S. HRG. 110–248

MILITARY CONSTRUCTION AND VETERANS AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2008

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

ON

H.R. 2642/S. 1645

MAKING APPROPRIATIONS FOR MILITARY CONSTRUCTION, THE DEPARTMENT OF VETERANS AFFAIRS, AND RELATED AGENCIES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2008, AND FOR OTHER PURPOSES

Department of Defense
Department of Veterans Affairs

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MILITARY CONSTRUCTION AND VETERANS AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2008

THURSDAY, MARCH 22, 2007

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

The subcommittee met at 10:08 a.m., in room SD–124, Dirksen Senate Office Building, Hon. Jack Reed (chairman) presiding.

Present: Senators Reed, Hutchison, Craig, and Allard.

DEPARTMENT OF DEFENSE

STATEMENT OF HON. TINA W. JONAS, UNDER SECRETARY OF DEFENSE

ACCOMPANIED BY PHILIP W. GRONE, DEPUTY UNDER SECRETARY OF DEFENSE (INSTALLATIONS AND ENVIRONMENT)

STATEMENT OF SENATOR JACK REED

Senator REED. Good morning and let me welcome witnesses Secretary Tina Jonas and Mr. Phil Grone to testify before our Subcommittee today. I want to thank you for appearing before the Subcommittee and thank you for your service to our country.

We will be joined shortly by the Ranking Member, Senator Hutchison, and I know her leadership together with Senator Feinstein, has set a high standard for this Subcommittee that I hope and expect we can continue as we go forward.

We are now embarking on fiscal year 2008 Military Construction budget review. The purpose of today's hearing is to receive testimony regarding this year's President's budget request for Military Construction, Military Family Housing, Base Realignment and Closure, Chemical Demilitarization and NATO Security Investment Program. This year's request comes among amid requests from the Department including a fiscal year 2007 global war on terrorism supplemental request.

The recently completed joint funding resolution that completed last year's unfinished Appropriations process and now is the largest request for military construction in recent history. This request exceeds $21 billion, which represents an increase for active component of military construction of 60 percent over last year's request.

The budget request for the Army and Marine Corps are nearly double last year's level, much of which will pay to grow the force by 65,000 soldiers and 27,000 marines. Funding for BRAC comprises another large chunk of this budget request. A total of $8.2

billion is being requested to implement the 2005 BRAC round, which is a 45 percent increase over last year's request of $5.6 billion.

I recognize that there is still some concern in the Department about the level of last year's BRAC funding. The House Appropriations Committee last week included $3.1 billion in the 2007 supplemental funding bill to fully fund BRAC for fiscal year 2007 and I expect the Senate Appropriations Committee to follow suit later today. Hopefully, that issue will be put to rest in the very near future and we can all concentrate on the fiscal year 2008 budget.

In all, there is a great deal of money on the table for military construction this year and it is incumbent on this subcommittee to closely review the Department's budget request to make sure that funding is both justified and properly allocated. We look forward to your help and cooperation as we tackle that task.

Again, thank you for appearing before our committee and I look forward to your testimony today. At this time, I would like to recognize Senator Hutchison to make her opening remarks. Senator.

STATEMENT OF SENATOR KAY BAILEY HUTCHISON

Senator HUTCHISON. Yes, thank you, Mr. Chairman. Welcome to all of you. I look forward to working with the new chairman of the subcommittee, Chairman Reed, on the military construction and veteran's issues. Chairman Reed certainly has knowledge and experience as a former Army officer, and with this subcommittee's tradition of bipartisanship, I am confident that we can accomplish a lot together. I would also say that I look forward to Senator Tim Johnson's speedy recovery and return to the subcommittee.

Today we are looking at the President's budget request for Military Construction and Family Housing for the Department of Defense, base realignment and closure actions, and the Department of the Air Force. As we begin the budget process for fiscal year 2008, there are several encouraging trends in the military construction budget. The overall request of $21.2 billion is the largest ever for military construction and it includes over $8 billion to implement BRAC actions as that program continues to meet the 2011 statutory deadline. It includes funds to begin building toward the increased end strength of the active duty Army and Marine Corps, which I, along with Chairman Reed, have advocated for a number of years.

I am very pleased to see this development and I am pleased to see the Army and Marines planning in a comprehensive way, not leaving facilities out of their calculations. At times in the past, they have left out housing considerations for our young single soldiers and marines, leaving us slightly behind. So I hope that we are going to move forward, and in a Senate Appropriations Committee meeting later today, we will mark up a bill to provide emergency funding, including military construction and veteran's funding, to support the global war on terror.

My interest in military construction is not just the size of the budget however, but in providing a smooth transition for our fighting forces. The Defense Department is executing a global re-stationing plan, which will return over 70,000 troops, mostly Army and Air Force, to the United States to places such as Fort Bliss,

Texas, and Fort Riley, Kansas. The Army is also in the midst of a huge reorganization effort to make its brigades more combat ready. The marines are preparing to undertake a massive move, relocating 8,000 marines and their families from Japan to Guam. Many of these Marines will move onto Anderson Air Force Base in Guam.

The Departments of Defense and State have done a good job in gaining Japanese funding to support this move. That makes it even more important that we have good coordination between the military services to get the move done well. These are all incredibly ambitious, and they will be enabled, in some cases determined, by the availability of facilities. We will not get a second chance to provide the right infrastructure for our soldiers, sailors, airmen and marines and our military families. That's why funding BRAC effectively is so important. The sooner we can get our service men and women out of dilapidated facilities and into the new facilities, the sooner we will live up to our commitment to provide for them in a way that is commensurate with their service to our Nation.

As we just witnessed so tragically at Walter Reed, facilities matter a great deal in the lives of our troops and their families, and we must make sure we do this well. I am somewhat concerned by the downward trend in military construction for our Guard and Reserve components. These brave citizen soldiers are making huge contributions to the global war on terror, and yet their facilities are often in the worst shape. The overall funding level is down 19.1 percent from last year. I understand that there is funding for Guard and Reserve projects in the BRAC account, but I am still interested in seeing their normal MILCON funding improved. So I hope our witnesses will be able to speak to this issue.

