy Challenge

In August 2006, I directed that all new Department of Navy facilities and major renovations be built to U.S. Green Building Council "LEED Silver" standards starting in FY-09. In addition, the Energy Policy Act of 2005 set new standards for energy performance in federal facilities, including a 30% energy reduction over current design standards and the specification of devices that measure and reduce energy consumption. A modest three percent investment will contribute to the reduction of life cycle costs of our facilities and will improve the quality of life of our personnel through better indoor environmental air quality and improved levels of comfort within the facilities.

The Continued Need for a Mid-Atlantic Outlying Air Field

The Navy has decided to terminate the draft Supplemental Environmental Impact Statement (SEIS) that conducted further court-directed analysis at five alternative sites for a new Outlying Landing Field (OLF) to support introduction of F/A-18 E/F (Super Hornet) aircraft on the east coast. The Navy will prepare a new Environmental Impact Statement (EIS) under the National Environmental Policy Act (NEPA) that analyzes five new potential OLF sites. This decision followed careful consideration of the public comments received on the draft SEIS, review of new information provided by the state of North Carolina and the Commonwealth of Virginia, and a reassessment of the Navy's operational requirements. It is consistent with the action taken by the Congress in the Fiscal Year 2008 National Defense Authorization Act to rescind the authority to construct the OLF at Site C in Washington County, North Carolina. The new EIS will analyze potential environmental impacts at three sites in Virginia, and two sites in North Carolina that were provided by the respective states. Based on our evaluation of available information, these new sites each have operational, environmental, and population characteristics that make them viable site alternatives. The EIS will further analyze potential environmental impacts at each location and will result in a future decision about a new preferred OLF site. We expect this process will take about 30 months, so we have not requested any construction funds in FY-09. The five sites analyzed in the draft SEIS, including the Washington County location, are no longer under consideration as potential OLF sites.

[2] House Report 109-464, p. 20

The OLF is required to satisfy training capacity requirements under the Fleet Response Plan, and to reduce the impacts of encroachment on operations at existing facilities. While recent actions initiated by jurisdictions in the vicinity of Naval Air Station Oceana and Navy Auxiliary Landing Field Fentress in response to recommendations of a Joint Land Use Study may mitigate further encroachment, both capacity and encroachment continue to form the basis for the OLF requirement. Throughout this process the Navy will continue to work closely with the Commonwealth of Virginia and the State of North Carolina. The Navy believes that by working with state and local officials, we can understand their perspective on the issues and seek common ground on ways to mitigate impacts and identify potential benefits.

FACILITIES MANAGEMENT

Facilities Sustainment, Restoration and Modernization (SRM)

% Sustainment	FY-07	FY-08	FY-09
USN Budget	95%	83%	90%
USN Actual/Plan	91%	83%	
USMC Budget	93%	93%	90%
USMC Actual/Plan	113%	111%	

The Department of Defense uses a Sustainment model to calculate life cycle facility maintenance and repair costs. These models use industry-wide standard costs for various types of buildings and geographic areas and are updated annually. Sustainment funds in the Operation and Maintenance accounts are used to maintain facilities in their current condition. The funds also pay for preventative maintenance, emergency responses for minor repairs, and major repairs or replacement of facility components (e.g. roofs, heating and cooling systems).

Recap years	FY-07	FY-08	FY-09
USN Budget	83	63	50
USN Actual/Plan	62	60	
USMC Budget	112	103	33
USMC Actual/Plan	117	61	

Restoration and modernization provides major upgrades of our facilities using Military Construction, Operation and Maintenance, Navy Working Capital Fund, and Military Personnel funds. The DoD uses a recapitalization metric to gauge investment levels. The "recap" metric is calculated by dividing the plant replacement value by the annual investment of funds and is expressed in years. The DoD goal is to attain a 67-year rate by FY-08. This continues to be a relatively coarse metric, as demonstrated by the effect of past Supplemental funds, BRAC construction projects, and recap projects to support Grow the Force. The Navy and Marine Corps continue to work with the Office of the Secretary of Defense and the other

Components to develop a recap model similar to the Sustainment model, planned for release in the next budget cycle.

Naval Safety

The Department of the Navy strives to be a world class safety organization. FY-07 was our best year ever recorded in every one of the seven major categories of mishaps that we track.

The Department has embraced the Occupational Safety and Health Administration (OSHA) Voluntary Protection Program (VPP), which fosters a cooperative relationship between management, labor, and OSHA to improve workplace safety. DoN has achieved "Star" status, OSHA's highest level of achievement, at five sites representing over half of the VPP star sites in DoD. The Navy activities include all four Naval Shipyards, our largest industrial facilities, and the Navy Submarine Base in Kings Bay Georgia. In 2007 DON was one of six federal departments and independent agencies to meet all four of the goals specified by the President's Safety, Health and Return-to-Employment (SHARE) program.

Noise is also a safety concern in the workplace. Hearing loss is not reversible, it's often not painful and it won't kill you, but it sure is a quality of life issue for our Sailors and Marines when they leave the Service. We are engineering systems to be quieter, improving our training, and making sure our people have the best personal protective equipment.

Encroachment Partnering

The Navy has established an encroachment management program to acquire real property interests in the vicinity of our installations. Long-term encroachment partnering agreements have been established with Churchill County, NV and a local land trust for NAS Fallon; with the City of Virginia Beach for NAS Oceana; with Ocean County, NJ for NAEWC Lakehurst; and with the State of Florida and Santa Rosa County, Florida for NAS Whiting Field. These long term agreements enable the Navy to join with others to acquire easements that preclude incompatible development around our installations. We are working to establish a long term encroachment agreement to protect lands under the supersonic operating corridor at NAWS China Lake and Edwards AFB, California.

The Marine Corps secured easements on 2,715 acres at a cost of $6.9 million in FY-07 while our partners contributed $6.8 million to prevent incompatible development and protect vital ecological resources. Marine Corps projects in progress and planned for FY-08 are expected to reach $30 million in

DoD and partner funds to address encroachment at MCB Quantico, MCAS Cherry Point, MCB Camp Lejeune, MCAS Beaufort, and MCB Camp Pendleton.

Energy

The Department of Navy is committed to achieving the energy efficiency, water conservation, and renewable energy goals that Congress and the President have directed. DoN last year reduced energy consumption by 10.8% compared to the 2003 baseline. DoN is increasing use of renewable energy through evaluation of geothermal, solar, wind, biomass, and ocean energy technologies, as well as implementing highly efficient cogeneration systems, efficient lighting, motors, HVAC and other energy systems. Nearly three percent of the total energy consumed by the Department comes from renewable sources including wind, solar and thermal. The Navy plans to award $210M per year in energy, water, and renewable projects. We continue to leverage new technologies including ocean thermal energy conversion, tidal energy, and fuel cells. Targeting energy systems at the "per building" level itself is promising, particularly with the use of photo-voltaic cells.

HOUSING

Our FY-09 budget continues to improve living conditions for Sailors, Marines, and their families. Thanks to the support of Congress, we met the goal to program the necessary funds and have contracts or agreements in place by the end of FY-07 to eliminate all inadequate family housing. Renovation or replacement of inadequate Navy housing will be complete by the end of FY-11. Marine Corps families will be out of inadequate family housing by FY-14. This time has been extended from previous projections to maintain a supply of housing for additional Marines associated with Grow the Force until additional housing is constructed through privatization initiatives. We continue to provide homes ashore for our junior shipboard unaccompanied Sailors, to provide appropriate living spaces for our junior enlisted bachelor Marines, and to address long standing family housing deficits. In our FY-09 budget, we are requesting the necessary funding to eliminate the remaining inadequate permanent party unaccompanied BEQs facility spaces still featuring "gang heads."

Quantico, Virginia

Family Housing

As in past years, our family housing strategy consists of a prioritized triad:

- Reliance on the Private Sector. In accordance with longstanding

DoD and DoN policy, we rely first on the local community to provide housing for our Sailors, Marines, and their families. Approximately three out of four Navy and Marine Corps families receive a Basic Allowance for Housing (BAH) and own or rent homes in the community.

- Public/Private Ventures (PPVs). With the strong support from this Committee and others, we have successfully used PPV authorities enacted in 1996 to partner with the private sector to help meet our housing needs through the use of private sector capital. These authorities allow us to leverage our own resources and provide better housing faster to our families. Maintaining the purchasing power of BAH is critical to the success of both privatized and private sector housing.
- Military Construction. Military construction will continue to be used where PPV authorities don't apply (such as overseas), or where a business case analysis shows that a PPV project is not financially sound.

As of the end of FY-07, we have awarded 30 privatization projects for over 61,000 homes. As a result of these projects, over 30,000 homes will be replaced or renovated, about 5,000 new homes will be built, and the remaining 15,000 were privatized in good condition and did not require any improvements. Through the use of these authorities we have secured approximately $8 billion in private sector investment from approximately $800 million of our funds, which represents a ratio of almost ten private sector dollars for each taxpayer dollar.

Planned Privatization Awards

Location	# homes
Fiscal Year 2008	
MCB Camp Pendleton (Phases 6, 6A, and 6B)	367
MCB Camp Lejeune (Phase 4)	451
MCAGCC 29 Palms (Phases 2 and 2A	285
FY 2008 Total	**1,103**
Fiscal Year 2009	
Navy Southeast (Gulfport)	46
MCB Camp Pendleton	351
MCAGCC 29 Palms	600
MCB Hawaii	520
MCB Camp Lejeune	394
FY 2009 Total	**1,911**
Total FY2008 to FY2009	**3,014**

FY-2008 locations include GWOT-funded projects.

Our FY-08 and outyear family housing privatization projects are targeted at reducing family housing deficits by constructing additional housing for our families where the private sector cannot accommodate their needs. This includes locations where increased requirements associated with the Grow the Force initiative will add to projected housing deficits. During FY-08, we plan to award three Marine Corps family housing privatization projects that would build an additional 1,100 homes.

Our FY-09 budget includes $383 million for family housing construction and improvements. This amount includes $259 million for the Government

investment in family housing privatization projects planned for FY-09 award. It also includes the replacement or revitalization of housing in Cuba and Japan where privatization is not planned. Finally, the budget request includes $376 million for the operation, maintenance, and leasing of remaining Government-owned or controlled inventory.

Unaccompanied Housing

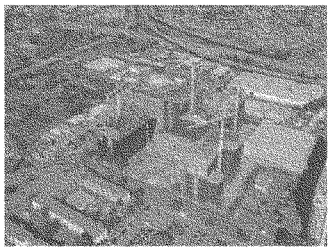
Our budget request includes $1.3 billion for 37 unaccompanied housing projects at ten Navy and Marine Corps locations. The budget continues the emphasis on improving living conditions for our unaccompanied Sailors and Marines. There are three challenges:

1. Provide Homes Ashore for our Shipboard Sailors. With its FY-08 request, the Navy completed programming for military construction associated with the Homeport Ashore initiative to provide ashore living accommodations for E1-E3 unaccompanied Sailors who otherwise would live aboard ship even while in homeport.

In addition to the E1-E3 shipboard Sailors, there are approximately 5,000 unaccompanied E-4 Sailors with less than four years service who are assigned to sea duty. In FY-01, Congress extended the BAH entitlement to all unaccompanied E-4 Sailors assigned to sea duty. Funding for the E-4s with less than four years' service remains un-programmed. The Navy is evaluating housing strategies for its unaccompanied Sailors including this segment of the population. In the interim, we will accommodate these junior Sailors to the greatest extent practible within our existing unaccompanied housing capacity.

2. Ensure our Barracks Meet Today's Standards for Privacy. We are building new and modernizing existing barracks to increase privacy for our single Sailors and Marines. Reflecting the Commandant of the Marine Corps' priority to ensure single Marines are adequately housed, the FY-09 budget includes $1.2 billion in MILCON funding for the construction of approximately 13,000 permanent party spaces at eight Marine Corps installations. The Marine Corps has programmed the necessary funding from FY-08 through FY-11 to eliminate the BEQ deficit for the Marine Corps pre-Grow the Force end strength requirement by 2012. Additional funding for BEQ requirements specifically related to the "Grow the Force" initiative is planned to begin in FY-10 after NEPA requirements are met in order to satisfy this requirement by 2014. These barracks will be built to the 2 + 0 room configuration, as have all Marine Corps barracks since 1998. This is consistent with the core Marine Corps' tenets for unit cohesion and teambuilding.

3. Eliminate Gang Heads. The FY-09 budget request includes funding to eliminate the last Navy permanent party BEQ with a gang head. The Marine Corps had already accomplished this goal in FY-05, but will continue to use these facilities on an interim basis to address short-term housing requirements resulting from the additional end-strength related to the Grow the Force Initiative.


Pacific Beacon at San Diego

Unaccompanied Housing Privatization

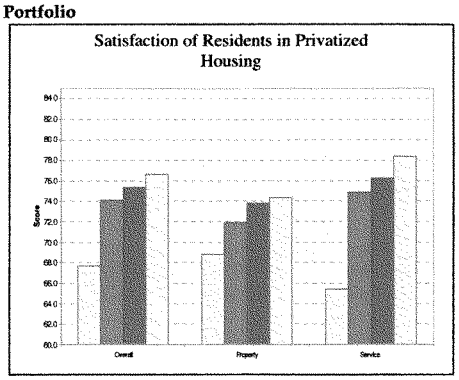
The Department awarded our first pilot unaccompanied housing privatization project to Pacific Beacon LLC in December 2006. When complete in 2009, this project will provide 941 new two-bedroom/two-bathroom apartments for E-4 and above enlisted personnel in San Diego, CA who are unsuitably housed in the private sector or who are living in Government quarters that could be used by shipboard Sailors. An existing unaccompanied housing building, containing 258 "1+1E" modules, was also privatized as part of this agreement. Our partner will provide additional quality of life amenities to existing buildings, such as a swimming pool. We expect the first building to be complete by the end of this year and overall project completion in 2009. I am pleased to report the facility that was privatized, "Palmer Hall," won an industry award for improved resident satisfaction based on resident surveys.

In December 2007, we executed business agreements for our second pilot project at Hampton Roads, VA. This project will build more than 1,100 new two-bedroom/two-bathroom apartments and privatize over 700 existing unaccompanied housing modules for unaccompanied shipboard E1-E3 personnel.

We are nearing completion of our evaluation of the Mayport/Jacksonville, Florida area as the candidate for third pilot project. We are also continuing to evaluate additional phases at San Diego and Hampton Roads using the public/private entities previously executed.

Managing Our Privatization Portfolio

We take seriously our responsibility to monitor the privatization agreements to ensure that the Government's long term interests are adequately protected. We have instituted a portfolio management approach that collects and analyzes financial, occupancy, construction, and resident satisfaction data to ensure that the projects remain sound and that the partners are performing as expected.



We conduct meetings with senior representatives of our partners and, where necessary, resolve issues of mutual interest. We use focus groups to obtain direct feedback from residents, property managers, and Command representatives. Customer surveys show overall improvement in member satisfaction after housing is privatized. Where our projects have encountered difficulties, appropriate corrective actions have been taken. For example, we had concerns regarding performance of the private partner in our Pacific Northwest project. The partner sold its interest as a general partner to another company which has a record of good performance with military housing privatization projects.

ENVIRONMENT

Shipboard Programs

The Navy continues to convert its shipboard air conditioning and refrigeration plants from Ozone Depleting Substances (ODS) to non-ODS refrigerants. As of 1 February 2008, the Navy completed 552 of 690 air conditioning conversions and 595 of 611 refrigeration conversions. The Navy reached a major milestone in 2007 as conversions of the final aircraft carrier air-conditioning systems began. The Navy expects to complete its transition to non-ODS refrigerants by 2017.

In addition to the shipboard air conditioning and refrigeration conversion program, the Navy has taken other ODS management efforts which have reduced our Class I ODS usage by over 95 percent. For example, the Navy is designing and building the first aircraft in the world without halon for fire suppression. In recognition of these many achievements, the Navy garnered six

EPA Best of the Best Stratospheric Ozone Protection Awards at the 20th Anniversary Meeting of the Parties of the Montreal Protocol in September 2007.

The Navy has also completed 168 of 334 upgrades to its plastic waste processors (PWPs), which allow ships at sea to compress plastics into a solid disk for disposal or recycling ashore. The upgraded PWPs reduce maintenance, improve reliability and throughput, and include a self-cleaning feature, giving our Sailors the best equipment available to meet no-plastics discharge requirements while at sea.

Natural Resources Conservation

The Department of the Navy's natural resources conservation programs rely on Integrated Natural Resources Management Plans (INRMP) to ensure our programs are effective in providing conservation benefits to species and their habitats while ensuring no net loss to the military mission. For example, in 2007, the United States Fish and Wildlife Service determined that the INRMPs for the Marine Corps' Townsend Bombing Range, GA, and Camp Pendleton, CA, provided a benefit to the protection of two species: the Flatwoods salamander (Ambystoma cingulatum) and tidewater goby (Eucyclogobius newberryi), respectively, and the range and base were excluded from Critical Habitat designation.

Since the Endangered Species Act, Section 4(a)(3)(B)(i), was amended in the FY-04 NDAA, U.S. Fish & Wildlife Service and National Marine Fisheries Service determined that the effectiveness of DoN INRMPs outweighed the necessity to make 41 Critical Habitat designations on DoN installations.

Environmental Compliance by Shore Installations

Domestically, 93 percent of Navy and 95 percent Marine Corps permits are in full compliance with Clean Water Act standards, and 98 percent of the Navy and 100 percent of Marine Corps population receives water that meets all Safe Drinking Water Act standards, both increases from recent years. The DoN has made great strides in improving wastewater compliance through significant investments in infrastructure and improved management practices. For example, Marine Corps invested over $109 million in military construction funds at Camp Pendleton between FY-02 and FY-08 to meet wastewater requirements, including the construction of a new tertiary treatment system to serve the southern portion of the base. An additional $52.5 million military construction project is budgeted in FY-09 to reduce the total dissolved solids (TDS) in their drinking water.

Installation Restoration Program (IRP)

The DoN has completed cleanup or has remedies in place at 83 percent of our 3,716 contaminated sites at our active installations. We plan to complete the program by the year 2014. The cost-to-complete the installation restoration program continues a downward trend with efficiencies of $600 million over the past ten years. Use of new technologies, land use controls, remedy optimizations, contract efficiencies, and a dedicated professional staff has contributed to these efficiencies. Our FY-09 request of $293 million consists of $243 million for IRP, and $50.0 million for munitions response.

Munitions Response Program (MRP)

The DoN is proceeding with cleanup of Munitions and Explosives of Concern and Munitions Constituents at all Navy and Marine Corps locations other than operational ranges. We completed the preliminary assessments in FY-07 at 99 percent of the 239 known sites on 62 active installations and will complete site inspections and sampling by 2010. The data obtained from these inspections and samplings will provide the basis for developing estimates for environmental clean-up.

Range Sustainability Environmental Program Assessment

The Navy has completed environmental operational range assessments on 13 of 22 operational range complexes and is on track to complete the remaining nine operational range complex assessments by the end of FY-08. The Marine Corps has completed six range assessments and is on track to complete the remaining eight ranges by the end of FY-09 operational ranges in the United States by the end of FY-08. To date, neither the Navy nor the Marine Corps has had a release or threat of a release from an operational range to an off-range area that presents an unacceptable risk to human health and the environment.

Alternative Fuel Vehicles

The Department has many initiatives to reduce its reliance on imported oil and increase its fuel conservation efforts. Over the past five years, the Navy initiatives have resulted in a 10-fold increase in the use of B-20 (i.e. 20% blend of biodiesel in petroleum diesel). The Navy has partnered with the Exchange Services to supply fuel for both government and commercial use at sites such as Naval Station Norfolk, VA. Biodiesel field testing and integration efforts are underway at several locations to address Executive Order 13423 goals, reduce greenhouse gas emissions, and to increase environmental security.

The Marine Corps has exceeded the Energy Policy Act (EPAct) of 1992 for Alternative Fuel Vehicle (AFV) requirements for the past five years and is a leader in DoD and among other Federal agencies in the use of biodiesel and other alternative fuels. It has reduced its consumption of petroleum by 28%

since 1999 due in part to increased use of alternative fuels (such as biodiesel, ethanol and compressed natural gas), neighborhood electric vehicles and conservation. For their aggressive pursuit of compliance with Federal mandates well beyond published goals, the Marine Corps received the White House Closing the Circle Award in 2005 and again in 2007.

Navy Marine Mammals/Sonar R&D investments

The Navy remains a good steward of the environment by taking steps to protect marine mammals from anthropogenic sound in the water. Over the next six years, the Navy will invest up to $18 million per year for marine mammal research. This long-term investment will support more than thirty universities, institutions, and technology businesses worldwide and address critical issues in marine mammal demographics (the "what, where, when, how many, and how much" questions); establish criteria and thresholds to measure the effects of naval activities; develop effective mitigation and monitoring methods to lessen any potential effects; and continue to refine characteristics of the sound field.

MMPA National Defense Exemption

The Navy has been operating for the past year under a National Defense Exemption (NDE) issued in January 2007. Given recent court decisions in California and continuing litigation in California and Hawaii challenging the Navy's use of Mid-Frequency Active (MFA) sonar, the ability to rely on the NDE has been important to the Navy's ability to continue to test and train with MFA sonar. This limited-in-time NDE was necessary to allow the Navy sufficient time to complete the analysis and consultation necessary to support long-term compliance for Navy's MFA sonar testing and training. The Navy is preparing environmental planning and compliance documents in cooperation with the National Oceanic and Atmospheric Administration (NOAA). The process will be complete for the Southern California Range Complex, the Hawaii Range Complex and the East Coast training areas by the time the NDE expires in January 2009. MFA sonar use as analyzed in these documents conservatively accounts for 75% of the Navy's testing and training with MFA sonar. The documentation for the remaining ranges will be completed later in 2009.