The Air Force will be here today. Air Force facilities have long had the reputation for outstanding quality, and while the Air Force military construction budget is down slightly this year, I know the Air Force will make effective use of the funding it is requesting. Its contribution to military family housing, though smaller than last year's request, is over $1 billion and will eliminate 3,704 inadequate housing units through both traditional and privatized housing. I am eager to hear about the progress of build-to-lease and other creative housing solutions, like privatization and also the challenges with BRAC implementation, its activities in, as well as support of the global war on terror.

PREPARED STATEMENT

So these are some of things we will be talking about today and I appreciate so much the increases where I think they are most needed in the marines and the Army so that we can prepare the future realignments. Thank you, Mr. Chairman.

[The statement follows:]

PREPARED STATEMENT OF SENATOR KAY BAILEY HUTCHISON

Good afternoon, I would like to welcome our witnesses and guests. I would also like to welcome Chairman Reed to the subcommittee. I look forward to working with him on military construction and veterans' issues for as long as he is our acting chairman. With his knowledge and experience as a former Army officer, and with this subcommittee's tradition of bipartisanship, which I have previously experienced as both chairman and ranking member, I am confident we will accomplish much to-

gether. I would also like to say we look forward to Chairman Tim Johnson's speedy recovery and return to this subcommittee.

Today, we will examine the President's budget request for military construction and family housing for the Department of Defense, including the defense agencies, Base Realignment and Closure actions, and the Department of the Air Force.

As we begin the budget process for fiscal year 2008, there are several encouraging trends in the military construction budget. The overall request of $21.2 billion is the largest ever for military construction. This includes over $8 billion to implement BRAC actions, as that program continues its sprint to meet the 2011 statutory deadline. It also includes funds to begin building toward the increase in the end strength of the active duty Army and Marine Corps, which I, along with Chairman Reed, have advocated for a number of years. I am very pleased to see this development, and I am pleased to see the Army and Marines planning in a comprehensive way, not leaving facilities out of their calculations. At times in the past, they have left out the housing considerations for our young single soldiers and marines, leaving us slightly behind. So, this is a very welcome step forward. In addition, the Senate Appropriations Committee will meet later today to mark up a bill to provide emergency funding, including military construction and veterans funding, to support the Global War on Terror.

Yet, my interest in military construction is not just the size of the budget, but in providing a smooth transition for our fighting forces. The Defense Department is executing a global restationing plan, which will return over 50,000 troops, mostly Army and Air Force, to the United States, to places such as Fort Bliss, Texas, and Fort Riley, Kansas. The Army is also in the midst of a huge reorganization effort to make its brigades more combat ready. The Marines are preparing to undertake a massive move, relocating 8,000 Marines and their families from Japan to Guam. Many of these Marines will move onto Anderson Air Force Base in Guam. The Departments of Defense and State have done a good job in gaining Japanese funding to support this move, but that makes it all the more important that we have good coordination between the military services to get this move right.

These are all incredibly ambitious agendas within the Department of Defense, and they will be enabled, and in some cases determined, by the availability of facilities. We will not get a second chance to provide the right infrastructure for our soldiers, sailors, airmen and marines and our military families. This is why fully funding and effectively implementing BRAC is so important. The sooner we can get our servicemen and women out of old, dilapidated facilities and into new, state-of-the-art facilities, the sooner we will live up to our commitment to provide for them in a way that is commensurate with their service to our Nation. As we just witnessed so tragically at Walter Reed, facilities matter a great deal in the lives of our troops and their families. We must get them out of bad facilities and into good ones as quickly as possible.

It is against this backdrop that we begin to examine the budget request for military construction. The Army's $4.04 billion request is 96.1 percent over last year's request and 100.7 percent over last year's enacted level. This increase will largely support the Army's end-strength increase. The Navy and Marine Corps have requested $2.1 billion for fiscal year 2008, an 81.1 percent increase over the $1.16 billion requested last year. The Air Force's budget has slowed this year, decreasing 21.1 percent to $912.1 million from last year's request of $1.156 billion. We owe our military families the best surroundings we can provide them, reflective of the sacrifices they make for our Nation, and I commend the Department for making quality of life a priority. All in all, the Department of Defense has requested $1.22 billion to house troops, $251.4 million to build hospitals and clinics, $139.4 million for community support facilities, such as child development centers, and over $2.9 billion to build, improve, and maintain family housing. The military services also continue to aggressively pursue privatized family housing, which has been a great success.

I am somewhat concerned by the downward trend in military construction for our Guard and Reserve components. These brave citizen-soldiers are making huge contributions to the Global War on Terror, yet their facilities are often in the worst shape, and the overall funding level is down 19.1 percent from last year's request. I understand there is funding for Guard and Reserve projects within the BRAC account, but I am still keenly interested in seeing their normal MILCON funding improve. I hope our witnesses will speak to this issue, and provide us with a plan for getting Guard and Reserve MILCON on the right track.

The Air Force will also join us today. Air Force facilities have long had a reputation for outstanding quality. While the Air Force military construction budget is down slightly this year, I trust the Air Force will make very effective use of the funding it is requesting, and will keep its commitment to maintaining top-flight facilities. Its contribution to high-quality military family housing, though smaller than

last year's request, is impressive again this year, as it is requesting over $1 billion to eliminate 3,704 inadequate units through both traditional and privatized housing. As everyone remembers, we on this subcommittee have worked very successfully with the Air Force in recent years to take advantage of creative housing solutions, such as build-to-lease and privatization. I am also eager to hear about its progress and challenges with both BRAC implementation and hurricane recovery, as well as its activities in support of the Global War on Terror.

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

Senator REED. Thank you, Senator Hutchison. If my colleagues want to make a comment—if not, we will go to the witnesses.

Senator ALLARD. Mr. Chairman, I have a statement to just put in the record.

[The statement follows:]

PREPARED STATEMENT OF SENATOR WAYNE ALLARD

Thank you, Mr. Chairman, for the opportunity to address our panel today. I appreciate that these individuals are willing to take the time to come and discuss the President's fiscal year 2008 budget request with us.

I plan on raising an issue of much importance to southeastern Colorado, and that is the proposed expansion of the Piñon Canyon Maneuver Site.

With its close location to Fort Carson, Piñon Canyon was perfectly suited for the Army's training needs 20 years ago. However, with the arrival of 10,000 new soldiers to Fort Carson, the Army has determined that the size of the site needs to be increased in order to meet Fort Carson's new operational training requirements.

Army officials have told me repeatedly that the genesis of Fort Carson's expansion proposal occurred when several landowners approached Fort Carson and expressed their strong desire to sell. I also understand that sufficient numbers of willing sellers exist to support a significant expansion of the site. However, many in the community surrounding Piñon Canyon have major questions that they have been unable to get answers to.

Until recently, Army leadership and officials at Fort Carson have been unable to answer questions regarding the proposal. While I understand the difficult position the Army has been on this issue, I believe it absolutely necessary that they begin providing the information to the community and to Congress prior to any acquisition of property.

The leadership at Fort Carson has done a great job of reaching out and providing what information it could to the local communities. However, the Pentagon has not been as forthcoming. I believe the Congress and the local communities in Southeastern Colorado need more information before we can decide whether this proposed expansion is necessary and appropriate.

Thank you again, Mr. Chairman, for the opportunity to share some of my priorities with the subcommittee today. I look forward to the testimony of our witnesses.

Senator REED. Thank you.

Senator CRAIG. Mr. Chairman, I will do the same and include my comments.

[The statement follows:]

PREPARED STATEMENT OF SENATOR LARRY CRAIG

Madam Chairman, thank you for holding this hearing today. Thanks also to the witnesses for testifying today regarding the President's fiscal year 2008 budget for Military Construction. During times of both war and peace, it is important for the Congress and the Administration to work closely together to ensure that our soldiers receive the very best we can provide them. The budget we are reviewing today attempts to address some of the military construction needs of our soldiers and our military bases.

Although my State of Idaho has relatively few military installations, we have real military construction needs that must be met to ensure that those men and women based in Idaho are provided with the equipment and facilities they deserve for serving this great country. To that end, I have worked very hard in Congress to ensure that our military installation facilities are kept to high standards. Last year, I toured Mountain Home Air Force Base to look at the new family housing projects and other needs on base. The family housing is quite impressive, and I am pleased

that we are able to provide such high quality accommodations for our servicemembers and their families. Unfortunately, there are other critical needs on base that are not being met. The dining facility is inadequate, outdated, and in need of improvements, but more important, the Logistics Readiness Center needs immediate attention.

The Mountain Home Readiness Center continues to be housed in a 53-year old condemned facility, in which the roof is being held up with temporary structural supports. Because it is in such bad shape, 60 percent of the base's supplies are operating from temporary spaces across the base, causing significant delays for training and mobilization.

To me, this is absolutely unacceptable. While our soldiers are training and living at home or abroad on military bases, we should do our utmost to limit the risks of injury by forcing them to continue to use old and condemned facilities. The Mountain Home Air Force Base Logistics Readiness Center does not meet adequate standards for a military base and I will be working with the Chairman and Ranking Member to address this critical funding need.

With that, I look forward to hearing your testimony.

Thank you.

Senator REED. Thank you very much.

Ms. JONAS. Mr. Chairman could I also put my full statement in the record?

Senator REED. Without objection. The statements of the witnesses are also in the record, so feel free to summarize your comments. Ms. Jonas.

Ms. JONAS. Mr. Chairman and members of the committee, thank you for giving us the opportunity to discuss the fiscal year 2008 Military Construction budget. I want to start off by thanking the committee for their work and the work that you will do this afternoon on restoring the $3.1 billion that is going to be needed in fiscal year 2007 for base realignment and closure. We thank you for your work on that.

I would like to provide a little bit of context and hit a few highlights and then, of course, as you stated Mr. Chairman I would like to have the statement in the record.

As you may already know, the President's fiscal year 2008 base budget is a total of $481.4 billion. This is a 11.4 percent increase over the fiscal year 2007 budget and it is real growth of about $8.7 billion. We believe it maintains the President's commitment, our commitment, to have a high state of readiness, to increase our ground force strength, enhance the combat capabilities of the United States Armed Forces and continue the development and implementation of capabilities for the U.S. military's superiority against future threats and of course, most importantly, to provide strong support for our men and women in uniform and their family members. The military construction budget, as you know, is $21.1 billion and we look forward to working with the Committee as you mark up that legislation.

PREPARED STATEMENT

As already noted in your statements, it does provide for the increase of 92,000 additional forces providing, another $2.9 billion for family housing, privatizing another 4,261 housing units, renovating another 3,000 military owned houses and operating and maintaining a worldwide housing inventory of 78,386 homes. So, I'll provide the rest of the statement for the record, sir, but we look forward to working with you on this request and we appreciate this Committee's strong support for our men and women in uniform.

[The statement follows:]

PREPARED STATEMENT OF TINA W. JONAS

Mr. Chairman, members of the Committee, thank you for the opportunity to discuss the Military Construction component of President Bush's fiscal year 2008 budget request for the Department of Defense.

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

As Mr. Grone's statement comprehensively describes the Military Construction component of the President's fiscal year 2008 budget request and related issues, I will simply add a few comments from the perspective of the Office of the Comptroller.

Fiscal Year 2008 Base Budget

Mr. Chairman, the President's base budget requests $481.4 billion in discretionary authority for the fiscal year 2008. That is an 11.4 percent increase over the fiscal year 2007 budget, with real growth of 8.7 percent.

The base budget sustains the President's commitment to:

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

The Military Construction portion of that request, which supports those strategic objectives, is $21.1 billion. It funds the Department's most pressing facilities requirements—especially the strategic realignment of our forces being carried out under the Base Realignment and Closure Commission.