The NDE requires the Navy to employ 29 specific mitigation measures developed with, and fully supported by, the National Marine Fisheries Service (NMFS) within NOAA. The NDE enables the Navy to employ MFA sonar in a manner that maintains testing and training fidelity while providing protection to marine mammals. By enabling critical MFA sonar testing and training to continue in an environmentally sound manner protective of marine mammals, the NDE serves as a bridge to future compliance with the authorization requirements of the MMPA. NMFS, in recently considering the effects of Navy MFA sonar training exercises on marine mammals in and adjacent to the Navy's

Southern California Operating Area, noted that the mitigation measures employed as a result of the NDE will minimize the risk of injury to marine mammals, and concluded that it does not expect the exercises to result in adverse population level effects of any marine mammal populations.

As part of the President's Council On Environmental Quality's (CEQ's) approved alternative arrangements for compliance with the National Environmental Policy Act (NEPA) for these exercises, the Navy will use public involvement of best available scientific information to inform long-term range management decisions regarding continued testing and training with MFA sonar. However, while the MMPA has been removed as a basis for legal challenges, the Navy's ability to meet its statutory requirement to train and maintain a ready force, which includes training with MFA, remains at risk due to legal challenges based on other environmental laws, specifically the NEPA, the Coastal Zone Management Act (CZMA), and the Endangered Species Act (ESA). Litigation surrounding those issues continues.

RELOCATING THE MARINES TO GUAM

National interests and treaty commitments require the United States to strengthen its military capabilities in the Western Pacific. U.S. forces must be positioned to maintain stability, ensure flexibility to respond to regional threats, project power throughout the Pacific, defend our assets as well as those of our allies, and provide forces to respond to global contingencies.

The relocation of Marine Corps forces from Okinawa to Guam under the October 2005 agreement, "U.S.-Japan Alliance: Transformation and Realignment for the Future" (ATARA) is part of a broader realignment that, when implemented, will strengthen our regional posture, deter potential aggressors, and provide capabilities that can be flexibly deployed in contingencies. This is essential for the defense of Japan and for peace and security in the Pacific.

Plans for implementing the military realignment to Guam have progressed significantly. United States (USG) and Government of Japan (GOJ) representatives meet regularly to develop implementing instructions covering the programming, budgeting, and funding to construct operational facilities, utilities, and housing needed to realign 8,000 Marines and 9,000 dependents from Okinawa to Guam. The USG and GOJ have negotiated a GOJ contribution of $6.09 billion of the estimated $10.3 billion cost for infrastructure on Guam. We have budgeted $42 million in various DoN accounts in FY-09 to continue planning efforts.

We continue numerous studies necessary for preparing an EIS in compliance with the NEPA. The EIS addresses the movement of Marine Corps

forces from Okinawa to Guam as well as Navy efforts to construct a transient nuclear aircraft carrier-capable pier at Apra Harbor and Army efforts to locate a ballistic missile defense battalion on the island. A draft EIS is expected in spring 2009, the final EIS in December 2009, and a Record of Decision (ROD) in January 2010.

In parallel with the EIS efforts, we are developing a Guam Joint Military Master Plan (GJMMP). The GJMMP addresses the realignment of Marine Corps forces in the context of other DoD actions on Guam, such as plans to increase intelligence, surveillance, and reconnaissance capabilities and transient forces at Andersen Air Force Base, an increased Navy submarine presence, and the Army effort noted above. A working level draft of the GJMMP will be complete this summer.

We are working closely with the Government of Guam (GovGuam), the Guam community, and other federal agencies to ensure that social, economic, cultural, and other direct and indirect consequences are considered. DoD officials meet regularly with representatives from local agencies as part of a Civilian-Military Task Force on the island. We regularly meet with key GovGuam officials to coordinate compatibility with Guam's own Master Plan. Several public scoping meetings have been held and future public outreach sessions will be scheduled to ensure the community's concerns and ideas regarding environmental, socioeconomic and cultural impacts are taken into account. Federal support is also provided through DoD's Office of Economic Adjustment (OEA), which has thus far provided nearly $1.7 million in grants to GovGuam to support key planning and impact studies.

The business community, including local industry, is updated semi-annually on the relocation and acquisition effort at the Guam Industry Forum. These gatherings, held on Guam, attract large and small scale businesses and serve to facilitate networking and partnering opportunities.

DoD also ensures GovGuam's voice is heard by the rest of the federal government by co-chairing with the Department of Interior's Office of Insular Affairs a federal Interagency Task Force. There are five working groups that bring together representatives from key federal agencies such as Department of Labor, Health and Human Services, Department of State, Department of Agriculture, Environmental Protection Agency, Department of Homeland Security and others to address issues that will affect Guam during and after the military realignment. GovGuam representatives participate in each of the five working groups. I am pleased to note that GovGuam's Port Authority and the Department of Transportation's Maritime Administration are working together to achieve GovGuam's short-term vision of supporting the military realignment

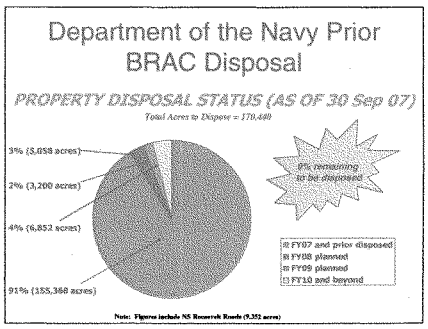
and its long-term goal of becoming a key intermodal transportation hub in the Pacific Rim region.

A critical concern is the availability of an adequate, trained construction workforce. With the need for an estimated 12,000 to 15,000 laborers, a small, but fully employed indigenous workforce on Guam, and a relatively low wage scale that will not attract significant numbers of workers from the continental U.S. or Hawaii, a significant amount of foreign workers will be required. Legislation is pending in Congress to relax the current cap on H2B visas for workers on Guam and the Marianas Islands. We will need a reliable supply of non-immigrant labor throughout the construction phase to complete the relocation of the Marines to Guam.

An additional issue of concern is the state of Guam's off-base infrastructure and public services. Although Guam is a U.S. Territory, the condition of much of its infrastructure is inferior to that found in other parts of the U.S. Without major improvements to its infrastructure, Guam may not be able to adequately support the projected increase to its population. We are working with other federal agencies and the Government of Guam through the Interagency Task Force to identify specific requirements and opportunities within the U.S. Government to finance high priority upgrades to Guam's infrastructure that support the Department's realignment. Ongoing cooperation in this regard will be crucial to ensure a successful relocation effort.

PRIOR BRAC CLEANUP & PROPERTY DISPOSAL

The BRAC rounds of 1988, 1991, 1993, and 1995 were a major tool in reducing our domestic base structure and generating savings. The Department has achieved a steady state savings of approximately $2.7 billion per year since FY-02. All that remains is to complete the environmental cleanup and property disposal on portions of 17 of the original 91 bases and to complete environmental cleanup on 14 installations that have been disposed.



Property Disposal

Last year we conveyed 3,363 acres in six separate real estate transactions at three prior BRAC bases. We also completed Findings of Suitability for Transfer (FOST) for 3,397 acres. The FOST certifies that DoD real estate is

environmentally suitable for transfer by deed under Section 120(h) of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) (42 U.S.C. Section 9620(h)). The Department of the Navy has disposed of 91 percent of the 170,000 acres from prior BRAC actions.

The DoN has spent about $3.7 billion on environmental cleanup, environmental compliance, and program management costs at prior BRAC locations through FY-07. The current cost to complete cleanup at prior BRAC locations is $1.1B in FY-09 through completion.

DoN completed 12 CERLCA Records of Decisions (RODs) and Action Memos in FY-07, seven of which were at Alameda, CA. We sampled over 3,500 monitoring wells, and treated over 350,000 cubic yards of contaminated soil and 4.4 billion gallons of contaminated groundwater. At Hunters Point we have completed the removal of all radiological impacted sewer and storm lines on Parcel B: we removed enough soil to cover a football field twenty-eight feet high! We teamed with the Stanford University to treat PCB contamination in sediment with activated carbon. This innovative technology has proven to be quite successful and could lead to more efficient and faster cleanup across DoN.

In FY-08 we are continuing progress at Hunter's Point and Alameda, two of our Prior BRAC installations with remaining programs of considerable size. There has been a concerted effort to accelerate environmental and low-level radiological cleanups to support redevelopment initiatives. Admittedly, the radiological component has caused complications and delays not previously anticipated. In FY-08, DoN will use the $50 million in additional appropriated FY-08 funds to further cleanup actions at Hunters Point, Adak, Alameda, and Treasure Island. Another $8 million appropriated in FY-08 for use on groundwater at Hunters Point will be used toward a zero valent iron treatability study. The additional funding allocated to Hunters Point will help expedite cleanup of what has proven to be one of the most unique and difficult BRAC sites for the Navy.

We have continued our success in using property sales to assist in funding environmental cleanup and property disposal as well as recover value for taxpayers from the disposal of federal property. Through a combination of cost economic development conveyances, negotiated sales, and public sales, the DoN has received over $1.1 billion in revenues from the sale of prior BRAC property. Nearly all of this revenue has been generated since FY-03. Beginning in FY-03, we have used these funds to accelerate environmental cleanup, and to finance the entire DoN prior BRAC effort including caretaker costs since FY-05.

One significant property sale remains for the Navy at the former Naval Station Roosevelt Roads, PR, which is planned for FY-09. Revenue projections for Roosevelt Roads are unknown, but are expected to be well below that obtained from the sale of California property at El Toro and Tustin. In the absence of additional land sale revenue, we are resuming the need for appropriated funds in the FY-09 budget.

BRAC 2005 IMPLEMENTATION

The DoN continues to move forward implementing closure and realignment plans that will eliminate excess capacity, improve operational readiness, capitalize on joint basing opportunities with our sister Services, maintain quality of service, and achieve cost savings. In contrast to prior BRAC commissions, the BRAC 2005 recommendations have fewer closures and many more realignments, particularly realignments that involve more than one component. The DoN has six "fence line" closures and 81 realignment recommendations involving 129 bases.

Environmental Cost to Complete

Given the relatively few number of closures, the absence of major industrial facilities, and the extensive site characterization, analysis, and cleanup that has occurred over the last several decades, the DoN's remaining environmental liabilities for BRAC 05 are substantially less than in previous rounds of BRAC. We have spent $128 million in cleanup at BRAC 05 locations through FY-07. Our remaining environmental cost to complete for FY-09 and beyond is $74 million and the majority of it will be spent at Naval Air Station Brunswick, ME and Naval Weapons Station Detachment, Concord, CA.

Accomplishments

Nearly all impacted communities have established a Local Redevelopment Authorities (LRAs) to guide local planning and redevelopment efforts. The DoD Office of Economic Adjustment has been providing financial support through grants and technical assistance to support LRA efforts.

One of the success stories of the past year was the establishment of Midcoast Regional Redevelopment Authority (MRRA) as the implementation LRA in Brunswick, ME. In December 2007, the reuse master plans for Brunswick Naval Air Station and Topsham Annex were adopted and MRRA began implementation of the plans in January 2008. Under the reuse plan, 51% of the total base property has been allocated for development (approximately 1,630 acres); and 49% (approximately 1,570 acres) of the base has been dedicated to recreation, open space, and natural areas.

The former main base of Naval Station Pascagoula (known as Singing River Island) reverted to the State of Mississippi on June 1, 2007. This facility was homeport to 1,000 military members and 100 civilians. Established as an operational homeport in 1992, the Naval Station fulfilled its mission to support and maintain surface combatants in the Southeast Region. The installation closed on November 15, 2006; but severe damage sustained to several buildings and the pier from Hurricane Katrina delayed the reversion to allow repair of the facilities. Through the team efforts of the State of Mississippi, the LRA, and the Navy, the repairs were awarded in January 2007 and completed in May 2007. This reversion represents 528 acres of BRAC 05 property eliminated from the Navy's property account.

Finally, with careful management--such as deploying tiger teams to conduct independent evaluations of site conditions and requirements--we have been able to keep our cost increases down to a modest two percent compared to our FY-08 budget request.

Joint Basing

There will be twelve joint bases, of which the DoN has the lead on four: Joint Base Anacostia-Bolling, DC; Joint Base Pearl Harbor-Hickam, HI; Joint Base Little Creek-Fort Story, VA and Joint Region Marianas, Guam. DoD issued Joint Basing Implementation Guidance (JBIG) in January 2008, stating that a memorandum of agreement for each joint base site will define the relationships between service components. Under the joint guidance, total obligation authority and real property will transfer to the lead service prior to full implementation. A number of "table top" exercises have been conducted to facilitate a smooth transition in implementing joint basing.

Walter Reed National Naval Medical Center

Naval Facilities Engineering Command is the construction agent for the Army-lead BRAC Recommendation to relocate all tertiary (sub-specialty and complex care) medical services from Walter Reed Military Medical Center (WRNMMC) to Bethesda, Maryland. The Draft EIS public comment period closed on January 28, 2008, and a Final EIS is being prepared that will address public comments, most of which concerned traffic/congestion and homeland security. The ROD is planned for May 2008.

Two construction contracts are being prepared to meet the full requirements of the BRAC recommendation:

- Contract 1 includes design and construction of Medical Inpatient and Outpatient facilities, Medical renovations of Buildings 1-10, renovation of Building 17 to house administrative functions, and construction of parking structures. This contract is scheduled for award February 2008. Contract

language precludes all construction activity until the ROD is signed so as to not prejudice the NEPA process. Award prior to ROD signature allows design to begin and gives the project better assurance of completion within the BRAC statutory deadline.

- Contract 2 includes construction of non-clinical/WTU administrative facilities, WTU and Staff Bachelor Enlisted Quarters, and a gymnasium. Contract award is planned for September 2008.

FY-07 Financial Execution

The DoN budget for FY-07 was $690 million. The OSD Comptroller will release $54 million of that amount once the business plan for Naval Integrated Weapons and Armaments RDT&E Centers at China Lake, Dahlgren, and Indian Head is approved. As of December 2007, the overall obligation rate was approximately 66%, which was impacted by the fact that over 90% of the funding was received past the midpoint of the fiscal year. Contract awards for 11 of 51 FY-07 BRAC construction projects have been delayed pending resolution of issues related to business plans, resolution of congressional issues and refinement of project scope requirements. We anticipate having contracts in place for the remaining 11 un-awarded projects by the end of the third quarter FY-08.

Impact of the DoD FY-08 Reduction

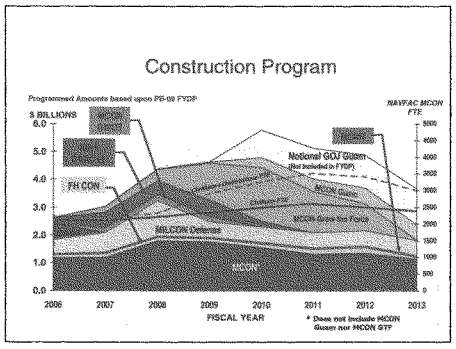
Of the DoD FY-08 Congressional budget reduction of $939 million, DoN's share was determined to be $143 million. Lack of funding creates uncertainty with our civilian and military workforce, creates turmoil with the implementation of business plans and causes us to lose momentum. Finally, without full FY-08 funding the Navy's ability to fully support joint recommendations, where the business plan is led by another component, is severely degraded. We encourage the Congress to promptly restore full funding.

If funding is not restored, we will delay two BRAC construction projects ($97 million) and Operations and Maintenance ($46 million) spending from FY-08 to FY-09. Without prompt restoral of these funds, the Navy will jeopardize its ability to implement BRAC 2005 by the September 15, 2011 statutory deadline.

MEETING THE CONSTRUCTION EXECUTION CHALLENGE

We have outlined how our facilities investment is at a record setting pace. Yet we are poised to accomplish this tremendous amount of work at hand. The Department's execution agent, the Naval Facilities Engineering Command (NAVFAC), has outlined an aggressive plan to accomplish the in increased volume of work.

Due to market conditions exacerbated by world-wide natural disasters, NAVFAC's execution lagged during FY-06. At the end of FY-06, total NAVFAC carry-over was $1,139 million, of which $712 million was DoN. In addition, there were seven pending reprogrammings. In the subsequent 16 months, we scrubbed these requirements and used innovative acquisition strategies to reduce this backlog. As of the end of January 2008, FY-07 and prior carry-over is down to $302 million of which $186 million is DoN. NAVFAC acquisition plans for FY-08 are poised to award all remaining prior year un-awarded and FY-08 MILCON and BRACON projects.



To execute the growing MILCON workload, we are utilizing successful past and innovations practices:

- Use best value source selection procedures.
- Stand-up additional, fully autonomous Officer-in-Charge of Construction offices at Bethesda, Camp Pendleton, and Camp Lejeune to focus on the concentrated workload at these locations
- Package similar and nearby projects over multiple fiscal years to achieve economies of scale. We achieved great success at Recruit Training Command complex at Great Lakes, IL using this strategy. We will do this where it makes sense while continuing to find opportunities to meet small and disadvantaged business goals.
- Incorporate "best of breed" features and standardize designs, particularly for Marine Corps BEQ projects.
- Apply Common component sourcing to minimize differences in building systems that would otherwise require multiple vendors, maintenance routines, and a wide variety of repair parts.
- Award program support contracts to augment NAVFAC's workforce, while maintaining the Governments acquisition and technical authority.

CONCLUSION

The Sea Services will operate in an increasingly dispersed environment to support the Maritime Strategy and ensure the freedom of the seas. This requires an ever strong foundation of installations from which to re-supply, re-equip, train, and shelter our forces. We must continue to make smart infrastructure investments to prepare for the future and secure the peace abroad. It has been an honor and privilege to serve this great Nation and the men and women of our Navy and Marine Corps team—the military and civilian personnel and their families.

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

DEPARTMENT OF THE AIR FORCE

PRESENTATION TO THE COMMITTEE ON ARMED SERVICES

SUBCOMMITTEE ON READINESS

UNITED STATES HOUSE OF REPRESENTATIVES

SUBJECT: FISCAL YEAR 2009 AIR FORCE MILITARY CONSTRUCTION, BRAC, ENVIRONMENTAL AND FAMILY HOUSING PROGRAMS

STATEMENT OF: THE HONORABLE WILLIAM C. ANDERSON
ASSISTANT SECRETARY OF THE AIR FORCE
(INSTALLATIONS, ENVIRONMENT & LOGISTICS)
AND AIR FORCE SENIOR ENERGY EXECUTIVE

28 February 2008

NOT FOR PUBLICATION UNTIL RELEASED
BY THE COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES

Mr. Chairman, Congressman Forbes and distinguished members of the committee, as our Nation and Department finds itself in both a time of war and a time of transition; the Air Force continues to evolve to ensure we stand ready to protect America and its interests. The Air Force is the preeminent force for operations beyond the bounds of earth, and is vital to the success of ground operations as well, which is being proven daily in Iraq and Afghanistan. Beginning with Operations DESERT SHIELD and DESERT STORM, the Air Force has been at continuous combat operations for more than seventeen years. We cannot provide Global Vigilance, Global Reach, or Global Power without our warfighting platforms—our installations—and the Airmen that construct, operate and maintain those installations. I would like to highlight just a few of the significant ways our Total Force Airmen are serving this great nation in this capacity.

We are firmly committed to supporting the Air Force's number one priority, "winning today's fight." Over 22,000 Airmen are currently deployed in direct support of Operations Enduring Freedom and Iraqi Freedom. More than 2,500 are engineers. Forty percent of the engineers are serving side-by-side with our Army comrades-in-arms by filling "Joint Sourced," "in lieu of" or "individual augmentee" positions, often sharing the same level of risk while operating "outside the wire." Our heavy construction RED HORSE engineers and our Prime BEEF engineers are well-known in the AOR for their ability to build and maintain expeditionary installation weapons platforms, whether bedding down Air Force, joint, or multinational forces. Our Air Force Explosive Ordnance Disposal (EOD) Airmen make up 37 % of Central Command's joint EOD capability in theatre and in calendar year 2007 they responded to more than 8,400 calls to destroy IEDs, unexploded ordnance, or weapons caches. Sixty six percent of these EOD warriors are operating "outside the wire" alongside their joint peers. Our "customers," whether joint, other federal agency, or multinational, continually let us know

how impressed they are by the capabilities our combat support personnel bring to the fight. While eighteen of our logistics and installation Airmen have made the ultimate sacrifice in this war, we are proud to be part of the joint effort serving our nation's call to arms.

The reconstruction effort stands alongside the operational mission in Iraq and Afghanistan. Our Air Force Center for Engineering and the Environment (AFCEE) is successfully executing a robust program to win the hearts and minds of Iraqi and Afghan citizens and help set the conditions for more free societies. Thus far, their efforts have included the execution of more than 576 projects, worth more than $4.6 billion dollars, to construct or repair more than 4,000 facilities, to include government and military facilities, airports, roads, schools, medical clinics, police stations, utilities systems, and more. Much of this work is being done by Iraqi and Afghan citizens making up more than ninety percent of the construction workforce and seventy percent of the project engineers. External audits have validated AFCEE's efficiency: low overhead costs in manpower and financial resources, minimized in-country presence, and successful leveraging of the latest in efficient and effective business processes.

Our capabilities are vital to the Global War on Terror and other American interests overseas. We are also leading the way in many initiatives on the home front. Let me briefly highlight a few. The Air Force is a great example of leadership in energy, facilities management, and the environment. We have been recognized as the number one federal purchaser of renewable energy four years running, and we are overall number three in the nation. We will achieve the DoD's 2014 goal for environmental restoration two years early. Our housing privatization efforts have leveraged more than $350 million taxpayer dollars, bringing in $6 billion in private sector investment, speeding the delivery of adequate housing to our Airmen. The Air Force is solidly on track to eliminate inadequate

housing overseas, having already received support from this Congress through 2007 to completely fund the elimination of inadequate stateside family housing. Our emergency responders implemented the cross-functional Air Force Incident Management System in December 2007, making us the first federal agency to meet the Executive Order and the Department of Homeland Security directive for implementing the National Incident Management System, assuring seamless and coordinated emergency response among agencies at or near our installations. The Air Force wants to ensure that appropriate conditions exist to make Joint Basing a raging success. We have a long and successful history of working toward common goals in a Joint environment, without compromising Air Force principles and the well-being of our people. Joint Basing initiatives are no exception. Therefore, to guarantee success, each Joint Base should be required to provide an appropriate setting to all of its assigned personnel to facilitate mission success and provide improved quality of life. Our Airmen, Soldiers, Sailors, Marines, DoD Civilians and their families will benefit from efficient, consistent Installation Support Services. These standards will ensure the Air Force and our sister Services continue to provide all personnel with the level of Installation Support Services they deserve. Our base commanders and their local service providers are, of course, on the front lines of our efforts to maintain and improve services. As we work with the Office of the Secretary of Defense (OSD) and our sister Services, we will ensure all Joint Basing initiatives contribute to DoD's ability to perform its mission. Joint Basing allows us to build closer relationships and forge stronger ties among the Services.

While we are proud of these successes, we have much work to do. Our Air Force's biggest challenge is to modernize our air, space, and cyberspace capabilities to ensure we continue to provide our nation with its decisive military advantage. While not optimal, we must take manageable risk in

our facilities and infrastructure to free up funding for weapons modernization. We also, however, have a vision to transform and overcome these challenges.

TRANSFORMATION

Our Air Force is transforming around new concepts of operations, organizational change, and advanced technologies. Accordingly, we are on a difficult but promising journey to transform our installations support enterprise. We are changing on a scale not seen since the post-Cold War draw down. As part of our Air Force strategy to internally fund weapon systems recapitalization and modernization, we needed to reduce manpower. We took this as an opportunity to restructure our Civil Engineer and Air Force Real Property Agency (AFRPA) organizations and improve support to the warfighter. The first major initiatives to transform how we effectively manage support for our installations are largely complete. We've reorganized Civil Engineering at all levels; rebalanced the force to include manpower increases in our high-demand RED HORSE and EOD combat engineer capabilities; and centralized the execution of all MILCON, housing MILCON, and environmental restoration at the AFCEE in San Antonio. BRAC 2005 directed the relocation of AFRPA to San Antonio and we took advantage of this to restructure AFRPA at the same time, to attract new skills and ideas to preserve and improve our focus on unlocking value in our underutilized real property.

We are also transforming our business processes, infrastructure, and technology to enable us to operate our installations within reduced funding levels and thereby continue to support our weapons modernization and recapitalization initiatives. Our approach includes producing efficiencies in enterprise-wide business processes while reducing by twenty percent, by the year 2020, the funding required for sustaining and maintaining our $243 billion physical plant. Let

me emphasize that installation support funding has already been reduced by 14 percent in the last three years; now we are figuring out ways to live within this funding level for the long haul and not impact our standards. Not only are we elevating internal best practices to the strategic level and using the Air Force Smart Operations for the 21st Century toolkit of "LEAN" and "Six Sigma" process improvement methods, we are also incorporating best practices from our strategic partnership with leading private sector companies, called the "Corps of Discovery."

Our installations organization established "Corps of Discovery" teams to visit companies such as GM, IBM, GE, Bank of America, ExxonMobil, CB Richard Ellis, Jones Lang LaSalle, Archibus, and others. We found that we share many of the same challenges in maintaining our operational or primary mission edge while effectively balancing investment in infrastructure. Through this mutually-beneficial relationship, these patriotic companies are sharing their invaluable transformation "lessons learned." We are centering our transformation strategy on these key "lessons learned," such as strategic sourcing and real estate management from a portfolio perspective. Leading edge companies manage their real estate and physical plant with a holistic and integrated asset management approach that enables them to better articulate and manage risk while supporting their company's mission. We recently reorganized our installations organizational structure and people around Asset Management. True transformation, takes years, and these companies have proven the value of this long-term investment. Their knowledge and experience is proving invaluable to us as we transition to the asset management approach, which is also playing a key role in installations transformation.

Maintaining our installations within current funding levels requires an aggressive approach to efficiently utilize our physical assets and target limited funding on the most critical

portions of our physical plant. An asset management-based operation allows us to attach value to our built and natural environment. This business case analysis approach will provide better decision making in a resource constrained environment. Our asset management initiatives to reach this goal include utilities privatization; energy conservation; redesigned incentive-based consolidation, demolition, and demolition in situ programs; housing privatization; and others. Finally, we have initiated a focused effort to identify opportunities where Enhanced Use Lease (EUL) authority can help us find ways to leverage our physical plant value while providing a mechanism to offset facilities and utilities operations and maintenance costs, especially energy costs. As a force multiplier, we are leveraging our Air Force Real Property Agency to be our center of excellence for identifying and acting upon EUL opportunities across the Air Force. Following on the tremendous success of the construction of the largest photovoltaic solar installation in the Americas at Nellis AFB, NV, we are pursuing five major energy-related EUL projects: solar energy at Edwards AFB, CA; Luke AFB, AZ; and Kirtland AFB, NM; a coal-to-liquid fuels project at Malmstrom AFB, MT; and a prospective nuclear energy project at a location yet to be identified.

Successful implementation of transformed business processes that will drive these physical plant utilization initiatives requires an enabling information technology (IT) system. We are transforming IT systems to support reengineered business processes and maximize the efficiency of our work force. Our benchmarking found integrated workplace management systems commonly used at these Fortune 500 companies, and we are examining how these IT systems could enable our own transformation. Launched the first part of this year, our IT acquisition strategy is leveraging key insights from the "Corps of Discovery" partnerships, and

will also leverage capable commercial-off-the-shelf systems. While meeting executive, department and Air Force requirements for real property accountability systems and data transparency, the new Agile Installation Management IT system will enable enterprise-wide reengineered business processes centered on the complete lifecycle of asset management.

As you can see, we are transforming enterprise-wide, from core business processes to organizational structure and IT systems. We are also providing leadership to our government and even the private sector, from purchasing and producing alternative energy, to housing privatization and asset management. We are making process changes at every level, resulting in resource savings and more efficient operations. At the heart of all of our efforts are of course our customers. Exceeding the expectations of our warfighters, their families and the communities that support our installations, in terms of cost, quality of service and delivery, stands as the centerpiece of our installations business model.

These efforts are the means by which we are meeting the enormous challenges of today and the foreseeable future, and they ultimately enable us to sustain and modernize the world's best air, space, and cyberspace force. These transformational changes will help us maintain our focus on our Air Force's three overarching priorities: winning today's fight, taking care of our people, and preparing for tomorrow's challenges.

FY09 AF MILCON, BRAC, ENVIRONMENTAL, O&M AND FAMILY HOUSING PROGRAMS

Air Force facilities, housing, environmental, and BRAC programs are key components of our support infrastructure. At home, our installations provide stable training environments as we equip and reconstitute our force. Both our stateside and overseas installations provide force projection

platforms to support Combatant Commanders (COCOMs), from homeland defense sorties over New York, to strike missions in Iraq. Our installations *are* weapons systems and in order to support our base-centric concept of operations, the Air Force has developed an infrastructure investment strategy that focuses on enabling COCOMs to win today's fight, take care of our people, prepare for tomorrow's challenges, implement BRAC, protect and restore our natural environment, drive energy efficiency and independence, sustain our infrastructure, and strive to recapitalize our aging infrastructure. We are the DoD's leader in expeditionary combat support and continue that role with pride. Our total force military construction, family housing, environmental, energy, and sustainment, restoration, and modernization programs are paramount to successful operations and maintaining the quality of life that our men and women in uniform and their families deserve.

The FY 2009 President's Budget (PB) request for Air Force military construction is more than $2.1 billion, comprised of traditional MILCON ($988M), BRAC 2005 ($734M) and housing investments ($396M). Unfortunately, we face demands on our resources that require tough choices. Our challenging budgetary environment includes: increased operations, maintenance, and personnel costs; the cost of the long war against terrorism; and absorbing inflation factors that reduce overall buying power. These factors have forced us to self-finance the centerpiece of future dominance - a massive and critical recapitalization and modernization effort of our aging air and space force. To accomplish this, we are accepting manageable risk in facilities and infrastructure funding. The Total Force MILCON portion ($988M) of the Air Force FY 2009 PB military construction request reflects our highest construction priorities. This request includes $935 million for active military construction, just over $34 million for the Air National Guard, and $19 million for the Air Force Reserve. In addition, this budget carefully balances our facility operations and maintenance accounts for

sustainment, restoration, and modernization with military construction programs to make the most effective use of available funding in support of the Air Force mission, while keeping "good facilities good." The Air Force Total Force sustainment funding in FY 2009 is $2 billion, 90% of the amount called for by the Facility Sustainment Model. The FY 2009 Total Force restoration and modernization (R&M) funding is $514 million – an increase of approximately $168M over last year's request.

The Air Force FY 2009 PB request of $396 million for the Military Family Housing investment program balances new construction, improvements, and planning and design work, and completes the funding to eliminate inadequate housing overseas. We cannot allow our current housing stock to fall into disrepair. Therefore, in addition to the $396 million requested for housing investment, we request nearly $599 million for operations and maintenance, for a total housing investment of just under $1 billion.

To continue our proactive and responsive environmental quality and restoration programs, the FY 2009 PB request includes $1,015 million for direct-funded non-BRAC environmental programs. In addition to the $435 million we requested for traditional environmental restoration activities, the FY09 PB request includes $367 million for environmental compliance activities and projects, $82 million for pollution prevention initiatives, $53 million for funding environmental conservation activities, $61 million for munitions response activities, and $17 million in investments in promising environmental technologies.

The Air Force is investing in its facility energy future, with $14M in 2008 and $229M more across the FYDP. These monies are lead-turning important initiatives such as establishing Resource Efficiency Managers AF-wide and enhancing our aggressive utility rate and Energy Savings Performance Contract management teams to ensure we are getting the best value for every tax-payer

dollar. We also are investing in the highest payback energy conservation initiatives such as upgrading our energy-intensive aircraft paint hangars; decentralizing heat plants; recommissioning facility heating, ventilating and air conditioning (HVAC) systems; and installing ground-source heat pumps. We expect the return on investment on these initiatives to be 2.5 to 1 or, a savings of approximately $550M by 2015.

To continue our aggressive BRAC implementation schedule, the FY 2009 PB request includes $1.2 billion for BRAC-related activities, of which $734 million is construction. The Air Force is lead for 64 BRAC business plans and has equity in 16 additional business plans. Full support of this funding request is critical to ensure we remain on track to meet the requirement for compliance by 2011.

Sound investment in our installations postures the Air Force to support our priorities of winning today's fight, taking care of our people, and preparing for tomorrow's challenges. We believe the FY 2009 PB proposal will provide the funds to ensure our installations continue to serve as effective power projection platforms that enable the continued success of our core Air Force missions.

WINNING TODAY'S FIGHT

The Air Force's first priority is to win today's fight. We plan to invest $222 million on 14 projects that support and enhance the AF's ability to deliver intelligence, maintenance, and operational capabilities to our COCOMs. The Air Force is executing 5 projects directly contributing to winning today's war within the CENTCOM area of responsibility (AOR). CENTCOM's AOR is the geographic and ideological heart of today's fight. A war without borders, it spans 27 countries in the Central Asian region of the world. The 5 projects in

CENTCOM's AOR provide much-needed in-theater aircraft maintenance as well as appropriate parking, fueling, and cargo handling space. An additional eight CONUS projects provide critical infrastructure necessary to continue to deliver, grow, and improve the high demand for an Unmanned Aircraft System presence in current and future operations. The AF will also construct a large vehicle inspection station to greatly improve the force protection and operational capability of the forces at RAF Lakenheath in the United Kingdom.

TAKING CARE OF OUR PEOPLE

The Air Force sees a direct link between readiness and quality of life. The Air Force is committed to creating and maintaining a consistent, high quality, and safe environment in locations where Airmen work, train, reside, and recreate. Our Total Force Airmen are the most valuable assets we have in winning today's fight and ensuring our air, space and cyberspace dominance. We must continue to recruit, train, develop, and retain the best America has to offer. As our Air Force becomes more capable, more efficient and more lethal, so will our Airmen. The quality of life we provide for our Airmen and their families is a distinct determining factor in how long they remain in our service. The sacrifices our Airmen and their families make are enormous. We are deeply committed to providing every Airman and their family with the best possible quality of life as they serve our nation. In this year's budget we strive to promote a wide spectrum of projects that take care of our Airmen and their families; from quality family housing for our families, quality dormitories for unaccompanied Airmen, functional fitness centers, and safe child development centers, to realistic training and operational facilities.

Workplace

The Air Force is fully committed to the ensuring the safety and protection of human health for all of our personnel, both on and off duty. The Air Force evaluated its current injury and illness rates for Airmen and determined implementation of the Occupational Safety and Health Adminstration's Voluntary Protection Program (VPP) would improve upon that commitment. VPP implementation historically results in a major reduction in illness/injury compared with non-VPP sites in like industries, and reductions on the order of 50% are not uncommon. The Air Force formalized this commitment to VPP last August through signing of a partnership agreement between the Air Force and OSHA. The agreement included a commitment to reduce civilian and military workforce injuries and illness by at least 3% per year and to expand participation in VPP and increase awareness of the value of effective safety and health management. Currently, 20 Air Force installations have begun work toward implementing the elements of VPP, and five will be ready to apply for formal OSHA evaluation and designation in 2008—Altus AFB, OK; Hanscom AFB, MA; Tinker AFB, OK; Robins AFB, GA; and Eielson AFB, AK. Eventually all Air Force installations both in the continental United States and overseas will use this tool. To make sure the Air Force is gaining from others who have improved workplace safety, we are working closely with civilian companies who have proven their commitment to the highest level of health and safety performance. We have already learned from these companies and have used their experiences to improve our safety processes, and also have found VPP implementation a common element at these high-performing organizations. Our ultimate goal is to make VPP a way of thinking both on duty and off duty for our Airmen. VPP is one way to give our Airmen the safest possible environment in which to work and live.

Energy

The Air Force Model Energy Base Initiative is testing the breadth of initiatives and best practices in facility management, aviation fuel reduction, and ground vehicle management. McGuire AFB, NJ and Barksdale AFB, LA are the two bases selected to demonstrate the effectiveness of comprehensive efforts by the AF to implement its energy strategy. McGuire AFB was selected because it represented for the Air Force a base with an Air Mobility mission in a region with a large heating load in the winter. Barksdale AFB represents an air combat mission with a large cooling load in the summer. The Air Force will be disseminating lessons learned and best practices throughout the organization as they become available, and will share with our sister services and other energy partners.

Under the Air Force Smart Operations for the 21st Century processes, we have established the HQ Air Force Energy Senior Focus Group and Provide Infrastructure Working Group which look at four strategic pillars to maximize our energy efficiencies: Improve current infrastructure, improve future infrastructure, expand renewables, and manage cost. We have established metrics to track compliance with executive orders and Air Force guidance.

We are continuing our aggressive stance with five major energy-related EUL projects: solar energy at Edwards AFB, CA; Luke AFB, AZ; and Kirtland AFB, NM; a coal-to-liquid fuels project at Malmstrom AFB, MT; and a prospective nuclear energy project at a location yet to be identified.

Family Housing

The Air Force Family Housing Master Plan details our Housing military construction, operations and maintenance, and privatization efforts. To implement the plan, our FY 2009 budget

request for family housing is just under $1 billion. Consistent with Department of Defense Strategic Planning Guidance, the Air Force is on track to fund projects through 2009 that will eliminate inadequate overseas housing.

For FY 2009, the requested $396 million for our housing investment program will replace and improve more than 2,100 housing units at eight overseas bases. An additional $599 million will pay for operations, maintenance, utilities and leases to support the family housing program.

We have used the privatization authorities granted by Congress to accelerate our family housing improvement program. By FY2009, the AF will privatize 41,500 housing units, and with the funding of the FY2009 PB the AF plans to privatize an additional 4,300 housing units. The Air Force projects it will have strategically leveraged more than $350 million in government investment to bring almost $6 billion in private sector total housing development. That is sixteen dollars of private investment for each public tax dollar. The Air Force is evaluating the privatization of remaining CONUS installations where feasible.

Unaccompanied Housing (Dormitories)

The FY 2009 total Air Force requirement for dormitory rooms is 60,200. We have made great progress using the three-phased investment strategy outlined in our Dormitory Master Plan (DMP). Phase I, now construction complete, eliminated central latrine dormitories. With the FY 2007-2009 MILCON programs we have the necessary funding to complete Phase II of our DMP, which is our permanent party and pipeline dorm room shortage (deficit), by building new dormitories. In Phase III, now underway, we will replace existing dormitories at the end of their useful life with a standard Air Force-designed private room configuration under the 'Dorms-4-

Airmen' concept. Our 'Dorms-4-Airmen' concept capitalizes on our wingman strategy and keeps our dorm residents socially and emotionally fit.

Our FY 2009 Program reflects this strategy. The $104 million request for dormitory investment will replace or construct more than 1,400 rooms for unaccompanied personnel at three CONUS bases. We are equally committed to providing adequate housing and improving the quality of life for our unaccompanied junior enlisted personnel as we are to our families.

Fitness and Child Development Centers

The Air Force maintains its strong commitment to the 'Fit-to-Fight' program. Fitness and exercise is a regular part of Airmen's lives as they prepare to meet the rigors of the expeditionary environment. Our goal is to replace at least one fitness center per year until we have the resources to do more. This year we will construct a new fitness center at Dover AFB, Delaware.

We also remain committed to our Air Force families and we are dedicated to providing them with adequate and nurturing child care facilities. The most urgent need in 2009 is at Columbus AFB, Mississippi. Its current facility only meets half of the childcare requirement and is being supplemented by a leased trailer. Our $8M FY09 MILCON project will construct a Child Development Center to provide supervised care for 128 infants and preschool children.

Operations and Training

Our MILCON program supports our expanded view of quality of life for Airmen by providing facilities from which to train in and operate. New Security Forces Operations and Communications facilities in Burlington, Vermont will provide the men and women of the Air National Guard in one of our most stressed career fields with functional, up-to-date facilities to meet necessary training and day-to-day operational requirements. This year's program also

includes a 56-position Combat Arms Training and Marksmanship facility at Maxwell AFB, Alabama to supplement the existing, undersized, high-demand range. The range enables the continuing improvement of our Air and Space Basic Course by providing combat-focused training to our junior officers. Finally, a recapitalization project at the Air Force Academy concludes the phased upgrade of the Fairchild Hall academic building.

Environmental Management Programs

Our environmental management programs continue to ensure our most basic quality of life needs are being met for our Airmen and surrounding communities: clean air, clean drinking water, and healthy working and living conditions for our workforce and base residents. We are also implementing refinements to our environmental management approach to incorporate best practices where we find opportunities. All Air Force installations have put in place and continue to utilize their Environmental Management Systems to identify environmental aspects of base operations, assess their impacts, and allow commanders to make informed decisions and investments to reduce environmental risks and compliance costs. I also challenged our installation commanders to significantly reduce new environmental enforcement actions last year, and I'm proud to tell you we cut our new enforcement actions by 39% from FY05 to FY07--a major success story. We intend to cut enforcement actions by another 14% in FY08.

PREPARING FOR TOMORROW'S CHALLENGES

Our third priority is to prepare for tomorrow's challenges. Our 2009 MILCON program is a direct reflection of our strong commitment to the current and future success of our Air Force and is heavily weighted toward preparing for tomorrow's challenges by addressing our most critical modernization and recapitalization needs. The $493 million FY 2009 Total Force military

construction program consists of 32 projects that are essential to modernization and recapitalization,

The F-22 Raptor is the Air Force's primary air superiority fighter and key enabler, providing operational access, homeland and cruise missile defense, and force protection for joint forces. Combat-capable Raptors are in full rate production on the world's only 5th generation production line. Elmendorf AFB, Alaska will be the second operational Raptor base, and Holloman AFB will be the third. We are constructing 13 projects to continue to beddown the world's premier fighter at a cost of $197 million. The F-35 Lightning II Joint Strike Fighter is our 5th generation multi-role strike fighter aircraft optimized for air-to-ground attack. The F-35 will recapitalize combat capabilities currently provided by the F-16 and A-10, and will complement the capabilities of the F-22. A student dormitory project at Eglin AFB, Florida continues the beddown for joint F-35 training squadrons. To provide the best possible training to our aircrews by using a professional adversary force of pilots and controllers, the Air Force is pressing forward with its vision for a more robust Aggressor program. Constructing a squadron operations facility and aircraft maintenance unit at Nellis AFB, Nevada supports the beddown of a full 24-aircraft F-16 Aggressor squadron.

Our Tactical Air Controllers are embedded with ground forces, directing Air Power in support of ground operations. This year's MILCON program provides the 3rd Air Support Operations Group with a Joint Air Ground Center at the unit's host Army installation, Fort Hood Texas. This facility supports the US Army's brigade transformation and provides Air Force Tactical Air Controllers with the training space required to support the critical Close Air Support mission.