This includes preparing facilities in the United States for troops returning from bases in Europe, and from Iraq and Afghanistan.

In addition, funds are being sought for new construction and replacement of troop housing and for facilities to support the increase of 92,000 Service members recently approved by the President.

The request also includes $2.9 billion for family housing. The funding for this vital "quality of life" program will enable the Department to:

—Privatize 4,261 housing units,
—Renovate another 3,000 military owned houses, and
—Operate and maintain our world-wide housing inventory of 78,386 homes in order to provide high quality homes to our Service members and their families.

Fiscal Year 2008 Global War on Terror Request

In addition to the base budget, the President's request for fiscal year 2008 includes a separate request of $141.7 billion to continue the fight in the Global War on Terror.

Included in the Request is $738.8 million for limited construction projects to support wartime operations and to enhance force protection.

The funds will provide additional airfield facilities, operational facilities, support facilities, billeting, fuel handling and storage, utility systems, and roads in Iraq and Afghanistan, as well as military construction related to two accelerated Army Brigade Combat Teams and one Marine Corps Regimental Combat Team.

The fiscal year 2007 Emergency Supplemental Request included $3.6 billion to support the accelerated BCTs/RCT. An additional $1.6 billion is needed in fiscal year 2008 to continue that initiative, including $169.2 million for the construction of facilities to accommodate additional Marine Corps personnel at Camp Pendleton and Twenty-Nine Palms, California, and at Camp Lejeune, North Carolina.

We need to make those investments now. With that in mind, we ask the Committee to support the Military Construction portions of the President's budget in full.

Mr. Chairman, we are a Nation at war. The brave men and women who today wear the uniform—volunteers all—are fighting to defend our freedom and security. They are doing a magnificent job, and they need and deserve our support. I thank you, Mr. Chairman—and all the Members of the committee—for the support you have shown them in the past and, on their behalf, I ask for your continued support in the future.

Mr. Chairman, thank you for the opportunity to participate in this hearing. I welcome your questions.

STATEMENT OF PHILIP W. GRONE

Mr. GRONE. Thank you, Mr. Chairman and Senator Hutchison and members of the subcommittee. I am pleased to appear before you this morning to discuss the budget request for the Department of Defense for fiscal year 2008, particularly those programs within the jurisdiction of this Subcommittee that support the management of our installation assets. As the chairman noted and several others have noted as well, the Military Construction budget for fiscal year 2008 is the largest request that we have made. I would make a point much broader than that in terms of support to installation assets and to support of mission, whether it's military construction, military family housing, base closure, environmental matters, installation support, base operating support, the total portfolio that supports our mission.

We are requesting $56 billion from the Congress in appropriations for the coming fiscal year to support the business area of installation and their critical support to mission and to quality of life. It is also the largest request in this business portfolio that we have ever requested. A couple of key points about the budget request. The budget request currently supports a re-capitalization rate of 67 years, achieving the goal of a 67-year recapitalization cycle for the Department's real property assets. In 2001 that rate stood at 192 years. Clearly, we are making progress. The budget request provides 88 percent of the need to sustain our facilities.

As Senator Hutchison and others have noted, the budget request continues our efforts in the area of military family housing. Last year's budget provided the resources that would allow us to resolve the problem of inadequate family housing in the United States by our target of 2007 and we remain on track to achieve the elimination of such units overseas by fiscal year 2009.

In the end state, we expect that 90 percent of the Department's then existing inventory of military and family housing will be privatized and the survey results that we are getting back from residents shows that this program is not just successful from an acquisition perspective but it is very successful from a customer perspective. People like the product that is being produced.

We continue our efforts on energy conservation. In this past fiscal year 2006, military installations reduced energy consumption by 5½ percent, exceeding the energy conservation goal of 2 percent. So again, we are making progress in stewardship and sustainment of resources and assets.

Certainly the largest part of the program we have before the subcommittee in terms of the proposal is our request to support base realignment and closure and we deeply appreciate, and I will second the comments of my colleague to my right, the support of the members in the effort to restore the $3.1 billion necessary to carry out BRAC actions in this fiscal year. The $8.2 billion that has been requested for the coming fiscal year will enable us to keep to schedule, will enable us to successfully complete the round on time and as the members know, this round is the most comprehensive, most joint, most significant round that affects the total force, not just the

active component, but the active Guard and Reserve that we have ever undertaken and it will show direct benefit to military readiness into the future.

PREPARED STATEMENT

So, Mr. Chairman, we have always appreciated the support and continue to appreciate the support this subcommittee has provided to the Department. We look forward to continuing to improve military infrastructure installations in the United States and across the globe to support the mission. Thank you, sir.

[The statement follows:]

PREPARED STATEMENT OF PHILIP W. GRONE

Mr. Chairman, Senator Hutchison, and distinguished members of the Subcommittee, I appreciate the opportunity to appear before you today to address the President's Budget request for fiscal year 2008 and to provide an overview of the approach of the Department of Defense to the management of the Nation's military installation assets.

Overview

As our Nation's security challenges become more complex, the military must become an increasingly agile joint force that is dominant across the full spectrum of operations. Installations are a critical component to this Nation's force capabilities. DOD is vigorously managing its facilities and infrastructure to ensure that it delivers cost effective, safe, and environmentally sound capabilities and capacities to support the National Defense Mission.

Not only is the Department incorporating best business practices but it is also expanding these practices into new, previously unexplored areas. For example, DOD's infrastructure investment strategy uses key metrics to provide quality facilities that directly support mission and readiness and also developed advanced business processes that align more closely to warfighter mission area requirements. Implementation of the Real Property Inventory Requirements document provides the basis for a more accurate and current asset inventory database which will maximize asset management and provide senior leaders with an improved decision-making tool to measure performance. With the development of a net-centric data warehouse for the Department's real property infrastructure and utilization information, timely and accurate real property data will be readily available to support key facilities metrics. The rigor provided by these practices in planning, managing, and maintaining DOD installations improves overall efficiency while improving investment decision-making.