We are modernizing and recapitalizing our facilities in support of large-frame aircraft as well. The C-17 continues its outstanding support for humanitarian operations and the Joint warfighter. The addition and alteration of simulator facilities at Charleston and McChord Air Force Bases will greatly improve the program's training efficiency. A MILCON project at Cheyenne, Wyoming constructs a C-130 squadron operations facility to support daily 24-hour operations for airborne firefighting, aeromedical evacuation, and homeland defense missions. Tinker AFB is also receiving a hangar to satisfy scheduled maintenance requirements for Air Force Reserve and Air National Guard associate KC-135 units.

Intelligence, Surveillance, and Reconnaissance (ISR), communications, and space systems play an ever-increasing role in what we do. The Total Force Initiative (TFI) Information Operations Squadron Facility at New Castle, Delaware will provide real-time information operations mission support, analysis, and feedback of reconnaissance missions around the world supporting commanders in the field.

Depot Maintenance Reengineering and Transformation (DMRT) remains essential to revitalizing depots using "LEAN" principles to increase aircraft availability by reducing depot cycle time, defects, and costs. This program has played a significant role in transforming our industrial base to more effectively support warfighter requirements. The 2009 program supports the DMRT initiative with two projects, one at Robins AFB, Georgia and one at Tinker AFB, Oklahoma, together totaling $73 million.

The 2009 military construction program has five other infrastructure modernization projects worth $109 million. These projects cover the spectrum from a SOCCENT headquarters facility at MacDill AFB, Florida and personnel moves in the National Capitol Region, to an

infrastructure project on Guam that enables the relocation of a Combat Communications unit from Kadena AB, Japan to Andersen AFB, Guam. These projects recapitalize our aging infrastructure and enable us to support our vision for a modernized force.

BASE REALIGNMENT AND CLOSURE

The ongoing implementation of Base Realignment and Closure recommendations is among the Air Force's efforts to transform the Total Force. In this round of BRAC, 78% of our required actions involve the Air Reserve Component while in past rounds, fewer than 20% involved the Air National Guard and Air Force Reserve. This transformational effort across the force will ensure the Air Force is more lethal, agile, and capable of maintaining total dominance in air, space, and cyberspace domains.

Joint Basing

We have a long and successful history of working toward common goals in a Joint environment, without compromising Air Force principles and the well-being of our people. Joint Basing initiatives are no exception. Therefore, to guarantee success, each Joint Base should be required to provide an appropriate setting to all of its assigned personnel to facilitate mission success and provide improved quality of life. Our Airmen, Soldiers, Sailors, Marines, DoD Civilians and their families will benefit from efficient, consistent Installation Support Services. These standards will ensure the Air Force and our sister Services continue to provide all personnel with the level of Installation Support Services they deserve. Our base commanders and their local service providers are, of course, on the front lines of our efforts to maintain and improve services. As we work with the Office of the Secretary of Defense (OSD) and our sister Services, we will ensure all Joint Basing initiatives contribute to DoD's ability to perform its

mission. A Senior Joint Base Working Group, led by the Deputy Under Secretary of Defense (Installations & Environment), is developing policy to implement joint bases by September 15, 2011, in accordance with BRAC law. The group is in the process of defining common standards for delivery of service of installation support functions before they are transferred. Once standards and corresponding performance metrics are established, the bases will develop formal support agreements and implementation plans in order to proceed with the joint base construct.

San Antonio Medical Merger

In San Antonio, the Air Force is the lead for implementing one of the most complex sets of BRAC recommendations in history. Along with our sister Services, and the TRICARE Management Activity, we continue to make significant strides to change the way military health care is delivered, and to consolidate all Services' enlisted medical education and training from across the U.S. onto a single campus at Fort Sam Houston, and to centralize a significant part of military medical research.

Execution of BRAC recommendations in San Antonio is fully funded and on-schedule. On January eleventh of this year, the Corps of Engineers broke ground on a ninety-two million dollar Battlefield Health and Trauma Research facility which will be integral to developing life saving medical care for our war-fighters. Additionally, beginning this year, we will begin constructing instructional facilities, dining facilities, and dormitories in direct support of world-class training for our Joint medics. Just this month, two dormitory contracts have been let in support of this effort.

BRAC 2005 Execution Report Card

Managing and executing the multi-million dollar program, with diverse interests,

locations, and economic influencers involved, is a major endeavor. As a result the Air Force underwent an effort to identify, analyze and define its requirements and the assets needed to implement its program.

The Air Force has executed 80 percent of our Fiscal Year 2007 BRAC MILCON projects, with the total contract awards staying within 99 percent of the original programmed amount. I am content with the current working estimates for our unexecuted Fiscal Year 2007 projects and confident we will award the projects and stay within budget. Current working estimates for the Air Force Fiscal Year 2008 BRAC MILCON projects again show we should execute within our overall programmed amount.

The $939 million Omnibus reduction to the Department of Defense BRAC 2005 account must be restored. If left unfunded, the reduction will result in the Air Force receiving $235M less than required in Fiscal Year 2008. The Air Force will experience delays and disruptions in construction and the movement of our people and assets. Delays will impact our ability to meet mandated completion deadlines and could ultimately result in a failure to complete mandated actions. Prompt action and restoration of full funding will permit us to stay on course in executing our obligations for timely completion of the BRAC recommendations as approved by the Congress. We solicit your support in advocating that action occur.

AIR FORCE REAL PROPERTY AGENCY BRAC AND REAL ESTATE

The Air Force is a federal leader in the implementation of the real property management principles outlined in Presidential Executive Order 13327, *Federal Real Property Asset Management.* We aggressively manage our property assets to deliver maximum value for the taxpayer, support to the Air Force warfighter, and improved quality of life for our Airmen and

their families. The Air Force is achieving these priorities through two fundamental efforts: (1) completion of our BRAC property disposal mission; and (2) leveraging the value of our non-BRAC property assets using a suite of property management and disposal tools.

The Air Force has successfully deeded 85 percent of the 87,000 acres of legacy Air Force BRAC property to date. The highly successful reuse of Air Force base closure property led to the creation of tens-of-thousands of jobs in the affected communities. To complete the clean up and transfer of remaining property, the Air Force is partnering with industry leaders on innovative business practices for its "way ahead" strategy. These include an emphasis on performance-based environmental remediation contracts, using such performance-based contracts on regional clusters of BRAC bases, and innovative tools such as early property transfer and privatization of environmental cleanup. Our objectives remain constant and clear: (1) provide reuse opportunities that best meet the needs of the Air Force and local communities, (2) move the process along smartly in each situation to get property back into commerce as soon as practical, and (3) provide transparency throughout the process. Of the 32 legacy BRAC bases slated for closure, the Air Force has completed 19 whole-base transfers. The remaining 13 are targeted for transfer by 2010.

As the Air Force transfers BRAC property for civic and private reuse, it is paramount that we ensure any past environmental contamination on the property does not endanger public health or the environment. The Air Force will continue to fulfill this most solemn responsibility, as reflected in our FY 2009 request of $120 million for legacy BRAC clean up activities.

At our non-BRAC Air Force installations, we continue to reshape our infrastructure to meet the demands of the 21st century. The Air Force seeks fair market value for disposal or

outgrants of property, and uses new tools, such as Enhanced Use Leasing, or EUL, authority, to optimize our resources and obtain value from our underutilized or excess capacity -- value we can return to the warfighter.

EUL constitutes a rapidly growing segment of our efforts to leverage the value of our property assets. EUL allows the Air Force to lease military property that is currently underutilized, but that is still needed for future mission needs, to private industry and public entities in exchange for cash or in-kind consideration that will provide certain services, facilities, or property repair and renovations to the Air Force. EULs are win-win scenarios for all involved. Through EUL projects, developers can establish long-term relationships with private and government partners who are potential tenants with specific real estate needs. Additionally, developers can receive market rates of return on design, construction, maintenance, tenant leases and property management activities. The Air Force Enhanced Use Lease Program is active with 21 projects undergoing feasibility studies across the nation. A 10 USC 2869 exchange is another asset management tool, allowing the Air Force to work with communities to find effective win-win solutions to the disposal of BRAC and non-BRAC property. Communities benefit from receipt of real property, in exchange for which, value is returned to the Air Force in the form of approved MILCON projects. The Air Force is actively engaged in 2869 exchanges at Lynn Haven, FL and Norwalk, CA.

MAINTAINING OUR FACILITIES AND OPERATIONAL INFRASTRUCTURE

The Air Force remains focused on sustaining, restoring, and modernizing our operational infrastructure. Through our "Corps of Discovery" partnerships, we have been benchmarking the "best of the best" asset managers that our country has to offer. We are finding and implementing

ways to manage better, utilize resources more wisely, leverage private sector investment potential, and use smart information technology. Our aim is to effectively manage assets by optimizing resources to deliver operational infrastructure for the warfighter at our installations and ranges. In 2009, we have focused sustainment funding on keeping our "good facilities good" and targeted limited Restoration and Modernization (R&M) funding to fix critical facility and infrastructure deficiencies to maintain readiness.

Our sustainment program is aimed at maximizing the life of our facilities and infrastructure in order to preserve our existing investment. Without proper sustainment, our facilities and infrastructure rapidly wear out. Additionally, commanders in the field are driven to use other operations and maintenance (O&M) accounts to address facility requirements that impact their mission capabilities.

When facilities require restoration or modernization, we use a balanced program of O&M and military construction funding to make them "mission ready." Unfortunately, restoration and modernization requirements in past years exceeded available O&M funding, causing us to defer much-needed work. It is important for us to steadily increase the investment in restoration and modernization in order to halt the growth of this backlog, while fully funding sustainment to maximize the life of our facilities and infrastructure.

The Air Force Total Force sustainment funding request in FY 2009 is $2 billion, 90% of the amount called for by the Facility Sustainment Model (FSM). The FY 2009 Total Force R&M funding request is $514 million, a much needed improvement over our FY 2008 PB request. This is an area where the Air Force is taking manageable risk given our other budgetary priorities.

DEMOLITION OF EXCESS, OBSOLETE FACILITIES

In addition to modernizing and restoring worn out facilities, we also demolish excess and obsolete facilities. This ensures funds are focused on facilities we need, not on sustaining those we do not. For the past ten years, the Air Force has aggressively demolished or disposed of facilities that were unneeded or no longer economically viable to maintain. From FY 1998 through FY 2007, we demolished 27.3 million square feet of non-housing facilities and infrastructure at a cost of $303 million in O&M funding. This is equivalent to demolishing more than three average size Air Force installations and has allowed us to target our O&M funding on facilities we need for the long-term mission. As part of its transformation vision, the Air Force will continue to aggressively identify opportunities to eliminate excess and obsolete facilities.

PLANNING AND DESIGN/UNSPECIFIED MINOR CONSTRUCTION

This year's Air Force MILCON request includes $88 million for planning and design (P&D), of which $8 million is for military family housing. The request includes $71 million for active duty, $5 million for the Air National Guard and $4 million for the Air Force Reserve. These funds will allow us to complete the design work for FY 2010 construction programs and to start the designs for FY 2011 projects, allowing us to award contracts in the year of authorization and appropriation.

This year's request also includes $28 million for the Total Force unspecified minor construction program, which is our primary means for funding smaller projects.

ENERGY STRATEGY

The increasing costs of energy and our commitment to reducing our dependence on foreign oil have led to the development of the Air Force energy strategy—to reduce demand, increase supply, and change the culture within the Air Force so that energy is a consideration in

everything we do.

In view of this commitment, the Air Force is implementing aggressive demand side fuel optimization and energy efficiency initiatives on each of our three energy sectors: aviation operations, ground transportation and support equipment, and installations. We are also assuring energy supply side availability of fuel for our aircraft, ground vehicles and equipment, and our facilities through initiatives such as testing and certifying our aircraft to use synthetic fuel and exploring public-private partnerships so that renewable sources of energy are available. Third, and perhaps the most important element of our energy strategy, we are ensuring that our strategy transcends the present to create a lasting culture of change in all Airmen so that energy becomes a consideration in all we do through the strong involvement of our senior leadership, changes to our training and curricula at all levels throughout the Air Force and communication efforts so that every Airman knows the importance of what they are doing to conserve energy.

Synthetic Fuel

Taking the lead to reduce dependence on foreign oil, the Air Force is evaluating a broad range of energy alternatives and the Air Force Synthetic Fuels Initiative is a key part to our energy strategy. As the DoD's leading consumer of jet fuel, we are currently engaged in evaluating alternative fuels and engine technologies leading to greater fuel efficiency. We've certified the B-52 to fly on a synthetic fuel blend, and are on track to test and certify the C-17, B-1 and F-22 in the near future, with the entire Air Force fleet certified by early 2011.

The Air Force goal is to cost-effectively acquire 50 percent of our contiguous United States (CONUS) aviation fuel via a synthetic fuel blend utilizing domestic feedstocks and produced in the United States by 2016, with the intent to require that the synthetic fuel purchases

be sourced from suppliers with manufacturing facilities that engage in carbon dioxide capture and effective reuse.

The Air Force has stated its commitment to purchase alternate fuels that have a greener footprint than currently-available alternatives. And of course, we will ensure we take all necessary steps to protect human health and the environmental in compliance with local, state and federal law, including the National Environmental Policy Act and Section 526 of the Energy Security and Independence Act of 2007. By requiring carbon dioxide capture and effective reuse for our Synthetic Fuels Initiative, the Air Force is ensuring that lifecycle greenhouse gas emissions associated with the production and combustion of synthetic fuel purchased for general use have lower emissions than those from conventional petroleum sources.

Reduction of Facility Energy Usage

The Air Force has an aggressive facility energy conservation program that achieved an impressive 30% reduction in energy use over the past 20 years. Your Air Force is the Federal Government's largest purchaser of "green power" and the third largest in the nation overall. Thirty-seven of our bases purchase green power - at Dyess AFB, TX, Fairchild AFB, WA, and Minot AFB, ND, 100 percent of the electrical energy purchased came from renewable sources.

Public-Private Partnerships and Energy Enhanced Use Leases

The Air Force continues to look for opportunities at our installations for installing and developing renewable energy projects for wind, solar, biomass, waste-to-energy, landfill gas and geothermal power as well as commercial-scale ethanol and biodiesel fuel plants.

At Nellis AFB, NV, through a public-private partnership with Powerlight, a subsidiary of Sun Power Corporation, we installed the largest solar photovoltaic array in the Americas. It became operational in November and produces over 14.2 megawatts of clean, renewable, power.

Overall, this renewable source of power results in a cost savings of nearly $1 million a year for the installation and the American taxpayer.

On under-utilized land at Malmstrom AFB, MT, the Air Force is exploring the potential for a publicly financed and operated coal-to-liquid fuel plant. We held an industry day on January 31, 2008, at Malmstrom to provide the opportunity for potential partners to learn about the project and the installation's assets. Similar to the solar energy EUL projects we are pursuing at Edwards AFB, CA; Luke AFB, AZ; and Kirtland AFB, NM; this private-public partnership would allow a private industry to utilize Air Force property in return for in-kind considerations.

Nuclear Energy

We are also looking into the merits of hosting a nuclear power plant on an Air Force installation, at the request of members of the Senate. Given the energy requirements of our air bases, as well as the unique demands of some of our remote installations, small modular nuclear reactors seem to provide a viable option to meet our future energy demands. We believe that the market is best suited to identify technological and economic winners. We expect the nuclear power project to be commercially funded and financially viable with normal commercial risk. In all cases, the Air Force would not develop, design, own, operate, or be the licensee for the nuclear power plant. We are in the process of gathering and assessing responses to a Request for Information from industry. The current estimate is that any plant built and operated pursuant to this initiative could be operational in latter half of next decade. Under ideal circumstances the Air Force intends to sign one or more letters of intent with viable consortiums by October 2008.

Alternative Vehicles and Fuels

We currently have over 5,200 FlexFuel vehicles in our fleet and nearly 8 percent of our

diesel fuel is B20, which is a blend of 80 percent conventional diesel and 20 percent renewable bio-fuels. We spent approximately $10 million on alternative fuels alone for ground vehicles and equipment in FY07 and have budgeted over $100 million over the next five years for alternative fuel and low-speed vehicles.

Greenhouse Gas Emissions

The Air Force recognizes that energy and environmental management decisions are essentially two sides of the same coin; the interdependence between the two areas is clear. While our overall energy strategy is driven by the imperative to ensure the security and sustainability of mission critical energy resources, likewise, our environmental management strategy is looking beyond the regulatory paradigm to ensure mission needs are supported by sustainable environmental practices.

As an Air Force with global reach and alliances, we are well aware of the international concern regarding greenhouse gas emissions, and recognize the importance placed on greenhouse gas emissions management by our allies, global partners, and here in the homeland. In order to make proactive, informed decisions about greenhouse gas emissions management with respect to energy use, alternate energy options, as well as chemical use, land management and process improvement opportunities, the Air Force has initiated a comprehensive greenhouse gas inventory to identify overall greenhouse gas emission sources from a "top down" aggregate energy use perspective, as well as from a detailed "bottom up" perspective, identifying greenhouse gas emissions from material usage and process activities. Further, we are identifying and quantifying biological carbon sequestration on our Air Force properties so that biological sequestration opportunities are understood as we manage over 9.8 million acres of Air Force

installations and military range lands. We intend to complete our first comprehensive inventory by September 1st of this year.

UTILITY PRIVATIZATION

Turning to utilities privatization, similar to our efforts in privatizing housing, the Air Force is privatizing utilities where it makes economic sense and does not adversely affect readiness, security, or mission accomplishment. Because installations are key to our operational capabilities, our network of bases provide necessary infrastructure for deploying, employing, and sustaining air and space operations and re-deploying and reconstituting the force afterwards. Reliable utility systems are critical infrastructure components and essential to air operations and quality of life at every Air Force base. Additionally, these systems must be consistent with modern technology to optimize energy conservation. We believe privatization offers an important tool in the toolbox for simultaneously meeting both these requirements.

To date, under OSD's utilities privatization program, the Air Force has conveyed 14 systems under 10 U.S.C. 2688 and 6 additional systems using standard FAR clauses, for a total of 20 privatized systems with a plant replacement value in excess of $300 million. We are currently evaluating an additional 335 systems for privatization. Additionally, where market conditions may have changed, we plan to re-solicit 145 systems previously determined "uneconomic." We anticipate possibly privatizing another 10 systems in FY 2008. By the time the program concludes, we now anticipate more than half of about 500 systems could be privatized. During the course of this process, we further expect many competitive solicitations will end up as sole source procurements from local utility companies.

CONCLUSION

The current and future readiness and capability of our Air Force to deter our enemies and, when necessary, fight and win our nation's wars, depends heavily upon the state of our power projection platforms - our installations. As the Air Force continues to modernize and recapitalize, we will continue to wisely invest our precious military construction, operations and maintenance, BRAC, military family housing, energy, and environmental funding to win today's fight, take care of our people, and prepare for tomorrow's challenges.

Thank you Mr. Chairman.

RECORD VERSION

STATEMENT BY

MR. DAVID M. REED
DEPUTY ASSISTANT SECRETARY OF THE ARMY
(INSTALLATIONS AND HOUSING)

BEFORE THE

HOUSE ARMED SERVICES COMMITTEE
SUBCOMMITTEE ON READINESS

SECOND SESSION, 110TH CONGRESS

ON THE FISCAL YEAR 2009
MILITARY CONSTRUCTION, ARMY
MILITARY CONSTRUCTION, ARMY NATIONAL GUARD
MILITARY CONSTRUCTION, ARMY RESERVE
ARMY FAMILY HOUSING
AND
BASE REALIGNMENT AND CLOSURE
BUDGETS

FEBRUARY 28, 2008

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COMMITTEE ON ARMED SERVICES

DAVID M. REED
DEPUTY ASSISTANT SECRETARY OF THE ARMY
(INSTALLATIONS AND HOUSING)
Office of the Assistant Secretary
of the Army
(Installations and Environment)

As Deputy Assistant Secretary, Mr. Reed serves as the senior career person within the Army Secretariat responsible for the Army's worldwide installations and housing structure, with a replacement cost estimated at $251 billion. He provides policy, program direction, and handles political issues involving Administration, Congressional, State and local officials for all Active Army and Reserve Component facilities. He oversees the execution of key Army engineering; housing; construction; real property acquisition, management and disposal; and base realignment and closures. He represents the Secretary of the Army in communications with industry, the public, and the media on installations and housing programs.

Prior to his appointment as the DASA(I&H), Mr. Reed served as the Assistant for Construction in the office of the Deputy Assistant Secretary for Installations and Housing. In this position, he was responsible for Secretariat level oversight of all military construction policy and execution, all Active and Reserve Component Army construction, and non-appropriated fund construction.

Mr. Reed is a graduate of Lafayette College (1973) with a BS in Civil Engineering, and the University of Florida (1982) with a Master of Engineering Degree. Additionally, he is a graduate of the National War College and is a Registered Professional Engineer in the Commonwealth of Virginia.

Mr. Reed is a retired Army officer whose service included tours in Germany, Netherlands, Italy, Egypt, the Pentagon, and numerous troop assignments to include the 1st Infantry Division and the 1st Cavalry Division. His awards include the Distinguished Service Medal, Legion of Merit, and the Army's Meritorious and Superior Civilian Service Medals.

STATEMENT BY
MR. DAVID M. REED
DEPUTY ASSISTANT SECRETARY OF THE ARMY
(INSTALLATIONS AND HOUSING)

INTRODUCTION

Mr. Chairman and members of the Subcommittee, it is a pleasure to appear before you to discuss the Army's Military Construction budget request for fiscal year 2009. Our request is crucial to the success of the Army's strategic imperatives to Sustain, Prepare, Reset, and Transform the force. We appreciate the opportunity to report on them and respond to your questions. We would like to start by thanking you for your support to our Soldiers and their Families serving our Nation around the world. They are and will continue to be the centerpiece of our Army, and their ability to successfully perform their missions depends upon Congressional support.

The Army's strength is its Soldiers – and the Families and Army Civilians who support them. The quality of life we provide our Soldiers and their Families must be commensurate with their quality of service. Our budget request, if approved, will enable Soldiers and their Families to receive the facilities, care, and support they need to accomplish the tasks our national leaders ask them to perform.

OVERVIEW

Rebalancing the Force in an Era of Persistent Conflict

Installations are the home of combat power and a critical component of the Nation's force generating and force projecting capability. Your Army is working hard to deliver cost-effective, safe, and environmentally sound capabilities and capacities to support the national defense mission.

The tremendous changes in our national security environment since the terrorist attacks on our Nation clearly underscore the need for a

joint, integrated military force ready to defeat all threats to U.S. interests. In the 21st century, warfare is increasingly becoming a contest between America and its allies trying to build up human resources, governmental authority, and physical infrastructure faster than the enemy can tear it down. People and the knowledge, experience, and skills they can bring to bear in this contest, will often be equally or more decisive to the outcome than sophisticated technology and massive firepower. This is a key difference from the industrial age warfare of the 20th century.

To meet these security challenges, we require interrelated strategies centered on people, forces, quality of life, and infrastructure. Regarding infrastructure, we need a global framework of Army installations, facilities, ranges, airfields, and other critical assets that are properly distributed, efficient, and capable of ensuring we can successfully carry out Army roles, missions, and tasks to safeguard our security at home and abroad.

Army infrastructure enables the force to successfully accomplish missions and generate and sustain combat power. As we transform our operational forces, so too must we transform the institutional Army and our installation infrastructure. We will accomplish these efforts by translating the Army's four major imperatives (Sustain, Prepare, Reset, Transform) into initiatives such as Base Realignment and Closure (BRAC) 2005, Global Defense Posture Realignment (GDPR), Army Modular Force Transformation, the Army Medical Action Plan, the Soldier and Family Action Plan, and the President's Grow the Force initiative.

Forging the Pieces Together: Stationing

The Army's stationing initiative is a massive undertaking, requiring the synchronization of base realignments and closures, unit activations and deactivations, and the flow of forces to and from current global

commitments. Our decisions to synchronize activities associated with the aforementioned initiatives continue to be guided by the following key criteria:

- Meeting operational requirements
- Funding critical requirements to achieve unit mission
- Compliance with applicable laws
- Minimizing the use of temporary facilities
- Giving facility priority to ranges, barracks, housing, vehicle maintenance shops, headquarters and operations, dining and instruction facilities
- Providing economic benefits
- Using existing infrastructure to reduce cost and excess capacity

Completion of this combined set of initiatives will result in an Army that is better positioned to respond to the needs and requirements of the 21st Century security environment, with our Soldiers and Families living at installations that are truly the centerpiece of the Army.

Infrastructure Quality

In addition to mission support, our installations provide the base of support for Soldiers and their Families. The environment in which our Soldiers train, our civilians work, and our Families live plays a key role in recruiting and retaining the high quality people the Army needs. Through efforts such as Barracks Modernization and Residential Communities Initiative (RCI) for Family housing privatization programs, the Army has made tremendous progress in improving the quality of life for Soldiers and their Families. These efforts will combine with the Army's stabilization of the force to strengthen the bonds between units, Soldiers, Families, and the communities in which they live.

The quality of our installations is critical to support the Army's mission, its Soldiers, and their Families. Installations serve as the platforms to train, mobilize, and rapidly deploy military power. When

forces return from deployments, installations enable us to efficiently reset and regenerate combat power for future missions. In the past year, the Army has made tremendous progress in enhancing training and improving its ability to generate and reset the force.

Global Defense Posture Realignment (GDPR)

The United States' global defense posture defines the size, location, types, and roles of military forces and capabilities. It represents our ability to project power and undertake military actions beyond our border. Together with our overall military force structure, our global defense posture enables the United States to assure allies, dissuade potential challengers, deter enemies, and, if necessary, defeat aggression. The new global defense posture will be adjusted to the new security environment in several key ways: 1) expand allied roles, build new partnerships, and encourage transformation, 2) create greater operational flexibility to contend with uncertainty, 3) focus and act both within and across various regions of the world, and 4) develop rapidly deployable capabilities. Lastly, the United States and its allies and partners will work from a different paradigm than in the past: GDPR will relocate over 41,000 Soldiers and their Families from Europe and Korea to the United States by 2011. These moves are critical to ensure Army forces are properly positioned worldwide to support our National Military Strategy. The new posture will yield significant gains in military effectiveness and efficiency in future conflicts and crises and will enable the U.S. military to fulfill its many global roles. The new posture will also have a positive effect on our military forces and Families. While we will be moving toward a more rotational and unaccompanied forward presence, these rotations will be balanced by more stability at home with fewer overseas moves and less disruption in the lives of spouses and dependents.

Army Modular Force

The Army Modular Force initiative transforms the Army from units based on the division organization into a more powerful, adaptable force built on self-sufficient, brigade-based units that are rapidly deployable. These units, known as Brigade Combat Teams (BCTs), consist of approximately 3,500 to 4,000 Soldiers. BCTs increase the Army's combat power while meeting the demands of global requirements without the overhead and support previously provided by higher commands. The main effort of Army transformation is the Army Modular Force, which reorganizes the Total Army: the Active Component, Army National Guard, and Army Reserve into modular theater armies, theater support structure, corps and division headquarters, BCTs, and multi-functional and functional support brigades. The Army is reorganizing from a division-based to a modular brigade-based force to achieve three primary goals:

First, to increase the number of available BCTs to meet operational requirements while maintaining combat effectiveness equal to or better than previous divisional brigades. Second, create brigade-size combat support and combat service support formations of common organizational designs that can be easily tailored to meet the varied demands of the geographic combatant commanders and reduce the complexities of joint planning and execution. Third, redesign organizations to perform as integral parts of the joint force, making them more effective across the range of military operations and enhancing their ability to contribute to joint, interagency, and multinational efforts. By implementing the Army Modular Force, the Army is better prepared to wage full-spectrum operations in a persistent conflict against an adapting enemy.

The fiscal year 2009 budget includes projects to ensure that our facilities continue to meet the demands of force structure, weapons systems, and doctrinal requirements.

New facility requirements for transforming units are being provided, where feasible, through the use of existing assets. Where existing assets are not available, the Army is programming high-priority projects to support Soldiers where they live and work. The Army is requesting $321 million for fiscal year 2009 through the Military Construction, Army program to provide permanent facilities to support the conversion of existing BCTs to new, modular BCTs. In addition, all new Grow the Army BCTs will be modular.

Grow the Army

The President's Grow the Army initiative, announced last year, will increase the Army's end strength by 74,000 Soldiers, bringing the inventory to 48 active duty BCTs. Given current operational requirements, the decision was made to accelerate Grow the Army. One BCT, previously budgeted to be cut from the force (the 43rd BCT), was retained at Fort Carson, and five new BCTs will be stationed at Fort Bliss, Fort Stewart, and Fort Carson. Additional stationing decisions for combat service and combat service support units have also been provided to Congress.

At the same time these announcements were made, the Army notified Congress of the decision to temporarily keep two BCTs in Europe for up to two years longer than originally planned. In fiscal years 2012 and 2013, these BCTs will be restationed at Fort Bliss and White Sands Missile Range.

Part of this year's request Military Construction, $4.195 billion, supports the Grow the Army initiative. Grow the Army projects include essential facilities required to support the increase in end strength such as brigade complexes and associated combat support, combat service support, training, and quality of life facilities worldwide. Funding is

requested for planning and design and military construction projects in the active Army, Army National Guard, Army Reserve, and Army Family Housing.

THE WAY AHEAD

To improve the Army's facilities posture, we have undertaken specific initiatives or budget strategies to focus our resources on the most important areas – Range and Training Lands, Barracks, Family Housing, and Workplaces.

Range and Training Lands. Ranges and training lands enable our Army to train and develop its full capabilities to ensure our Soldiers are fully prepared for the challenges they will face. Our Army Range and Training Land Strategy supports Army transformation and the Army's Sustainable Range Program. The Strategy identifies priorities for installations requiring resources to modernize ranges, mitigate encroachment, and acquire training land.

Barracks. Providing safe, quality housing is a crucial commitment the Army has made to its Soldiers. We owe single Soldiers the same quality of housing that is provided to married Soldiers. Modern barracks are shown to significantly increase morale, which positively impacts readiness and quality of life. The importance of providing quality housing for single Soldiers is paramount to success on the battlefield. The Army is in the 16th year of its campaign to modernize barracks to provide 147,700 single enlisted permanent party Soldiers with quality living environments. Because of Grow the Army, the requirements have increased, and for fiscal year 2009, a total of $1,003.6 million will be invested in new barracks complexes that will meet DoD's "1+1" or equivalent standard. These units provide two-Soldier suites, increased personal privacy, larger rooms with walk-in closets, new furnishings, adequate parking,

landscaping, and unit administrative offices separated from the barracks. We are on track to fully fund this program by 2013.

Family Housing. This year's budget continues our significant investment in our Soldiers and their Families by supporting our goal to have contracts and funding in place to eliminate remaining inadequate housing at enduring overseas installations by the end of fiscal year 2009. The U.S. inadequate inventory was funded for elimination by the end of fiscal year 2007 through privatization, conventional military construction, demolition, divestiture of uneconomical or excess units and reliance on off-post housing. For Families living off post, the budget for military personnel maintains the basic allowance for housing that eliminates out of pocket expenses.

Workplaces. Building on the successes of our Family housing and barracks programs, we are moving to improve the overall condition of Army infrastructure by focusing on revitalization of our workplaces. Projects in this year's budget will address requirements for operational, administration, instructional, and maintenance facilities. These projects support and improve our installations and facilities to ensure the Army is deployable, trained, and ready to respond to meet its national security mission.

Leveraging Resources

Complementary to these budget strategies, the Army also seeks to leverage scarce resources and reduce our requirements for facilities and real property assets. Privatization initiatives such as RCI and utilities privatization represent high-payoff programs which have substantially reduced our dependence on investment funding. We also benefit from agreements with Japan, Korea, and Germany where the Army receives host nation-funded construction.

In addition, Congress has provided valuable authorities to utilize the value of our non-excess inventory under the Enhanced Use Leasing program and to exchange facilities in high-cost areas for new facilities in other locations under the Real Property Exchange program. In both cases, we can capitalize on the value of our existing assets to reduce un-financed facilities requirements.

The Army is transforming military construction by placing greater emphasis on installation master planning and standardization of facilities as well as planning, programming, designing, acquisition, and construction processes. Looking toward the immediate future, we are aggressively reviewing our construction standards and processes to align with industry innovations and best practices. In doing so, we expect to deliver quality facilities at lower costs while meeting our requirements more expeditiously. By encouraging the use of manufactured building solutions and other cost-effective, efficient processes, the Army will encourage non-traditional builders to compete. Small business opportunities and set-aside programs are being addressed. Work of a repetitive nature coupled with a continuous building program will provide the building blocks for gaining efficiencies in time and cost.

Action Plans for Soldiers, Families, and Medical Programs

In a persistent conflict, sustaining the All-Volunteer Force is a fundamental strategic objective for the Army. The most important element in sustaining our Army is the quality of life we provide to our Soldiers and their Families. At the core of the Army's strategy lie two programs the Army leadership has developed: the Soldier and Family Action Plan and an Army Medical Action Plan. Both initiatives will integrate programs spanning a range of Army budget accounts. At the core of the Soldier and Family Action Plan is the Army Family Covenant that conveys our commitment to support all members of the Army Family in five general

areas: standardizing and funding existing Family programs and services; increasing accessibility and quality of health care; improving Soldier and Family Housing; ensuring excellence in our schools, youth services, and child care facilities; and expanding education and employment opportunities for Family members.

The budget includes $70.6 million for child development centers and youth centers. We will also be using the extended authority granted in the Fiscal Year 2008 National Defense Authorization Act to fund child development centers using Operation and Maintenance, Army funds. Once Congress completes its deliberations for the Fiscal Year 2008 Supplemental, Army Medical Action Plan projects will proceed as planned.

MILITARY CONSTRUCTION

Military Construction Appropriation	Authorization Request	Authorization of Appropriations Request	Appropriation Request
Military Construction Army (MCA)	**$4,178,513,000**	**$4,615,920,000**	**$4,615,920,000**
Military Construction Army National Guard (MCNG)	N/A	$539,296,000	$539,296,000
Military Construction Army Reserve (MCAR)	N/A	$281,687,000	$281,687,000
Army Family Housing Construction (AFHC)	$678,580,000	$678,580,000	$678,580,000
Army Family Housing Operations (AFHO)	$716,110,000	$716,110,000	$716,110,000
BRAC 95 (BCA)	$72,855,000	$72,855,000	$72,855,000
BRAC 2005 (BCA)	$4,486,178,000	$4,486,178,000	$4,486,178,000
TOTAL	**$10,132,236,000**	**$11,390,626,000**	**$11,390,626,000**

The Army's fiscal year 2009 budget request includes $11.4 billion for Military Construction appropriations and associated new authorizations, Army Family Housing, and BRAC.

MILITARY CONSTRUCTION, ARMY

The Active Army fiscal year 2009 Military Construction budget request is $4,178,513,000 for authorization and $4,615,920,000 for authorization of appropriations and appropriation, including $3,483,664,000 (including planning and design) for Grow the Army.

Sustain (Barracks and Quality of Life Projects). The well-being of our Soldiers, civilians, and Families is inextricably linked to the Army's readiness. We are requesting $1.3 billion of our Military Construction, Army budget for projects to improve Soldier quality of life in significant ways.

The Army continues to modernize and construct barracks to provide Soldiers quality living environments. We will provide new permanent party barracks for 6,362 single Soldiers. For Soldiers in a training environment, this year's budget request includes 6,864 training barracks. With the approval of $503.6 million for these training barracks, 38 percent of our requirement will be funded at the standard.

We are requesting the second increment of funding, $81.6 million, for the previously approved, incrementally funded, SOUTHCOM Headquarters at Miami-Doral, Florida. In addition, we are requesting the third increment of funding, $102 million, for the Brigade Complex at Fort Lewis, Washington. The budget also includes $15 million for a Brigade Complex-Operations support Facility and $15 million for a Brigade Complex-Barracks/Community, both projects at Dal Molin, Italy.

Overseas Construction. Included in this budget request is $275 million in support of high-priority overseas projects. In Germany, a Command and Battle Center located at Wiesbaden and an Aircraft/Vehicle Maintenance Complex at Katterbach are included. In Korea, we are requesting funds to further our relocation of forces on the peninsula. This action is consistent with the Land Partnership Plan agreements entered into by the U.S. and Republic of Korea Ministry of Defense. A vehicle maintenance shop is included. Our request for funds in Italy funds continuing construction for a BCT, as described above. The bulk fuel storage and supply projects (phase 5 and 8), and the joint special operations forces headquarters facility in Afghanistan and the Sensitive

Compartmented Information Facility and the Battle Command Training Center, both in Japan, are the remaining overseas projects.

Mission and Training Projects. Projects in our fiscal year 2009 budget will provide maintenance, infrastructure, utilities, operational and administration facilities, and training ranges. These projects support and improve our installations and facilities to ensure the Army is deployable, trained, and ready to respond to meet our National Security mission.

We will also construct a military operations urban terrain, tracked vehicle drivers course, automated anti-armor range, stationary tank range, modified record firing ranges, and digital multipurpose training ranges. These facilities will provide our Soldiers realistic, state-of-the-art, live-fire training. We are requesting a total of $242 million for these high-priority projects. We are also requesting funding of $9.1 million for range access roads.

Army Modular Force Projects. Our budget continues support of the transformation of the Army to a modern, strategically responsive force and contains $321 million for four brigade complexes and other facilities. The new barracks will house 988 Soldiers in support of the Army Modular Force.

Other Support Programs. The fiscal year 2009 budget includes $177 million for planning and design of future projects, including $69 million to Grow the Army. As executive agent, we also provide oversight of design and construction for projects funded by host nations. The fiscal year 2009 budget requests $24 million for oversight of host nation funded construction for all Services in Japan, Korea, and Europe.

The budget request also contains $23 million for unspecified minor construction to address unforeseen critical needs or emergent mission requirements that cannot wait for the normal programming cycle.

MILITARY CONSTRUCTION, ARMY NATIONAL GUARD

The Army National Guard's fiscal year 2009 Military Construction request for $539,296,000 (for appropriation and authorization of appropriations) is focused on Mission and Training, Transformation, Growth of the Force/Army, and other support and unspecified programs.

Mission and Training. In fiscal year 2009, the Army National Guard has requested $192.5 million for 12 projects to support preparing our forces. These funds will provide the facilities our Soldiers require as they train, mobilize, and deploy. Included are two logistics facilities, two training institutes, four range projects and four Readiness/Armed Forces Reserve Centers.

Transformation. This year, the Army National Guard is requesting $199 million for 10 projects in support of our new missions. There is one Aviation Transformation project to provide facilities for modernized aircraft and change unit structure. Also in support of the Modular Force initiative we are asking for four readiness centers, three range projects, one aviation facility, and one headquarters building.

Growth of the Force/Army. Improving the Army National Guard's ability to deal with the continued high levels of Force Deployment, under the category of growth of the Force/Army, we are submitting a request of $87.2 million for seven readiness centers, and included within the total Planning and Design request of $4.5 million for Growth.

Other Support Programs. The fiscal year 2009 Army National Guard budget also contains $48.8 million for planning and design of future projects and $11.8 million for unspecified minor military construction to address unforeseen critical needs or emergent mission requirements that cannot wait for the normal programming cycle.

MILITARY CONSTRUCTION, ARMY RESERVE

The Army Reserve fiscal year 2009 Military Construction request for $281,687,000 (for appropriation and authorization of appropriations) is for Preparation, Transformation, other support, and unspecified programs.

Preparation: In fiscal year 2009, the Army Reserve will invest $72.2 million to build four Army Reserve Centers and modernize one Army Reserve Center, in four states. The five Reserve Centers will support over 1,200 Army Reserve Soldiers and civilian personnel. In addition, the Army Reserve will invest $13.7 million to construct four training ranges, which will be available for joint use by all Army components and military services.

Transformation: The Army Reserve plan to transform from a strategic reserve to an operation force includes converting 16,000 Soldiers positions from generating force structure to operational forces. The Army Reserve will construct ten Army Reserve Center in ten states, with an investment of $178,731,000. The transformation projects will provide operational facilities for over 3,600 Combat Service and Combat Service Support units in support of Army BCTs.

Other Unspecified Programs. The fiscal year 2009 Army Reserve budget request includes $13.9 million for planning and design for future year projects and $3.1 million for unspecified minor military construction to address unforeseen critical needs or emergent mission requirements that cannot wait for the normal programming cycle.

ARMY FAMILY HOUSING CONSTRUCTION (AFHC)

The Army's fiscal year 2009 Family housing construction request is $678.6 million for authorization, authorization of appropriation, and appropriation, including $333.8 million for Grow the Army. It finalizes the

successful Whole Neighborhood Revitalization initiative approved by Congress in fiscal year 1992 and our RCI program.

The fiscal year 2009 new construction program provides a Whole Neighborhood Revitalization by replacement projects at Wiesbaden, Germany, in support of 326 Families for $133 million using traditional military construction. Also included for new construction is $125 million for Family housing at Camp Humphreys in Korea to support relocation of forces south of Seoul.

The Construction Improvements Program is an integral part of our housing revitalization and privatization programs. In fiscal year 2009, we are requesting $333.8 million in support of Grow the Army, as well as $66.2 million for direct equity investment in support of the privatization of 3,936 homes at Forts Wainwright and Greely, Alaska, as well as Fort Carson, Colorado; Fort Stewart, Georgia; and Fort Bliss, Texas, in support of Army Growth. The Improvements program also provides $20 million for traditional revitalization of 97 homes in Wiesbaden, Germany.

In fiscal year 2009, we are also requesting $579,000 for planning and design for final design on fiscal year 2009 and 2010 Family housing construction projects as well as for housing studies and updating standards and criteria.

Privatization. RCI, the Army's housing privatization program, is providing quality housing that Soldiers and their Families can proudly call home. The Army is leveraging appropriated funds and existing housing by engaging in 50-year partnerships with nationally recognized private real estate development, property management, and home builder firms to construct, renovate, repair, maintain, and operate housing communities.

The RCI program will include 45 locations, with a projected end state of over 89,000 homes - 98 percent of the on-post Family housing

inventory in the U.S. At the end of fiscal year 2008, the Army will have privatized 38 locations, with an end state of over 83,000 homes. Initial construction and renovation at these 38 installations is estimated at $11.2 billion over a 3 to 10 year development period, of which the Army will contribute about $1,287 billion. Although most projects are in the early phases of their initial development, since 2001 our partners have constructed 12,418 new homes, and renovated 10,662 homes. In addition to the 2,225 additional homes that will be constructed to support Grow the Army, the fiscal year 2009 budget request provides funding for additional homes at Forts Wainwright and Greely, Alaska. In total, the Army will expand the portfolio of privatized Family housing, transferring six additional installations during fiscal year 2009.

ARMY FAMILY HOUSING OPERATIONS (AFHO)

The Army's fiscal year 2009 Family Housing Operations request is $716 million (for appropriation and authorization of appropriations). This account provides for annual operations, municipal-type services, furnishings, maintenance and repair, utilities, leased Family housing, demolition of surplus or uneconomical housing, and funds supporting management of the Military Housing Privatization Initiative.