Global Defense Posture

The Department continues its efforts to realign its permanent base structure at home and abroad to effectively enable military transformation and to better deal with 21st Century security challenges. The Department has begun the process of realigning or closing a number of large permanent bases overseas in favor of small and more scalable installations better suited for rapid deployments. The Global Defense Posture realignment effort identified an overall set of plans for returning overseas forces back to military installations in the U.S. These plans were integrated with the BRAC process regarding relocations from overseas to domestic bases during the prescribed BRAC time period. All Services factored requirements of returning forces into their domestic infrastructure requirements and this resulted in recommendations to accommodate forces at U.S. installations.

Some overseas changes have already been implemented in accordance with ongoing Service transformation efforts and within the framework of negotiations with host nations. In many cases, the changes involve units that are inactivating or transforming with no significant BRAC impact. As we begin implementing the BRAC recommendations there are overseas posture changes still being developed or being phased to be implemented after the BRAC implementation period. DOD will continue to consult with Congress on its plan and will seek your support as we implement these far-reaching and enduring changes to strengthen America's global defense posture.

Implementing Base Realignment and Closure (BRAC) 2005

The President approved and forwarded the Commission's recommendations to Congress on September 15, 2005. The Congress expressed its support of these recommendations by not enacting a joint resolution of disapproval and on November 9, 2005, the Department became legally obligated to close and realign all installations so recommended by the Commission in its report. BRAC 2005 affects over 800 locations across the Nation through 25 major closures, 24 major realignments, and 765 lesser actions. The significant transformation to the Total Force and its operational capability, the Departments business operations, and to the savings ultimately derived from BRAC require resources to meet adequately the challenges of implementation.

The Congress provided $1.5 billion to the Department in fiscal year 2006 ($1.9 billion was requested in the fiscal year 2006 President's Budget) to begin implementing the BRAC recommendations. This initial funding was used to begin planning, design and construction, program management, and the environmental studies that serve as the foundation for constructing and renovating facilities to accommodate missions at receiving sites. Notable examples include the Brigade Combat Team (BCT) complexes at Fort Carson, Colorado, Fort Knox, Kentucky, and Fort Bliss, Texas, and a Division Headquarters and Sustainment Brigade Headquarters at Fort Riley, Kansas.

The fiscal year 2007 President's Budget requested $5.6 billion to continue implementation. Previous continuing resolutions for fiscal year 2007 provided $542 million to the Department for this purpose. However, the recently passed Joint Resolution limits fiscal year 2007 funding to $2.5 billion, a $3.1 billion (55 percent) reduction from the President's Budget. This seriously affects construction timelines because over 80 percent of the BRAC budget in fiscal year 2007 directly supports military construction. This 55 percent reduction will significantly jeopardize our ability to execute BRAC 2005 by the statutory deadline of September 15, 2011, thereby sacrificing savings that could have been achieved during the delayed timeframe, and delay achievement of operational mission requirements. 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, determined by their operational and/or business case effects, go forward on the schedule previously provided to Congress. While operational impacts are self-explanatory, business case considerations are worthy of note. These include cases where incrementally funded projects started last year must continue, and/or where projects support follow-on actions, produce significant savings, or lead to expeditious asset disposal. This evaluation formed the basis for the BRAC portion of the expenditure report required by the Joint Resolution that was provided to the appropriations committees on March 16, 2007. Implementing BRAC 2005 actions represents a significant financial commitment by the Department. In the fiscal year 2007 budget justification material provided to the Congress, the Department indicated that, in some cases, the outyear program did not fully reflect expected costs for the remainder of the BRAC implementation period (fiscal year 2008–2011). The Department of Army anticipated a shortfall as much as $5.7 billion and the Air Force estimated its shortfall at approximately $1.8 billion over the program.

The fiscal year 2008 President's Budget request is approximately $3.0 billion more than the fiscal year 2007 President's Budget request and the $8.2 billion requested, as well as the outyear program, represents full funding for BRAC 2005 implementation assuming funding is restored for fiscal year 2007. In previous BRAC rounds, the third year of implementation was generally the peak of the "bell shaped" investment curve. For BRAC 2005, the fiscal year 2008 budget request represents the critical year of execution in the 6-year statutory implementation period and includes $6.4 billion for military construction, $1.2 billion for operations and maintenance to relocate personnel and equipment, $112 million for environmental studies and remediation, and $453 million for "other" costs primarily associated with installation communications, automation, and information management system equipment in support of construction projects.

The Department has embarked on assessing the domino impact the $3.1 billion reduction will have on the fiscal year 2008–2011 implementation program should it not be restored. The complexity and duration of many implementation actions required fiscal year 2007 funding. Military construction projects and other expenditures related to the movements of missions contained in the fiscal year 2008 President's Budget will need to be re-baselined.

Assisting Communities

The Department, through the Office of Economic Adjustment (OEA) and the Defense Economic Adjustment Program (DEAP), continues to work with States and

communities across the country as they respond to the effects of broad changes in Defense infrastructure, including efforts resulted from BRAC, Global Defense Posture Realignment, and modularity. In the context of BRAC, to date, the Department has recognized 121 Local Redevelopment Authorities (LRAs) that are responsible for creating a redevelopment plan for property made available for civilian reuse as a result of BRAC and to directing implementation of the plan. The majority of these communities, with assistance from OEA, are presently working to develop a consensus for redevelopment that reflects the specific market forces, public facility and service needs, and private sector circumstances found at each location and to gauge local homeless and community economic development interests in these properties. At the same time, efforts are being made between these LRAs and the Military Departments to link local civilian redevelopment activities with the Department's environmental and property disposal efforts, including any necessary environmental remediation.

At the same time, DOD is working with several communities where mission growth is projected to impact the surrounding region. Across these locations, resources are being applied to assist communities to understand and respond to anticipated impacts on local housing, schools, water and sewer, and transportation. Additionally, spousal employment, health care, public services, and child care are of some concern. A primary concern for all is how to develop and apply local, State, and private resources to address local need. Through this process, possible gaps in these civilian sources are also being recognized as opportunities for third party and Federal assistance. Presently, these communities are in close dialogue with the local installations to understand the timing and scope of these growth actions.