Operations ($126 million). The operations account includes four sub-accounts: management, services, furnishings, and a small miscellaneous account. All operations sub-accounts are considered "must pay accounts" based on actual bills that must be paid to manage and operate Family housing.

Utilities ($113 million). The utilities account includes the costs of delivering heat, air conditioning, electricity, water, and wastewater support for Family housing units. The overall size of the utilities account is decreasing with the reduction in supported inventory.

Maintenance and Repair ($252 million). The maintenance and repair account supports annual recurring projects to maintain and revitalize Family housing real property assets. Since most Family housing operational expenses are fixed, maintenance and repair is the account most affected by budget changes. Funding reductions result in slippage of maintenance projects that adversely impact Soldier and Family quality of life.

Leasing ($193 million). The leasing program provides another way of adequately housing our military Families. The fiscal year 2009 budget includes funding for 9,119 housing units, including 1,080 existing Section 2835 ("build-to-lease" – formerly known as 801 leases) project requirements, 2,017 temporary domestic leases in the United States, and 6,022 foreign units.

Privatization ($32 million). The privatization account provides operating funds for implementation and oversight of privatized military Family housing in the RCI program. RCI costs include selection of private sector partners, environmental studies, real estate surveys, and consultants. These funds support the preparation and execution of partnership agreements and development plans, and oversight to monitor compliance and performance of the privatized housing portfolio.

BASE REALIGNMENT AND CLOSURE (BRAC)

The Army is requesting $4,486,178,000 for BRAC 2005 which is critical to the success of the Army's new initiatives, and $72,855,000 for legacy BRAC to sustain vital, ongoing programs.

BRAC 2005 is carefully integrated with the Defense and Army programs of GDPR, Army Modular Force, and Grow the Army. Collectively, these initiatives allow the Army to focus its resources on installations that provide the best military value, supporting improved

responsiveness and readiness of units. The elimination of Cold War era infrastructure and the implementation of modern technology to consolidate activities frees up financial and human resources to allow the Army to better focus on its core war fighting mission. These initiatives are a massive undertaking, requiring the synchronization of base closures, realignments, military construction and renovation, unit activations and deactivations, and the flow of forces to and from current global commitments. If done efficiently, the end results will yield tremendous savings over time, while positioning forces, logistics activities, and power projection platforms to efficiently and effectively respond to the needs of the Nation.

As an essential component of Army transformation, BRAC 2005 decisions optimize infrastructure to support the Army's current and future force requirements. Under BRAC 2005, the Army will close 13 Active Component installations, 387 Reserve Component installations and eight leased facilities. BRAC 2005 realigns 53 installations and/or functions and establishes Training Centers of Excellence, Joint Bases, a Human Resources Center of Excellence, and Joint Technical and Research facilities. To accommodate the units relocating from the closing Reserve Component installations, BRAC 2005 creates 125 multi-component Armed Forces Reserve Centers and realigns the Army Reserve command and control structure. By implementing BRAC 2005 decisions, the Active Army will maintain sufficient surge capabilities to expand to 48 maneuver brigades and handle increased production, training, and operational demands now and in the future. BRAC 2005 better postures the Army for an increase in end strength by facilitating the Army's transformation to a modular force and revitalizing and modernizing the institutional Army through consolidation of schools and centers.

In total, over 150,000 Soldiers and civilian employees will relocate as BRAC is implemented over the next three-plus years. The over 1,300

discrete actions required for the Army to successfully implement BRAC 2005 are far more extensive than all four previous BRAC rounds combined and are expected to create significant recurring annual savings. BRAC 2005 will enable the Army to become a more capable expeditionary force as a member of the Joint team while enhancing the well-being of our Soldiers, Civilians, and Family members living, working, and training on our installations.

BRAC 2005 Implementation Strategy

The Army has an aggressive, carefully synchronized, fully resourced, BRAC fiscal year 2006-2011 implementation plan, designed to meet the September 2011 deadline, while supporting our national security priorities. National Environmental Policy Act (NEPA) requirements necessary to support our implementation plan were initiated in fiscal year 2006 to enable the early award of essential construction projects. Our BRAC construction plan is fully coordinated and carefully synchronized to support our overall strategy for re-stationing, realigning, and closing installations while continuing to fully support ongoing missions and transformation initiatives. This construction plan identifies requirements, defines scope, and considers existing installation capacity and infrastructure needs. It is an extremely complex plan that manages numerous construction projects, re-stationing actions, BRAC moves, and deployment timelines to allow the Army to implement the BRAC statute while supporting critical missions worldwide.

Seventy-seven percent of all required construction projects are planned for award by the end of fiscal year 2009, and 100 percent by fiscal year 2010. This will enable the major movement of units and personnel in fiscal year 2010 and 2011, with expected completion by the mandated BRAC 2005 deadline.

In fiscal year 2006 the Army awarded 11 BRAC military construction projects to support re-stationing and realignments, including: three projects to support GDPR; two incremental projects for BCTs, and five Armed Forces Reserve Centers, totaling over $789.1 million. In fiscal year 2007, the Army awarded 61 projects: 20 projects to support GDPR; 20 Reserve Component projects in 12 states; and 21 other Active Component projects totaling over $3.3 billion, including planning and design for fiscal year 2009 and 2010 projects. This will lay the foundation for follow-on projects, and in earnest, start the implementation of our synchronized construction program.

As signed into law, the Consolidated Appropriations Act for Fiscal Year 2008 (Public Law 110-161) contained a very significant reduction in BRAC funding of $938.7 million (of which $560 million is reduced from the Army's BRAC budget). I cannot overstate the difficulties that repeated cuts or delays in BRAC funding have, and will continue to pose to the Army as we implement BRAC construction projects. It directly threatens to derail our carefully integrated implementation plan. If the Army program is not fully funded, we will be significantly challenged to execute BRAC as intended. Construction of required facilities will be delayed and cause increased cost, uncertainty for mission commanders, and the resulting impact will cascade through our re-stationing, transformation, and growth plans for years to come. The net impact from shortfalls in BRAC funding will likely be felt by funds from the MILCON programs as they are shifted to plug the gaps in BRAC.

BRAC 2005 Fiscal Year 2009 Budget

The Army's fiscal year 2009 budget request of $4,486,178,000 will continue to fund both BRAC and GDPR actions necessary to comply with BRAC 2005 Law. The Army plans to award and begin construction of 83 military construction projects, plus planning and design for fiscal year 2009

and 2010 projects. This is estimated to cost $3,792 million and includes: five additional GDPR projects, 37 Army National Guard and Army Reserve projects, and an additional 41 Active Component projects.

A significant portion of the Army's BRAC request supports the transformation and re-stationing of the operational force. BRAC military construction projects support major realignments of forces returning to the United States from Europe, as well as several stateside relocations. The fiscal year 2009 budget request also funds projects supporting Reserve Component transformation in 22 states and Puerto Rico.

The BRAC budget request will also fund furnishings for BRAC projects awarded in fiscal year 2006 and 2007 as the buildings reach completion and occupancy. The request also funds movement of personnel, ammunition, and equipment associated with BRAC Commission Recommendations.

The Army will continue to procure investment type equipment in fiscal year 2009 in support of our BRAC military construction program as part of the "other procurement" budget line. This equipment exceeds the investment and expense unit cost threshold of $250,000 each and includes information technology infrastructure and equipment for the previously awarded BRAC projects, which will be impacted if fiscal year 2008 funding is not fully restored.

In fiscal year 2009, the Army will continue environmental closure and cleanup actions at BRAC properties. These activities will continue efforts previously ongoing under the Army Installation restoration program and will ultimately support future property transfer actions. The budget request for environmental programs is $54.8 million, which includes Munitions and Explosives of Concern and Hazardous and Toxic Waste restoration activities.

Prior BRAC

Since Congress established the Defense Base Closure and Realignment Commission in 1990, the Department of Defense (DoD) has successfully executed four rounds of base closures to reduce and align the military's infrastructure to the current security environment and force structure. As a result, the Army estimates approximately $12.6 billion in savings through 2008 – nearly $1 billion in recurring, annual savings from prior BRAC rounds.

The Army is requesting $72,855,000 million in fiscal year 2009 for prior BRAC rounds ($4.9 million to fund caretaking operations of remaining properties and $68 million for environmental restoration) to address environmental restoration efforts at 147 sites at 14 prior BRAC installations. To date, the Army has spent $2.8 billion on the BRAC environmental program for installations impacted by the previous four BRAC rounds. We disposed of 235,480 acres (93.5 percent of the total acreage disposal requirement of 259,674 acres), with 24,194 acres remaining.

Homeowners Assistance Program

The Army is the DoD Executive Agent for the Homeowners Assistance Program (HAP). This program provides assistance to eligible military and civilian employee homeowners by providing some financial relief when they are not able to sell their homes under reasonable terms and conditions as a result of DoD announced closures, realignments, or reduction in operations when this action adversely affects the real estate market. For fiscal year 2009, HAP will execute the approved program for Naval Air Station (NAS) Brunswick, Maine, and complete a market impact study expected to result in an approved program at Naval Station (NS) Ingleside, Texas. NAS Brunswick was approved two years earlier than

anticipated due to the more rapid departure of personnel and a marked decline in areas markets.

The numerous government employee and service member homeowners who are required to move with their transferred organizations, or to new jobs beyond the commuting distance from their present homes, will benefit from this program during periods of fluctuating home values. We are requesting an appropriation of $4.46 million for the Homeowners Assistance Program.

OPERATION AND MAINTENANCE

The Army's fiscal year 2009 Operation and Maintenance budget includes $2.85 billion in funding for Sustainment, Restoration, and Modernization (S/RM) and $8.61 billion in funding for Base Operations Support (BOS). The S/RM and BOS accounts are inextricably linked with our military construction programs to successfully support our installations. The Army has centralized the management of its installations assets under the Installation Management Command to best utilize this funding.

Sustainment, Restoration, and Modernization (S/RM). S/RM provides funding for the Active and Reserve Components to prevent deterioration and obsolescence and restore the readiness of facilities on our installations.

Sustainment is the primary account in installation base support funding responsible for maintaining the infrastructure to achieve a successful readiness posture for the Army's fighting force. It is the first step in our long-term facilities strategy. Installation facilities are the mobilization and deployment platforms of America's Army and must be properly maintained to be ready to support current missions and future deployments.

The second step in our long-term facilities strategy is recapitalization by restoring and modernizing our existing facility assets. Restoration includes repair and restoration of facilities damaged by inadequate sustainment, excessive age, natural disaster, fire, accident, or other causes. Modernization includes alteration or modernization of facilities solely to implement new or higher standards, including regulatory changes to accommodate new functions, or to replace building components that typically last more than 50 years, such as foundations and structural members.

Base Operations Support. This account funds programs to operate the bases, installations, camps, posts, and stations for the Army worldwide. The program includes municipal services, government civilian employee salaries, Family programs, environmental programs, force protection, audio/visual, base communication services, and installation support contracts. Army Community Service and Reserve Component Family programs include a network of integrated support services that directly impact Soldier readiness, retention, and spouse adaptability to military life during peacetime and through all phases of mobilization, deployment, and demobilization.

SUMMARY

Mr. Chairman, our fiscal year 2009 Military Construction and BRAC budget requests are balanced programs that support our Soldiers and their Families, the GWOT, Army transformation, readiness, and DoD installation strategy goals. We are proud to present this budget for your consideration because of what this budget will provide for our Army:

Military Construction:

- 2,225 New homes for Grow the Army
- 1,117 Additional homes privatized (230 require government contribution, 1,481 do not require government contribution)
- 423 homes replaced or renovated

- 30,845 government-owned and leased homes operated and sustained at the end of fiscal year 2009
- Portfolio management of 87,691 privatized homes
- 13,962 Soldiers get new barracks
- 30 new Training Ranges/Facilities
- $11 billion invested in Soldier/Family Readiness
- $4.2 billion to Grow the Army
- Over 3,300 Soldiers training in 16 new or improved Readiness Centers and Armed Forces Reserve Centers
- 14 New Army Reserve Centers
- 1 Modernized Army Reserve Center
- 4,954 Soldiers get new Reserve Centers

Base Realignment and Closure:

- Statutory compliance by 2011 for BRAC
- 83 Military Construction projects
- Planning & Design for fiscal year 2009 – 2010 Projects
- Remaining NEPA for BRAC 2005 actions
- Continued Environmental Restoration of 24,194 acres

Base Operations Support:

- Goal is to meet essential needs for all BOS programs: Base Operations, Family, Environmental Quality, Force Protection, Base Communications, and Audio/Visual.

Sustainment/Restoration and Modernization:

- Funds Sustainment at 90 percent of the OSD Facility Sustainment model requirement.

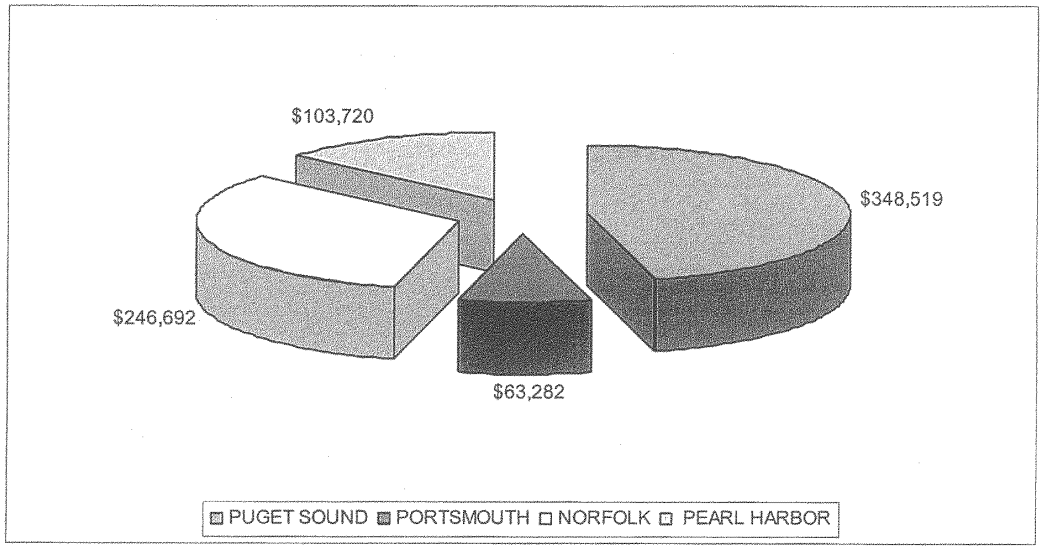
Our long-term strategies for installations will be accomplished through sustained and balanced funding, and with your support, we will continue to improve Soldier and Family quality of life, while remaining focused on Army and Defense transformation goals.

In closing, we would like to thank you again for the opportunity to appear before you today and for your continued support for America's Army.

DOCUMENTS SUBMITTED FOR THE RECORD

FEBRUARY 28, 2008

Naval Shipyard MCON History (Mil)
(1992 – 2008)



Since 1971 (37 years), 51 of 55 MCON's were congressionally added (two BRAC 93 MCONs and 2 9/11 MCON).

WITNESS RESPONSES TO QUESTIONS ASKED DURING THE HEARING

FEBRUARY 28, 2008

RESPONSE TO QUESTIONS SUBMITTED BY MR. ORTIZ

Secretary ARNY. The Department uses the Facilities Sustainment Model, which was developed several years ago as a programmatic model. It takes a holistic view of the Services' total inventory and calculates a sustainment requirement for programming purposes so as to prevent deterioration, maintain safety, and preserve performance over the life of a facility. It was not intended to be used at the installation level. Percentages at the installation level, if calculated, may present an inaccurate view of the installation's requirement, and consequently, a possible misrepresentation of sustainment funding at an installation in any given year. Hence, we do not evaluate percentages at the installation level, including at Naval Air Station Kingsville.

The Department of Defense (DOD) has used the current facilities recapitalization metric since 2002 to assess the adequacy of the investment in modernizing and restoring our inventory of facilities. The metric is based upon the premise that the investment should be sufficient to replace the facilities inventory at a rate equal to its expected service life, estimated at 67 years using a "weighted average" calculation of plant replacement value (PRV) about ten years ago. The metric divides the PRV of the inventory by the annual investment in recapitalization, yielding a recapitalization rate expressed in years.

While the recapitalization metric has served the DOD well, it has several limitations that the DOD now seeks to reduce or eliminate for the FY 2010 budget submission. These limitations include the following:

1. The investment target, expressed as a funding rate necessary to replace the facilities inventory every 67 years, was calculated using PRV and inventory from the late 1990s that is no longer current.
2. The investment target is an overall DOD average and does not represent the facilities inventory for each DOD Component that can vary significantly from one Component to the next.
3. The investment target is based upon preliminary DOD rough estimates of expected service life values for various facility types that have since been refined by various published industry sources.
4. The recapitalization metric does not differentiate between costs to *renovate* facilities versus costs to *replace* facilities, both of which are "recapitalization." This difference can equate to approximately 40% of a facility's calculated PRV.

The Department is transforming the recapitalization metric to address each of these limitations in support of the FY 2010 budget submission. There are three aspects to this transformation:

1. The format of the new metric will change from a rate expressed in "number of years" to a rate expressed as a percent of the investment target that is funded. This will parallel the facilities sustainment metric (and others) and provide a common funding expression between Components, even those with significant differences in facilities inventory and resultant differences in "average" inventory service lives.
2. The investment target will change from the "67-year average" target to specific target values for each Component based upon current Component-specific inventory and published parameters for facility service lives and depreciation. The DOD Facilities Modernization Model performs this function.
3. Finally, the method of identifying and accounting for recapitalization investments is being refined to differentiate between types of recapitalization methods (specifically, between renovation and replacement).

Since its inception, the facilities recapitalization metric has served as an important tool to evaluate the adequacy of the DOD's aggregate investment to counter facility obsolescence. The improvements planned for the FY 2010 budget and Future

Year Defense Plan are expected to significantly improve its accuracy and usefulness for this purpose.

Regarding use of the facilities recapitalization metric at the installation level, if calculated, it may present an inaccurate view of the installation's requirement, and consequently, a possible misrepresentation of recapitalization funding at an installation in any given year. Hence, we do not evaluate the facilities recapitalization metric at the installation level, including at Naval Air Station Kingsville and Naval Station Corpus Christi. [See page 20.]

RESPONSES TO QUESTIONS SUBMITTED BY MR. FORBES

Secretary ARNY. The Department is still tracking to complete the Base Realignment and Closure (BRAC) 2005 process by September 15, 2011. If the $939 million reduction to the BRAC account is not restored, or even if it is restored late in the process, we will have to work "very, very, hard," as Secretary Gates recently testified, to meet the statutory deadline. This could involve eliminating non-mission construction (gyms, child development centers, medical clinics); shifting Operation and Maintenance (O&M) funding to the last implementation years (furnishings and personnel moves); and/or introducing the potential for delaying some recommendations (e.g., reserve center consolidations). [See page 19.]

Secretary PENN. The Navy does not currently have security concerns about Balfour Beatty plc (a London-based public company traded on the London Stock Exchange) acquiring GMH's Military Housing Division (inclusive of GMH's interest in the Northeast and Southeast projects).

Balfour Beatty itself is already the design/builder for the Northeast and Southeast projects and has recently been awarded, in a joint venture with Clark Construction, a $641 million contract to design and build additions and renovations at the new Walter Reed National Military Medical Center in Bethesda, Maryland. [See page 19.]

Secretary ANDERSON. The $939 million Omnibus reduction to the Department of Defense BRAC 2005 account must be restored. If left unfunded, the reduction will result in the Air Force receiving $235 million less than required in Fiscal Year 2008. The Air Force will experience delays and disruptions in construction and the movement of our people and assets. Delays will impact our ability to meet mandated completion deadlines.

To implement BRAC 2005 and implement the Commission's recommendations, the Air Force uses a continuous process to identify, analyze, refine, coordinate, and validate requirements. Although the Air Force has not cut any projects due to this reduction, it has deferred BRAC MILCON projects, O&M requirements, and planning and design. Those deferments are based on today's planned award dates. The Air Force reserves the right to adjust its strategy and the deferral list in order to maintain the needed flexibility to execute its program.

Our initial analysis of the reduction indicates the Air Force will be required to accept risk in the following areas:

- Military Construction (MILCON): Will defer 21 projects, to include one housing project, valued at $126.4M (15% of total BRAC MILCON). All deferred projects have estimated award date after 1 June 08
- Planning and design (P&D): Will defer $5.2M in requirements (28% of total P&D)
- Operations and Maintenance (O&M): Will defer $97.8M in requirements (36% of total O&M)

If the reduction is restored sometime during this fiscal year, we will figure out a way to get back on track. If it is permanently lost, we will be hard broke; delays in accomplishing the FY08 requirements will have ripple effects impacting mission readiness and our ability to meet the mandated BRAC 2005 completion deadline of September 2011. [See page 34.]

Secretary PROSCH. The Army's apportionment ($560.2M) of the cut in FY08 BRAC funding places the Army at very high risk of meeting every aspect of the BRAC Law. Based on the cut, the following FY08 projects cannot be completed:

- 10 Armed Forces Reserve Centers
- 9 Training and Readiness Projects
- 12 Quality of Life Projects (Family Support, Medical, etc.)

Delay in funding drives up costs due to reduced competition from market saturation, compressed construction time to meet required facility timelines, construction

cost inflation (which can also be impacted by labor and material shortages due to market saturation) and decreased planning flexibility.