The ability to capably assist these communities, regardless of whether there is downsizing or mission growth, must include our Federal agency partners. On behalf of the Secretary of Defense, I Chair the President's Economic Adjustment Committee (EAC) at the sub-cabinet level to coordinate efforts across 22 Federal agencies to assist these communities. Under the auspices of the EAC, team visits will likely be undertaken to locations to better understand the local adjustment challenge and more capably address potential needs for other Federal assistance. A report documenting the efforts of the EAC to date will be submitted shortly for your review.

Managing Infrastructure

The President's budget request for fiscal year 2008 will permit the Department to continue its efforts to manage installation assets comprehensively and efficiently. Along with continued improvement in business practices and a focus on environmental sustainability, the Department is focused on improving the quality of military installations as evidenced by the emphasis on more accurate Quality Ratings that 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 533,000 buildings and structures, which reside on over 51,400 square miles of real estate.

The President's Management Agenda Real Property Asset Management initiative focuses on improved asset management planning, inventory and performance measure data, and the disposal of unneeded assets. DOD has implemented an asset management plan and provides inventory and performance data to the Federal Real Property Profile annually. DOD's Real Property Inventory Requirements implementation continues to refine the quality of data collected and reported to the government-wide database. We continue to improve our progress on the Real Property Scorecard.

The quality of infrastructure directly affects training and readiness. To that end, the Department is incorporating installations assessments more fully into the Defense Readiness Reporting System. DOD has made significant progress in integrating its installations into this Department-wide program. There is currently an operational system in the Navy, Defense Readiness Reporting System-Navy, which is based on the contribution of installations to the achievement of mission essential tasks. To better manage infrastructure investments, the Department continues to develop models and metrics to predict funding needs. The Facilities Program Requirements Suite, a web-based suite of real property inventory data models and fact sheets, continues to be refined and further expanded to more accurately determine requirements, predict funding needs, and better manage infrastructure investments.

Sustainment.—Facilities sustainment provides funds for maintenance and major repairs or replacement of facility components that are expected to occur periodically throughout the life cycle. Sustainment prevents deterioration, maintains safety, and preserves performance over the life of a facility. To forecast funding requirements, DOD developed the Facilities Sustainment Model using standard benchmarks for

sustainment unit costs by facility type (such as cost per square foot of barracks) drawn from the private and public sectors. This model has been used to develop the Service budgets since fiscal year 2002 and for several Defense Agencies since fiscal year 2004. Full funding of facilities sustainment has been and continues to be the foundation and first element of the Department's long-term facilities strategy and goals. In fiscal year 2007, the Department-wide sustainment was budgeted at 90 percent. In balancing risk across the Department's program, the fiscal year 2008 budget request reflects a slight decrease in the department-wide sustainment funding rate to 88 percent, although the total amount of funds requested for the program represent an increase of $466 million. The Department-wide long term goal remains full funding for sustainment to optimize the investment in our facilities and ensure their readiness.

SUSTAINMENT AND RECAPITALIZATION REQUEST

[President's budget in million of dollars]

	Fiscal year 2007 request	Fiscal year 2008 request
Sustainment (O&M-like) [1]	6,267	6,733
Restoration and Modernization (O&M-like plus) [1]	992	1,353
Restoration and Modernization (MilCon)	6,093	6,736
TOTAL SRM	13,352	14,822

[1] Includes O&M as well as related military personnel, host nation, and working capital funds and other appropriations such as RDT&E

Recapitalization.—Recapitalization includes restoration and modernization, provides resources for improving facilities, and is the second element of our 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.

The current DOD goal remains a recapitalization rate of 67 years. In fiscal year 2001, the Department's recapitalization rate was 192 years. This budget request supports a recapitalization rate of 67 years, an improvement over last year's budgeted rate of 72 years. The improvement in the rate is largely due to investments associated with BRAC construction investments and the Global Defense Posture realignment. Currently, DOD is in the process of developing and fielding a new recapitalization model for assessing the replacement cycle that will improve upon the existing recapitalization metric through the inclusion of depreciation schedules and other benchmark improvements that are derived from private and public sector standards.

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, Navy and Marine Corps barracks, and facilities for the beddown of new weapons systems such as Predator, F–22, and the Joint Strike Fighter.

On January 24, 2006, DOD joined 16 other Federal agencies in signing a Memorandum of Understanding (MOU) for Federal Leadership in High Performance and Sustainable Buildings. The MOU indicates a commitment to incorporate sustainable design principles through a comprehensive approach to infrastructure management.

The Department continues to emphasize the elimination of excess and obsolete facilities, and to encourage the aggressive pursuit of demolition to avoid unnecessary facilities sustainment and support costs. This effort to eliminate facilities that are no longer needed is separate and distinct from the BRAC process. With approximately 48 million square feet of infrastructure identified for elimination, the military Services and selected Defense Agencies are in the process of refining their annual targets for disposal and consolidation of excess capacity.

The Department established a common definition for Facilities Operation, formerly referred to as "Real Property Services." The budget request includes $7.15 billion for this program, to address utilities, leases, custodial services, grounds mainte-

nance, and other related functions. The Facilities Operation Model was fielded to develop standard requirements, and the Department is continuing to refine the model with particular emphasis on Fire and Emergency Services, and Real Property and Engineering Management.

Installations Support.—The Defense Installations Strategic Plan articulates the need to define common standards and performance metrics for managing installation support, and the Department has made considerable progress in this area. DOD's objective is to introduce capabilities-based programming and budgeting within a framework for the Common Delivery of Installations Support which will link installation support capabilities to warfighter requirements. The Common Delivery of Installations Support also will play a large role in implementation of Joint Basing required by BRAC 2005. Guidance for implementing Joint Basing was developed in coordination with the Military Components and is currently in the review process.

During the past year, DOD made significant progress toward developing Common Output Level Standards for all other functions of Installations Support to include Environment, Family Housing Operations and Services (formerly known as Base Operations Support). This effort is yielding common definitions and tiered performance output levels. These metrics are currently being further refined and a costing model initiative will soon be underway.

The military construction appropriation is a significant source of facilities investment funding. The fiscal year 2008 Defense Military Construction and Family Housing Appropriation request totals $21.2 billion. This funding will enable the Department to rapidly respond to warfighter requirements, enhance mission readiness, and provide for its people. This is done, in part, by restoring and modernizing enduring facilities, acquiring new facilities where needed, and eliminating those that are excess or obsolete.

COMPARISON OF MILITARY CONSTRUCTION AND FAMILY HOUSING REQUESTS

[President's Budget in millions of dollars—Budget Authority]

	Fiscal year 2007 request	Fiscal year 2008 request
Military Construction	6,390	9,480
NATO Security Investment Program	221	201
Base Realignment and Closure IV	191	220
Base Realignment and Closure 2005	5,626	8,174
Family Housing Construction/Improvements	2,092	1,080
Family Housing Operations & Maintenance	1,989	1,851
Chemical Demilitarization	131	86
Family Housing Improvement Fund	3	0.5
Energy Conservation Investment Program	55	70
TOTAL	16,698	21,165

Improving Quality of Life

A principal priority of the Department is to support military personnel and their families and improve their quality of life by ensuring access to suitable, affordable housing. Service Members are engaged in the front lines of protecting our national security and they deserve the best possible living and working conditions. Sustaining the quality of life of our people is crucial to recruitment, retention, readiness and morale. At the outset of this Administration, the President and the Department's leadership identified revitalizing housing, largely through privatization, as a central priority for the Department. An aggressive target of 2007 was established to meet that goal. By late fiscal year 2007, DOD will effectively complete all procedures to eliminate nearly all inadequate domestic family housing. More than 90 percent of our inadequate housing will be turned over to the private sector for replacement or renovation and the remainder will be in the final stages of solicitation for award. As of February 2007, over 110,000 housing units determined to be inadequate have been privatized. Inadequate units are considered to be eliminated when they are conveyed to the private owner, who then revitalizes the housing.

The Department continues to rely on three pillars to improve housing thereby, enhancing the quality of life for our Service members: (1) Provide the basic allowance for housing (BAH) at zero-out-of-pocket expense for the average Service member living in private sector housing (achieved in 2005, now maintaining); (2) Privatization of family housing, where feasible; and, (3) Military Construction funding for all other domestic and all overseas locations.

The Department relies on a "community first" (private sector) approach to provide quality housing to its members and their families. Only when the private market demonstrates that it cannot supply sufficient levels of quality, affordable housing does the Department provide housing to our military families; first through the use of privatization, and where that is not feasible through government-owned and leased housing. For example, in the absence of privatization authorities overseas, we address our housing needs there through military construction and leasing.

To ensure the Department is making the best investment decisions when determining the appropriate level of housing, the government provides a single and consistent methodology for calculating its housing requirement. This methodology was introduced in January 2003 and is being utilized extensively by the Services. Currently, 75 percent of military families living in the Continental United States (CONUS), Alaska, and Hawaii receive Basic Allowance for Housing (BAH) (with 60 percent living in the local community, and 15 percent in privatized housing). An additional 22 percent of our military families are provided government-owned housing and 3 percent live in leased housing. DOD projects that by the end of fiscal year 2008 over 90 percent of military families will be receiving BAH, thus allowing families the opportunity to make housing choices according to their individual preferences.

As of February 2007, the Department has awarded 71 privatization projects, which includes over 147,000 total military family housing units privatized. The private sector's cumulative contribution to the 71 awarded deals awarded thus far totals over $20 billion (or 90 percent) of total project development costs. The Services have contributed $1.5 billion in development costs primarily through equity investment or government direct loans.

For fiscal year 2008, the Department requests $2.93 billion, a decrease of $1.2 billion from the fiscal year 2007 President's Budget request. The decrease reflects cost savings realized by the Department achieving its respective goal to eliminate inadequate housing and to privatize the inventory on a cost-effective basis. The Department's privatization plans in the fiscal year 2008 budget will ultimately result in the privatization of over 90 percent of its domestic family housing inventory, or roughly 194,000 units privatized by the end of fiscal year 2008.

—Fiscal year 2008 funding provides for the continuation of the privatization program to reduce costs to the government and provide quality housing to service members and their families. The fiscal year 2008 request will privatize 4,261 family housing.

—Fiscal year 2008 request provides $353 million for the Army and Navy "Grow the Force" initiative, which will provide housing support for end-strength increases.

—$1.9 billion to operate and maintain approximately 80,000 government-owned family housing units, and lease 38,000 units worldwide.

In fiscal year 2008 and beyond, DOD will monitor the military housing privatization projects over the next 40+ years and conduct oversight of their financial performance. DOD will protect the government's interest while acknowledging that it is the responsibility of the private sector to take the lead on operating these projects. Current project highlights include:

—The majority of the awarded privatization projects initial development plans for renovation/construction are on schedule.

—Thirteen projects have completed their construction/renovation schedules

—The privatization projects are achieving 90 percent occupancy across all projects.

—There have been no defaults for the awarded projects.

—Awarded projects are receiving high tenant satisfaction ratings.

Finally, in fiscal year 2008 DOD will continue to push expansion of the privatization authorities for unaccompanied housing and lodging. In fiscal year 2007, the Navy executed the first Unaccompanied Housing pilot project in San Diego in December 2006, with two additional projects planned—Hampton Roads, Virginia (award April 2007), and Mayport, Florida (future date TBD). The Army anticipates award of the first Lodging Privatization project in September 2007.