Military construction constitutes a crucial portion of our plan to sustain, reset, prepare, and transform the Army, all of which supports the global war on terror, Army Modular Force Transformation, Global Defense Posture Realignment, and Grow the Army. If the Army must reprogram $560.2M for Military Construction to BRAC, it would delay by a year the facilities for the equivalent of one Brigade Combat Team causing another $560.2M worth of projects to be delayed.

Regarding the 2005 BRAC round, If funding is restored in FY08 the Army will be successfully in complying with BRAC Law. If funding is not restored until FY09, there is a very high risk the Army will not be able to be compliant. If funding is restored in FY10, FY11 or not restored, BRAC compliance is impossible. [See page 19.]

RESPONSE TO QUESTIONS SUBMITTED BY MR. TAYLOR

Secretary ARNY. All military housing allowances are based on rental costs, not ownership costs. Basic Allowance for Housing (BAH) inside the U.S. has three components: rent, utilities and insurance. The insurance covers normal renters-insurance for damage and replacement of the contents of a dwelling; it does not cover the dwelling itself, which is a landlord's responsibility. Normally, landlords include their cost of insurance on the dwelling in the quoted rent, so higher insurance costs are assumed to be included in the BAH of the dwelling. Note, however, that this cost of insurance is not separately identifiable in the calculation of BAH. [See page 34.]

RESPONSE TO QUESTIONS SUBMITTED BY MR. MARSHALL

Secretary ANDERSON. At the request of Senators Craig and Domenici, the Air Force is considering the merits of nuclear power production in order to mitigate the impact of decreased availability and rising costs of any one energy source, and because production of nuclear power produces no emissions of greenhouse gasses.

Right now, we are in the early stages of gathering data to determine exactly what is feasible given the mission requirements of the Air Force. In January 2008, the Air Force issued a request for information (RFI) to gauge industry's interest in the concept, and to solicit their ideas on potential technologies, financing options, and other aspects of a potential project. The Air Force has received ten responses to the now closed-RFI. The Air Force's intent is to follow the RFI with a request for expression of interest and qualifications, and plans to evaluate them by July 2008. Pending the results of that evaluation, the Air Force will make a decision about further pursuing nuclear as an option, by October 2008. The Air Force will provide a written update to the committee after the July and October milestones.

The Air Force has asked private industry, via the RFI, to suggest potential technologies and financing options for a potential nuclear power plant. We expect those options may include some advanced technologies that industry feels are too financially risky to pursue without a controlled, secure environment such as the Air Force can offer by hosting a nuclear project. Any nuclear plant hosted by the Air Force will need to be licensed by the Nuclear Regulatory Commission. The Air Force will work closely with the NRC to ensure its future industry partners comply with all applicable environmental regulations, including NEPA reviews. Ultimately, potential sites will be fully vetted with Congress, industry, and the local communities as part of the scoping and planning process.

The Air Force is considering nuclear energy as part of our overall strategy to reduce demand, increase supply and change our culture to make energy a consideration in all we do. The Air Force is committed to increasing our renewable energy portfolio and the availability of energy through the use of public-private partnerships. In fact, at Nellis Air Force Base, Nevada, a public-private partnership built and now operates the largest solar photovoltaic array in the Americas and provides an annual savings of almost $1 million in reduced energy costs to the base.

The arrangement envisioned is for the Air Force to provide a site to host an appropriately-sized plant in exchange for electric power generated by the plant, along with perhaps process heat and other considerations offered by industry, using its Enhanced Use Lease (EUL), or similar authorities. Under a EUL, the Air Force can benefit by leasing underutilized land, in exchange for tangible benefits offered by the developer, owner, and operator of a potential nuclear plant. These benefits could include, lease payments, facility construction or other considerations. The Air Force is looking to industry to propose arrangements that maximize the benefit to the Air

Force for any potential nuclear project. We plan only to support the potential owner, operator and licensee of a plant at an Air Force installation; the Air Force will not own, operate, or license a nuclear plant. [See page 18.]

RESPONSE TO QUESTIONS SUBMITTED BY MR. HAYES

Secretary ARNY. In late June 2008, the Department of Defense (DOD) and the Department of Education (ED) will sign a Memorandum of Understanding (MOU) between the two departments to establish a framework for collaboration to assist communities and local educational agencies (LEAs) as they prepare for projected increases in military dependent students at military installations due to Base Realignment and Closure (BRAC), Global Defense Posture Realignment (GDPR), and Grow the Force. Some of the MOU's objectives are to promote and enhance policies that will improve military children's education and overall well-being; explore legislative options to ease transition issues for military children; forge effective partnerships with schools and districts; coordinate the DOD and ED Impact Aid programs; and develop data protocol for military, DOD civilian and contractor student data as they relate to impacted installations, communities, and LEAs.

The ED reauthorization proposal for the Impact Aid Program, Title VIII of the Elementary and Secondary Education Act, contains language to allow Impact Aid payments to be based on current fiscal year student counts for school districts that experience an increase from the previous year to the current year of at least 10 percent or 100 in students enrolled as a result of Defense program changes (e.g. BRAC, global rebasing, other). This change would allow districts to receive additional funding when new students enroll, rather than waiting for the next fiscal year. Also, the DOD Office of Economic Adjustment, in coordination with the ED Offices of Elementary and Secondary Education and Management, the U.S Department of Army, and DOD Military Community and Family Policy, has conducted site visits to a representative sample of locations (Fort Benning, Fort Bliss, Fort Drum, and Fort Riley) to provide program stakeholders (Federal, state and local) with on-the-ground knowledge of issues surrounding mission growth, improve communications among all partners, identify gaps/lags in capacities, and to more extensively document specific requests for Federal action to assist communities and states responding to student migration. Draft reports on these visits were distributed to LEAs, community and state representatives, and installation attendees as well as Federal senior leaders for review and comment. Upon finalization, the information will be shared with the Economic Adjustment Committee and made publicly available upon request. Visits are now underway to Fort Bragg and Fort Carson to continue on-the-ground documentation as well as share best practices from previous site visits. [See page 14.]

RESPONSE TO QUESTIONS SUBMITTED BY MS. SHEA-PORTER

Secretary PENN. The Presidential Budget for 2009 contains $67M in future MILCON programming to improve the condition and operational efficiency of Portsmouth Naval Shipyard (PNSY).

The PB09 FYDP includes:

2011	Structural Shops Consolidation	$23.8M
2012	DD#3 Waterfront Support Facility	$16.8M
2013	Gate 2 Security Improvements	$4.1M
2013	Consolidate Global Sub Complex Facility	$12.2M
2013	CBQ Building 373 Addition Phase 1	$9.7M

In addition, PNSY has had six Special Projects worth $19M in the past two years. With an eye to the future, the shipyard now has a comprehensive re-investment plan that includes approximately $160M in out-year MILCON.

In the meantime, Portsmouth Naval Shipyard is fully mission capable of supporting the Virginia Class submarines. The Navy will continue to target investments throughout future programming processes. [See page 27.]

RESPONSE TO QUESTIONS SUBMITTED BY MR. BISHOP

Secretary ARNY. The Department does not have written policy regarding release of project level detail contained in the Active Components Military Construction Future Years Defense Program (FYDP) to Congress. Our practice has been to release information to professional staff members of committees when requested. [See page 25.]

RESPONSES TO QUESTIONS SUBMITTED BY MR. LOEBSACK

Secretary ARNY. Regarding construction funding, projects are competing with other requirements within Base Realignment and Closure (BRAC) Program. As submitted in the FY 2009 BRAC request, these projects are currently programmed for construction in FY 2010.

Regarding design funding, design is typically initiated two years before construction. The three projects in question have not had any scope reductions and their designs are nearly complete.

The Department of Defense is committed to all BRAC requirements being completed by September 15, 2011. [See page 23.]

Secretary PROSCH. Regarding construction funding, projects are competing with other requirements within BRAC Program. As submitted in the FY09 BRAC request, these projects are currently programmed for construction funding in FY10.

Regarding design funding, design is typically initiated two (2) years before construction. The three projects in question are ready to award any time. Costs for these projects are accurate for FYI0 execution. No scope has been left out of the project.

Projects are competing with other requirements within BRAC Program. The Army's priority for BRAC funding at this time is for projects impacted by the FY08 BRAC to ensure successful BRAC compliance. [See page 23.]

QUESTIONS SUBMITTED BY MEMBERS POST HEARING

FEBRUARY 28, 2008

QUESTIONS SUBMITTED BY MR. ORTIZ

Mr. ORTIZ. The Army and the Marine Corps continue to move aggressively to implement their Grow the Force initiatives and have submitted a military construction budget request for an additional $2.9 billion in fiscal year 2009. General Casey has recently indicated that he would like to accelerate the stationing of additional Brigade Combat Teams. Are the Defense agencies and specifically the Defense Health Program properly synchronized with the Services to obtain timely, full-spectrum capabilities?

Secretary ARNY. The Army and Marine Corps are currently working very closely with the Defense Agencies to determine the impact of Growing the Forces on Defense-Wide MILCON requirements. They are currently developing estimates and will determine how and when to incorporate these requirements into the Future Years Defense Program (FYDP). The full extent of these impacts will be known in February 2009 when the Fiscal Year 2010 budget is submitted.

Mr. ORTIZ. The Department has submitted a fiscal year 2009 military construction budget request of $862 million to support a Ballistic Missile Defense European Capability to provide a defense of Europe against a limited intermediate and long-range ballistic missile attack from the Middle East. How close are we to having an agreement with our European allies to host these capabilities? Considering the current support of our European allies in this effort, is a European missile capability a prudent investment?

Secretary ARNY. The Department is proceeding with formal bi-lateral negotiations with the governments of Poland and the Czech Republic on establishing European missile defense sites. We are very pleased with the progress we have made in negotiations with both Poland and the Czech Republic, and are confident that we will be able to conclude these negotiations soon.

The Department's European theater strategy objectives include ensuring that the U.S., its citizens and interests, including friends and allies, are secure from attack; that U.S. forces in Europe can conduct a range of military operations successfully; that strategic access and freedom of action are secure; that transnational terrorist entities are defeated and the environment is unfavorable to terrorism; that security conditions are conducive to a favorable international order; that strong alliances and partnerships effectively contend with common challenges; and that transformation evolves. The Department's European Missile Defense program remains a priority within the Department and is integral to our transformation.

Mr. ORTIZ. The BRAC 2005 process requires the Department of Defense to complete associated realignments and closures by September 2011. Because of a $1.1 billion decrement to the BRAC 2005 account by the Consolidated Appropriations Act of 2008, the Navy and the Air Force have both indicated that they will not be able to complete their realignments on time. Considering the current BRAC 2005 appropriation, is the Department still tracking to complete the BRAC 2005 process by Sept. 2011? Does the Department need additional flexibility in schedule to accomplish the BRAC 2005 timeline?

Secretary ARNY. The Department is still tracking to complete the BRAC 2005 process by September 15, 2011. If the $939 million reduction to the BRAC account is not restored, or even if it is restored late in the process, we will have to work creatively to meet the statutory deadline. This could involve eliminating non-mission construction (gyms, child development centers, medical clinics); shifting Operation and Maintenance (O&M) funding to the last implementation years (furnishings and personnel moves); and/or introducing the potential for delaying some recommendations (e.g., reserve center consolidations).

Mr. ORTIZ. DOD has indicated full funding for sustainment is their goal. OSD has proposed 90% funding of the sustainment account. Does OSD believe that the sustainment model accurately forecast sustainment requirements? Considering the long term detrimental effects of not fully funding sustainment, what is the risk associated with accelerated deterioration?

Secretary ARNY. Yes, DOD believes that the Facilities Sustainment Model accurately forecasts sustainment requirements for our inventory of facilities. The requirements are based on commercial benchmarks to the extent that appropriate

benchmarks are available. The risk of not fully funding sustainment is potentially higher repair costs in the long term.

Mr. ORTIZ. DOD initially reported that they would complete the utility privatization effort by 2000. After spending $248 million on the program and privatizing 94 of the 1,499 systems, DOD intends to complete additional evaluation of the remaining projects by 2010. What additional tools does OSD need to support completing a first round of utility privatization evaluations? In retrospect, should this program been initially authorized? Is OSD confident in completion of the first round of privatization projects by 2010?

Secretary ARNY. As of December 2007, the Department has privatized a total of 519 utility systems, 150 of which have been under the Utilities Privatization Authority. Utilities Privatization is an important tool for managing the Department's $72 billion utility infrastructure. DOD is committed to utilizing private sector innovations, efficiencies, and financing, when economical, to improve utility systems supporting military operations, to improve the quality of life, and to sustain aging utility infrastructure and keep pace with future requirements. Various administrative and budgetary challenges have led to extending the program beyond 2010. The current schedule projects completion of the program by 2015.

Mr. ORTIZ. DOD is on track to privatize 87% of the family housing units including 188,000 units by 2010. Considering that 36% of the awarded privatization projects have occupancy rates below expectations, are the housing private partners going to be able to continue the long term investment and financial solvency to continue this program? What are the challenges that need to be corrected? Compared with the larger outlays required in our personnel accounts to support Family Housing Privatization, is the overall Family Housing program saving money or has it just moved money from a discretionary account to a mandatory funding account? Does privatization mask the overall cost afforded to General/Flag Officer quarters?

Secretary ARNY. We are currently projecting to privatize over 194,000 units by FY 2010. Of the 87 awarded projects our average occupancy rate is about 90 percent. While there are some exceptions, due to construction related issues and general market conditions, only the projects owned by American Eagle are in financial jeopardy. Comparing occupancy numbers to pro forma provides insufficient information as to the projects' financial health, particularly while the projects are in their initial development period (80 percent of projects). Also, to ease concerns about our private partners, we recently conducted a financial analysis of the private housing partners and found them all to continue to be financially healthy and solvent. We have every reason to believe that the private partners will be able to continue the long-term investment needed to maintain the financial solvency of this program.

While we have recently identified the Government Accountability Office (GAO) eight Military Housing Privatization Initiative (MHPI) projects (five Air Force, one Army, two Navy) that are behind schedule, or have encountered difficulties (construction/renovation schedules not met due to financial problems, or environmental/construction issues), we see no major structural challenges in the MHPI program that need to be corrected by governmental action. The remaining 79 awarded military housing privatization projects are significantly further ahead in terms of revitalized housing than where they would be under a government military construction approach. We need to allow the private sector to work through challenges with their projects and not intervene.

Life cycle cost analyses performed on all 87 projects show the cost of privatization (including the projected Basic Allowance for Housing payments) are typically lower than government ownership, usually in the 10–15 percent range. The Government Accountability Office reviewed DOD's cost analysis methodology exhaustively in 2001 and agreed privatization was less costly over the life of the projects, based on "should costs" for government ownership vice actual budgeted costs. Privatization does not mask the overall cost afforded to General/Flag Officer quarters (GFOQs). In fact, spending on GFOQs is likely more constrained since such spending directly reduces funds available for housing lower ranking military members.

Mr. ORTIZ. Are the three primary Environmental Impact Statements covering mid-frequency active sonar use in the Navy's training ranges still on track to be completed by January 2009? Should the environmental compliance process encounter delays, what will be the impact on the Navy's readiness and how is the Navy prepared to respond?

Secretary PENN. The Hawaii Range Complex EIS remains on schedule for completion in June 2008, and the Southern California Range Complex and the Atlantic Fleet Active Sonar Training EISs remain on schedule for completion in January 2009. We have worked closely and continually with relevant federal and state regulators to ensure that these completion dates are met, and all associated environmental compliance documentation will be issued before January 2009. Delays in

these documents will likely delay critical training until the documentation is in place. Should this occur, the Navy will respond based on circumstances at that time.

Mr. ORTIZ. The Marine Corps has requested $1.2 billion in the budget request for 2009 to support an end strength increase of 27,000 marines. Will infrastructure be built in time to support the arrival of the new 27,000 Marines? What alternatives is the Marine Corps pursuing to accommodate growth?

Secretary PENN. Infrastructure will not be built in time to support the arrival of the new 27,000 Marines. Due to the long lead time necessary for securing funds and construction of permanent facilities, units may be in interim facility solutions for 2–4 years after unit standup. Temporary facility solutions include a combination of utilization of existing facilities, slowing down planned building demolition for use in the short term, and use of temporary facilities (trailers, sprung shelters and pre-engineered buildings).

Mr. ORTIZ. The Navy has been aggressive in using privatization authority to support this program. They have awarded a project for San Diego and are processing additional requests for Norfolk and Jacksonville. How can the Navy ensure filly occupancy of privatized bachelor quarters? What is the termination liability associated with this effort? Does the Navy expect to request expanded authority beyond the current pilot projects?

Secretary PENN. The Navy has awarded two pilot Unaccompanied Housing Privatization (UHP) pilot projects to-date. The projects are at San Diego, awarded December 2006, and Hampton Roads, VA, awarded December 2007. A concept for the third authorized pilot project is being developed for the Jacksonville/Mayport, Florida area. The Navy is investigating the expanded use of privatization authorities to meet the projected need for housing single Sailors.

As with Navy family housing privatization projects, the Navy UHP projects do not include any occupancy guarantees. We believe there is sufficient demand for the housing. Occupancy at our first two pilot projects exceeds 95 percent. In the unlikely event that Navy unaccompanied personnel do not sufficiently occupy the properties, there is a priority of DOD and non DOD prospective tenants to whom the housing could be rented. This tiered market concept is also similar to that employed in family housing privatization projects.

For its UHP projects, the Navy uses the same business approach, featuring investments in business entities (e.g., limited liability companies) as employed for its family housing projects. If a UHP project fails due to default, the Navy has no outstanding financial obligations or commitments. If the Project Company defaults with respect to its construction and operation obligations set forth in the Ground Lease, the Navy (subject to certain cure rights accorded the Trustee and the Bondholder Representative) has the ultimate right to terminate the Ground Lease, in which event the Project Company must surrender, for no consideration, the land, improvements and personal property constituting the project to the Navy.

The Navy has not included a request for the expansion of the barracks privatization authority, beyond the initial three pilot projects, in this year's budget submission. Given our experience with the pilot authority to date, we believe that the privatization authorities can be a useful and effective tool in improving housing for our single Sailors, especially as a complement to the Homeport Ashore program, and would like to see the authority expanded beyond its pilot status.

Mr. ORTIZ. Government of Japan and SECDEF have concluded an agreement that detailed the financing of $10.27 billion required to support the relocation of 8,000 marines from Okinawa to Guam. Has the Department programmed sufficient funding to meet the agreement timelines? Is the Government of Japan moving concurrently with the Department's time lines? Considering the historic construction limitations at Guam, can Guam support a sustained $3 billion/year construction effort? Considering the large construction workforce necessary to support, what living conditions will be employed and where will the workforce originate?

Secretary PENN. On April 23, 2006, Secretary of Defense Rumsfeld and Japanese Minister of Defense Nukaga reached an agreement for sharing the development costs of Marine forces relocating from Okinawa to Guam. Key elements of the Guam cost-sharing agreement include: 1) the U.S. will relocate approximately 8,000 USMC personnel, plus dependents from Okinawa to Guam and 2) Japan will provide up to $6.09 billion of cost-sharing consisting of $2.8 billion in direct payments and $3.29 billion of equity investments and loans to special purpose entities that will provide housing and utilities necessary to support the Marine units. The U.S. share of the Guam development costs is estimated at $4.2B. Yes, the Department has programmed sufficient funding to meet the agreement timeline. The Department has programmed $2.5B in the PB–09 FYDP, which ends in FY13. The next budget will extend the FYDP to FY15. The Government of Japan is moving concurrently with the DOD timeline. Representatives from the Department of Navy and the Govern-

ment of Japan are meeting regularly to discuss the details for implementing the agreement and establish funding requirements to commence construction in 2010.

Although construction on Guam at the peak of the realignment will be significantly higher than previously achieved levels on Guam, several initiatives are underway to facilitate demands on Guam's infrastructure and the workforce. The Departments of Interior, State and Labor are working to establish training programs to equip the local workforce with the required skills. Nonetheless, a significant portion of the construction labor must be provided by a non-Alien workforce holding Hii (b) Visas. To meet this workforce requirement, Congressional action is needed to provide a waiver on the cap of required Hii (b) Visas.

An Interagency Task Force, co-chaired by the Department of the Navy and the Department of Interior, is identifying Guam's critical infrastructure needs directly related to the success of the construction program. Through the Interagency Task Force, the Government of Guam, the Port Authority and Maritime Administration are making progress towards significantly upgrading and expanding the commercial port. We are working with the Federal Highways Administration in addressing Guam's roads. DOD is also pursuing industry best practices through Industry Forums, including innovative ideas for housing and caring for workers from off-island.

Mr. ORTIZ. The Marine Corps continues to request temporary space in budget request for fiscal year 2009 to support end strength growth. Temporary, relocatable space represents the least cost effective alternative in facility management. What is the Marine Corps' plan to discourage future use of relocatable spaces? How does the Marine Corps intend to address the existing relocatable, temporary space at various Army installations?

Secretary PENN. The target date for achieving the 202,000 Marine Corps end-strength is Fiscal Year 2011. Due to the long lead time for permanent facilities, units maybe in temporary facility solutions for 2-4 years after unit standup. The Marine Corps agrees that the use of temporary and relocatable facilities is not an ideal solution. However, temporary and relocatable structures must be used by the Marine Corps until permanent construction can be funded, built and occupied. The use of temporary relocatables will vary by requirement and location. When relocatables are no longer needed, leased relocatables will be removed from the site by the lessor and purchased relocatables will be disposed of by the installation.

Mr. ORTIZ. The Navy has indicated that they will not be able to complete BRAC 2005 by September 2011 without a restoration of $140 million that was eliminated in the Consolidated Appropriations Act of 2008. What are the effects associated with limited or late BRAC 2005 funding? With available funding, will Navy be able to complete the BRAC 2005 process by September 2011?

Secretary PENN. Limited or late restoral of Navy's share of the FY08 BRAC cut ($143 million) will delay the award of two BRAC construction projects for a total of $97 million (Investigative Agencies Consolidation, Quantico VA; Reserve Center, Fort Lewis, WA) and delay move-related expenditures in the amount of $46 million (O&M) from FY08 to FY09. These delays will add uncertainty and hardships in the careers and families affected by the move, and delay achieving management efficiencies and savings that were the basis for the BRAC decisions. The available appropriations are insufficient and jeopardize DoN's ability to accomplish BRAC by the Sep 15, 2011 statutory deadline.

Mr. ORTIZ. The fiscal year 2009 budget request contains $1.0 billion, approximately $400 million less than appropriated in fiscal year 2008. The Army has more construction at one installation than the entire Air Force, Air National Guard and Air Reserve military construction combined. This decline in infrastructure investment is causing significant inefficiencies locally and accelerating degradation of assigned aviation assets. Examples include: new aviation assets are arriving without hangars and other support infrastructure (Elmendorf AFB (AK) F–22s arrive with no completed infrastructure to support); trainers remain in warehouses until the appropriate supporting infrastructure is programmed and built. Why did Air Force not program infrastructure in time to support valuable aviation assets?

Secretary ANDERSON. The fiscal year 2009 budget request supports the Secretary of the Air Force and Air Force Chief of Staff priorities to Win Today's Fight, Take Care of Our People, and Prepare for Tomorrow's Challenges. In order to recapitalize and modernize our aging aircraft fleet, the Air Force accepted short-term risk in infrastructure to fund higher priority Secretary of the Air Force and Air Force Chief of Staff programs. Although sometimes inefficient, using operations and maintenance readiness and infrastructure funds was considered when deciding to defer military construction, yet still meet critical mission needs.

Mr. ORTIZ. The Air Force has proposed to allocate a significant portion of their military construction account toward new aviation assets, consequently, driving up the overall recapitalization rate to 109 years (DOD goal is 67 years). Why did Air

Force elect to take risk in the facility accounts and delay critical restoration and modernization activities? What is the long term effect of a delay in funding restoration and modernization activities?

Secretary ANDERSON. We recognize the Air Force recapitalization rate (110 years w/ BRAC; 188 years w/o BRAC) cannot be sustained without degradation to our installation weapon-system capability. Modernizing our aging fleet is the Air Force's toughest challenge; the Air Force elected to take risk in facility accounts in order to recapitalize and modernize weapon systems. The Air Force increased Restoration and Modernization operations and maintenance funding by $168M in the FY09 budget request compared to the FY08 budget request. Although not enough to fund the $9.3B backlog of Restoration and Modernization projects, the increase in funding helps mitigate the risk to infrastructure and facilities. In addition the AF funded facility sustainment at 90% of the OSD requirement model; this sustainment funding level is intended to keep good facilities in operational condition to meet mission needs.

The long-term effect of a delay in funding restoration and modernization activities is difficult to ascertain. Since Air Force installations are weapons systems and provide power projection platforms, we cannot continue to take the same levels of risk in the infrastructure accounts and provide the required level of facility support needed to accomplish our world-wide combat mission.

Mr. ORTIZ. The Air Force has indicated that they will not be able to complete BRAC 2005 by September 2011 without a restoration of $235 million that was cut in the Consolidated Appropriations Act of 2008.

Secretary ANDERSON. The $939 million Omnibus reduction to the Department of Defense BRAC 2005 account must be restored. If left unfunded, the reduction will result in the Air Force receiving $235 million less than required in Fiscal Year 2008. The Air Force will experience delays and disruptions in construction and the movement of our people and assets. Delays will impact our ability to meet mandated completion deadlines.

To implement BRAC 2005 and implement the Commission's recommendations, the Air Force uses a continuous process to identify, analyze, refine, coordinate, and validate requirements. Although the Air Force has not cut any projects due to this reduction, it has deferred BRAC MILCON projects, O&M requirements, and planning and design. Those deferments are based on today's planned award dates. The Air Force may further adjust its strategy and the deferral list in order to maintain the needed flexibility to execute its program.

Our initial analysis of the reduction indicates the Air Force will be required to accept risk in the following areas:

- Military Construction (MILCON): Will defer 21 projects, to include one housing project, valued at $126.4M (15% of total BRAC MILCON). All deferred projects have estimated award date after 1 June 08
- Planning and design (P&D): Will defer $5.2M in requirements (28% of total P&D)
- Operations and Maintenance (O&M): Will defer $97.8M in requirements (36% of total O&M)

If the reduction is restored sometime during this fiscal year, we will figure out a way to get back on track. If it is permanently lost, we will be hard broke; delays in accomplishing the FY08 requirements will have ripple effects impacting mission readiness and our ability to meet the mandated BRAC 2005 completion deadline of September 2011.

Mr. ORTIZ. The Army has programmed $11.2 billion for the Grow the Army initiative and has proposed $4.2 billion in fiscal year 2009 military construction to support their end strength growth. Considering the intent to accelerate the Grow the Force initiative, will all of the supporting infrastructure be available to directly support the arrival of the growth?

Secretary PROSCH.The Army Military Construction budget request was carefully built to synchronize delivery of permanent construction on a timeline that meets the effective dates for activation of the six Grow the Army Brigade Combat Teams. $4.1 billion of our overall fiscal year 2009 Military Construction budget request supports the Growth initiative for a 74,200 Soldier increase. This will fund unit bed-down and operational requirements (barracks, maintenance, unit administration, dining facilities, classrooms, and command and control headquarters), quality of life facilities (child development centers, housing, physical fitness, and physical fitness centers), and training ranges. A full and timely funding stream is essential to supporting Army growth.

Mr. ORTIZ. The Army has been particularly impacted by a reduction of $560 million in the Consolidated Appropriations Act of 2008. What impact will the delay in BRAC 2005 finding affect the restationing of forces? Is Army tracking to complete the implementation of BRAC 2005 by September 2011?

Secretary PROSCH.We need your help in supporting the remaining requirements for BRAC 2005. If the $560 million decrement is not restored this year, the Army will not meet all of its requirements in accordance with BRAC Law. BRAC is an integral component of our stationing plan and our complex Military Construction program is interdependent with BRAC. Delays or cuts to either of these interrelated programs put our ability to grow and restore balance at risk. We are at a crucial juncture in the BRAC program. To successfully execute BRAC, we carefully synchronized 1,300 actions. Without full and timely funding, 31 of 90 FY 2008 BRAC-directed projects will not be completed, including 10 Armed Forces Reserve Centers, 9 training and readiness projects, and 12 quality of life projects.

Mr. ORTIZ. The Army has reported that it has a 5,000,000 acre training deficit across multiple installations. How does the Army intend to address the existing deficit in training space?

Secretary PROSCH. The Army currently operates at an overall training land deficit of 2 million acres in the Continental United States. The training land shortfall is expected to more than double by 2011 to nearly 5 million acres as a result of several factors. These include fundamental changes in the way the Army organizes, trains, and equips our Soldiers as a result of the new missions and enemies we face. In addition, over 41,000 Soldiers are being relocated from overseas back to the United States as part of the Global Defense Posture Realignment, which transfers a large training land requirement on top of an existing installation footprint. We are also Growing the Army by over 74,000 Soldiers. All of these trends have significantly increased Army training land requirements.

The Army is always working to mitigate this shortfall through a variety of means. The Army pursues focused management to maximize existing land holdings, buffering through partnerships, and utilization using other Federal lands, where possible. However, all of these mitigation measures, including training on other federally owned lands, cannot eliminate the training land deficit. Therefore, one of the options that must remain available to the Army is the acquisition of land where it is feasible and fiscally prudent.

The Army's policy is to purchase land only where; large land holdings exist, it is cost effective, minimal environmental issues exist, land is contiguous to existing training land, and population density is low.

Last, live and realistic training remains the cornerstone of Army mission readiness, and virtual and computer-aided simulations, while important, cannot replace certain kinds of real-life training experiences. The Army has a responsibility to develop combat-ready Soldiers. To meet this obligation, we must not only provide the right equipment, but also the right training. Fundamentally, we must train the way we fight.

Mr. ORTIZ. The Army has reported that it has 10,000,000 square feet of relocatable space to support end strength growth. What is the Army's plan to discourage future use of relocatable spaces? How does the Army intend to address the 10,000,000 square feet of existing relocatable, temporary space at various Army installations?

Secretary PROSCH.The Army will use relocatable buildings only as a last resort when no other solutions are available to provide urgently needed interim facilities to meet peak surge missions or pending completion of regularly programmed military construction projects.

The Army is programming military construction projects to build permanent facilities to replace the existing relocatable building inventory. Seventy-three percent (73%) of existing relocatables currently have permanent facility projects prioritized in the fiscal year 2009-2013 Future Years Defense Program. We will program projects for any remaining relocatables requiring permanent facilities during the fiscal year 2010-2015 Military Construction program development.

Mr. ORTIZ. The Army has proposed no funding for the O&M, Restoration and Modernization account for fiscal year 2009 budget request and has applied this funding toward new construction requirements. This decision will realize short term capital but will lead to accelerated facility degradation. Why has the Department eliminated funding for the periodic restoration of facilities?

Secretary PROSCH. Based upon Army's significant investment in military construction projects in FY 2009 and investment in facility sustainment (90% of OSD's Facility Sustainment Model), the Army decided not to put funding in the FY 2009 budget for O&M, Restoration and Modernization. The Army believes that this will not lead to accelerated facility degradation.

QUESTIONS SUBMITTED BY MR. ROGERS

Mr. ROGERS. Does the Army track actual numbers of soldiers, civilians, contractors and their related dependents, particularly their school-aged dependents, on the ground?

Secretary PROSCH. Yes, the Army tracks actual Soldiers and civilians from the Defense Enrollment Eligibility Reporting System (DEERS) annually. The DEERS, part of the Defense Manpower Data Center, collects and updates actual population of service members and dependents (spouses and children by age group) by location during in and out processing. DEERS also includes civilians and contractors from the Defense Civilian Personnel System and the Contractor Verification System. The Army Stationing and Installation Plan (ASIP) is the Army's official source of installation populations for resource and support planning. ASIP is updated quarterly and documents the composition and location of authorized Army force structure, student loads, trainee loads, rotational loads, and actual tenants (other Services, contractors, DOD agencies, etc.). ASIP population is available for the current year and six planning years and is consistent with approved and documented Army force structure documents.

Projected school age dependent population is calculated for full-time Army military and civilians using a ratio of .484 [(.48 married) x (1.6 children) x (.63 are school age)]. School age dependent population projections for school years 2007-2011 were published in the "Department of Defense Update to the Report on Assistance to Local Educational Agencies for Defense Dependents Education" in March 2008 based on 31 October 2008 ASIP population.

Mr. ROGERS. Do individual instillations track the actual numbers of people on the ground?

Secretary PROSCH. Army installations are not required to maintain "actual" population counts due to the volatility of base populations and the workload required to maintain what can be daily changes. Individual garrisons may track actual populations, or sub-populations at their own discretion. However, this is not recognized by the Army as an official source of population data.

Mr. ROGERS. We need to develop a way to determine the actual numbers. I would like the Army to provide me with the numbers of folks on the ground now—soldiers, civilians and any contractors that have school-aged dependents—and a historical snapshot of what has been on the ground in those communities in the previous five years. I think this will present a better picture of what we need. Thank you for your time and service.

Secretary PROSCH. There is no single database that maintains actual population data for military, civilian, contractor, plus dependents. DEERS collects service members and dependents (spouses and children by age group), civilians, and contractors. Dependents of civilians and contractors are not included in DEERS. DEERS data are available for 2002 to present. The ASIP maintains actual population data for contractors based on input from each installation and is available from 2000 to present. The Army is working to establish a system to obtain Army, civilian, and associated mission support contractor dependent student data as it relates to the identified installations, communities, and Local Educational Activities.

Below are "actual" populations for Army Soldiers (Active and Reserve Component) and Army Civilians from the Defense Manpower Data Center reported to Headquarters Department of Army by fiscal year (FY), FY 2008 totals are as of April 2008. Actual contractors were reported in the ASIP by FY, FY 2008 contractors are as of March 2008.

Population Type	FY08	FY07	FY06	FY05	FY04
Military (Active)	517,780	502,790	482,400	494,290	482,400
Military (Reserve)	542,590	536,270	555,000	555,000	555,000
Civilians	207,200	206,390	229,000	223,000	223,000
Contractors	167,074	165,138	163,351	150,048	142,558

QUESTIONS SUBMITTED BY MR. LOBIONDO

Mr. LOBIONDO. Can you explain why the Air National Guard and the Air Force Reserve regular MILCON programs have dramatically declined? In FY06, Air Guard MILCON was $165 million, decreased to $123 million FY07, and then substantially decreased again in FY08 to $85 million.

Secretary ANDERSON. The Air Force is taking Total Force risk in infrastructure, which is balanced across all component programs between BRAC, MILCON, and O&M. The ANG and AFRC receive their full share of new mission and current mission funding, which is allocated based on their Plant Replacement Value (PRV). In FY06 and FY07, the ANG and AFRC had a larger new mission MILCON requirement in their PB request than in FYO8PB or FYO9PB. As a result, their total MILCON funding was larger in FY06/FY07 than in FY08/09. There simply is not enough funding within the current Air Force budget to accommodate all requirements. The Air Force budget request carefully balances our facility operations and maintenance accounts for sustainment, restoration, and modernization with the military construction program to make the most effective use of available funding.

Mr. LOBIONDO. Likewise, for the Reserves, the MILCON budget has fallen from $79 million in FY06 to $44 million in FY07, FY08 down again to $26 million. As I review your FY09 MILCON request, I see the Air National Guard's budget decreased yet again, now four consecutive years in a row, in FY09 to $34 million. For FY09, the Reserve's budget is reduced by 30% from $27 million to $19 million. Is the Air Force managing risk on the backs to the Reserve Components? If risk is managed across components, why is it the Air Forces Active Duty MILCON budget has typically increased across these same years? Is it fair to include BRAC MILCON funding as a factor in your allocation process? Doesn't this skew against the Reserve Component, having been impacted by BRAC more so than the AD component?

Secretary ANDERSON. The Air Force is not managing risk on the backs of the Reserve Components. The Air Force is taking Total Force infrastructure risk across all component programs (BRAC, MILCON, and O&M.)

The Active Force MILCON budget is typically larger than the Reserve component because of larger new mission beddowns coupled with a bigger share of Plant Replacement Value (87%) for current mission allocation.

Since the allocation process did not factor BRAC, the process is not skewed against the Reserve Component. The FYO9PB facility recapitalization rate including BRAC is Total Force: 110 years (188 years w/o BRAC); ANG: 69 years (140 years w/o BRAC), AFRC: 87 years (156 years w/o BRAC); Active Force: 119 years (197 years without BRAC.)

QUESTIONS SUBMITTED BY MR. COURTNEY

Mr. COURTNEY. As you know, much of the housing at Sub Base New London has been privatized to GMH Military Housing. In my discussions with the leadership of the base, this arrangement appears to be positive and beneficial to the sailors and families at the base. I note that on February 12, 2008, GMH announced the transfer of the military housing division to a U.S. subsidiary of Balfour Beatty plc, a British corporation. Does the Navy have any concerns about moving control of military housing to a foreign company and any possible impact to military housing or the security of bases such as Sub Base New London?

Secretary PENN. The Navy does not currently have security concerns about Balfour Beatty plc (a London-based public company traded on the London Stock Exchange) acquiring GMH's Military Housing Division (inclusive of GMH's interest in the Northeast and Southeast projects).

Balfour Beatty itself is already the design/builder for the Northeast and Southeast projects and has recently been awarded, in a joint venture with Clark Construction, a $641 million contract to design and build additions and renovations at the new Walter Reed National Military Medical Center in Bethesda, Maryland.

QUESTIONS SUBMITTED BY MRS. NAPOLITANO

Mrs. NAPOLITANO. Do you think it was fair that the Air Force stopped the negotiated sale with the City of Norwalk for the Norwalk Tank Farm because the City did not want to pay for contamination cause by the Air Force's lessee, Kinder Morgan?

Secretary ARNY. The Air Force was not responsible for terminating the negotiated sale. This decision was made by the General Services Administration (GSA), DOD's real estate agent. GSA terminated the negotiated sale because of the disparity between the City's best and final offer and GSA's appraised fair market value of the Norwalk Tank Farm property (Property). Moreover, we are not aware that the City was asked or that a term of the negotiated sale included City payment of Kinder Morgan Energy Partner's (KMEP) remediation costs. Based on Air Force discussions with KMEP, KMEP has steadfastly maintained a desire to pursue its remedial obli-

gations through to completion rather than have these responsibilities delegated to or funded by a third party.

Mrs. NAPOLITANO. Has a city or government agency ever bought a property through the military construction exchange process?

Secretary ARNY. Yes, the Army has exchanged Reserve Component property with this type of entity on several occasions. Examples include: the City of Oakland, California; the East Bay Municipal Utility District, Oakland, California; the Port of Oakland, California; the City of Houston, Texas; the University of Texas; the City of Beachwood, Ohio; Minnesota Department of Transportation; Kalamazoo, Michigan Airport Authority; Oklahoma City, Oklahoma; South Fayette School District, McDonald, Pennsylvania; City of Caven Point, New Jersey; and the Chicago Airport Authority, Illinois. All of the Military Departments are currently considering this type of exchange with government entities where appropriate.

Mrs. NAPOLITANO. In the late 1980s, the Air Force informed the Norwalk City Council, of which I then was a member, that they were going to fully remediate the Tank Farm property and transfer it to the City of Norwalk if no other federal agency wanted it. Why has the Air Force reneged on this promise?

Secretary ANDERSON. The Air Force has not reneged on its promises. Under federal real property disposal authorities applicable to the Air Force, after determining no further Department of Defense (DOD) need for the Tank Farm Property (Property), the Air Force turned the Property over to the General Services Administration (GSA). By law, GSA must act as DOD's property disposal agent. GSA, in turn, determined no further federal need for the property and commenced a negotiated sale with the City of Norwalk. After two years of negotiations, the City and GSA were unable to reach agreement on price. GSA determined the City's best and final offer to be well below the property's fair market value using an appraisal prepared by a competent, professional appraiser. The significant disparity led GSA to terminate the negotiated sale. Thereafter, the Air Force regained control of the property and commenced its own disposal process. The City voluntarily declined to participate in this process despite repeated invitations and encouragement by the Air Force to do so.

The Air Force commenced remediation of the property in 1995. It has worked steadfastly since the time under the auspices of the California Regional Water Quality Control Board (RWQCB), Los Angeles District. It has made significant progress and site close out is anticipated by 2011. The decision to privatize clean-up or contractually obligate the purchaser/developer to assume the Air Force's remediation obligations changes nothing in terms of the final outcome. The property will be remediated and the Air Force remains obligated in the event of developer default. Based on its experience with privatized remediation, the Air Force believes developer completion of remediation will occur faster than the timeline contemplated by the Air Force. This will facilitate redevelopment and reuse of the property—a goal supported by the city.

Kinder Morgan Energy Partners (KMEP) has likewise diligently pursued remediation of its portion of the property and the contamination caused by its activities/facilities. Going forward, KMEP will retain responsibility for its remediation obligations, also under the auspices of the RWQCB, through to completion in 2012. The Air Force intends to enter into an environmental agreement with KMEP, stipulating KMEP's continued obligations. However, in the unlikely event of default, the Air Force retains the ultimate responsibility to complete the work.

Mrs. NAPOLITANO. What experience does the Air Force have with disposing of contaminated properties through the military construction exchange process? Why does the Air Force persist in pursuing a real property exchange when a city expressed great interest in procuring the property? What experience does the Air Force have with disposing of properties that contain contamination cause by an Air Force lessee?

Secretary ANDERSON. A Real Property Exchange (RPX) is the only disposal method available to the Air Force which allows the Air Force to receive consideration in the form of military construction (MILCON). A RPX allows the Air Force to exchange the Norwalk Defense Fuel Support Point property (Property) for construction of needed facilities at March Air Reserve Base (March ARB).

The city is not precluded from bidding to acquire the property under the RPX disposal process. In fact, the structure of an Air Force-City transaction under the RPX process would be identical to what the city attempted to negotiate with GSA—city alignment with a developer and developer payment of the consideration. An RPX transaction has the added advantage of direct deed transfer to the developer without need for the city to first acquire ownership of the property as required by a negotiated sale.

Broken down into its constituent parts, an RPX is basically the disposal of property and the construction of MILCON. The Air Force has extensive experience in both.

The Air Force also has considerable expertise in disposing of contaminated properties and "privatizing" the clean-up via the Base Realignment and Closure (BRAC) and active duty processes. Examples of transactions where the developer assumed the Air Force's and/or its lessee's remedial obligations include the National Imagery and Mapping Agency (NIMA) disposal in St. Louis, MO (chemical contaminants in soil, sediment, surface water and ground water); the former Lowry AFB disposal in Denver, CO (solvent contamination of water, long term maintenance of landfills, asbestos in soil); the former McClellan AFB disposal in Sacramento, CA (a National Priorities Site and DOD's most contaminated installation; nonclorinated contaminates in shallow soil): and the Escanaba disposal in Escanaba, MI (creosote and petroleum contaminants). The Air Force is currently working with the General Services Administration to dispose of a former Fuel Support Point in Cincinnati, OH and terms of sale include purchaser assumption of petroleum related contamination.

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