Competitive Sourcing

The Department of Defense continues to strongly support the President's Management Agenda Initiative for Competitive Sourcing. Introducing private sector competition into commercial functions performed by the Department improves business efficiency and reduces cost to the taxpayer. Public/private competitions using the procedures of OMB Circular A–76 have demonstrated substantial savings whether the in-house or private sector wins the competition. During fiscal years 2000 through 2006, the Department completed 870 such competitions encompassing about

91,000 positions. These competitions will have resulted in over $9 billion in savings (cost avoidance) over the life of the resulting performance periods, normally about 5 years. The Department has an additional 7,969 positions currently undergoing competitions, plans to compete 10,000 positions in fiscal year 2007, and expects to maintain the same level of competitions in fiscal year 2008.

These new competitions use the procedures of OMB Circular A–76 which evaluate public and private proposals concurrently using the Federal Acquisition Regulations. As the Department's designated Competitive Sourcing Official (CSO), my office is working continuously to improve the competition process. For example, competitions that used to take up to 48 months to complete can now be completed in as little as 12 months. Such improvements will reduce stress on our workforce and will make savings available earlier to reinvest in the Department's operation.

Energy Management

The Department continues to aggressively attempt to reduce its energy consumption and associated costs, while improving utility system reliability and safety. To that end, DOD developed a comprehensive energy strategy and issued updated policy guidance incorporating the provisions and goals of the Energy Policy Act (EPAct) of 2005 and is implementing the recent enactment of the new chapter 173 of title 10, U.S.C. The Department is also in the early stages of implementation of Executive Order 13423, recently issued by the President to strengthen Federal environmental, energy, and transportation management. This strategy will continue to optimize utility management by conserving energy and water usage, improving energy flexibility by taking advantage of restructured energy commodity markets when opportunities present themselves.

DOD, as the largest single energy consumer in the Nation, consumed $3.5 billion of facility energy in fiscal year 2006. Though overall cost continues to increase due to commodity costs, consumption has decreased from the 2003 baseline. 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.

The Department's efforts to conserve energy are paying off. In fiscal year 2006, military installations reduced consumption by 5.5 percent, exceeding the energy conservation goal of 2 percent. Energy conservation projects accomplished through Energy Savings Performance Contracts (ESPC) typically account for more than half of all facility energy savings. Lapse of ESPC authority in 2004 negatively affected the Department's ability to reach the 30 percent reduction goal under Executive Order 13123. However, with ESPC authority reauthorized in the fiscal year 2005 National Defense Authorization Act and extended for an additional 10 years in the Energy Policy Act of 2005, DOD has launched an aggressive awareness campaign and is well on its way to meeting the new goals established in the Energy Policy Act of 2005. Use of ESPC for 2006 increased 316 percent, reaching an award value over $586 million.

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 but that are life cycle cost effective. 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 $17 million planned in fiscal year 2007, and to $24 million budgeted for fiscal year 2008 out of a $70 million ECIP request. The fiscal year 2007 program for ECIP also contains $2.6 million in hydrogen fuel cell projects. The Department easily exceeded the EPAct 2005 renewable energy goal of 2.5 percent in fiscal year 2006. The Department's total renewable energy purchases and generation accounted for 9.5 percent of all electricity use. Also, while EPAct 2005 did not articulate a specific water reduction goal, the new Executive Order 13423 does have a goal of a 2 percent water reduction per year. The Department has reduced water usage by an impressive 29.6 percent from the fiscal year 2003 baseline year.

Environmental Management

Managing Cleanup.—The Department is committed to cleaning up property that, as the result of past military activities, is contaminated with hazardous substances and military munitions. DOD has achieved "remedy in place" or "restoration complete" status at 85 percent (16,833 out of 19,796) of its environmental restoration sites on active installations. As of the end of fiscal year 2006, 85 percent (4,275 out of 5,010) of the environmental restoration sites at BRAC locations closed or realigned by the first four rounds of BRAC or closed in BRAC 2005 have a cleanup remedy constructed and in place and operating successfully, or have had all nec-

essary cleanup actions completed in accordance with Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) standards. Hazardous substance cleanup at Formerly Used Defense Sites (FUDS) has achieved "remedy in place" or "restoration complete" status at 53 percent (2,487 out of the 4,654) of known sites.

As of the end of fiscal year 2006, DOD fulfilled its cleanup obligations at over 122 of the approximately 373 identified Military Munitions Response Plan (MMRP) sites at BRAC installations, and has cleanup actions underway at 251 sites. A similar situation can be found at Formerly Used Defense Sites (FUDS), where 29 percent of the MMRP sites identified have had all cleanup actions completed. Over 473 of the 1,633 FUDS with currently identified Unexploded Ordnance (UXO) contamination have been addressed, and another 1,160 are undergoing cleanup actions or study.

Environmental Management Systems.—DOD implemented environmental management systems (EMS) as required by Executive Order 13148 at all appropriate facilities. This transformation embeds environmental management as a systematic process, fully integrated with mission planning and sustainment and is essential for continued successful operations at home and abroad. Implementing EMS helps preserve range and operational capabilities by creating long-term, specific and measurable targets in comprehensive programs to sustain capability while maintaining healthy ecosystems. Benefits accrued to date are an increased awareness of environmental issues and how they can impact operations, increased communication and cooperation between departments, new initiatives to mitigate environmental impact and risk, and strengthened relationships with communities and regulators.

Pollution Prevention.—Maintaining compliance with environmental laws is an integral part of sustaining DOD operations. From fiscal year 2000 through fiscal year 2006 the Department reduced the number of new Federal and State enforcement actions received by 18 percent while the number of regulatory inspections increased by 6 percent during the same time period. In 2005, DOD installations reached a 95 percent compliance rate with wastewater treatment permits. For the 3.4 million customers served by DOD drinking water systems, in 2005, less than 7 percent of the population received notice that their water exceeded a drinking water standard (most "exceedences" were not immediate health concerns and both interim and long term solutions are either completed or underway). The Department continues to demonstrate a commitment to reduce solid and hazardous waste. From 2000 through 2005, the Department reduced hazardous waste over 15 percent by using various pollution prevention opportunities. In 2006, over 3.7 million tons of solid waste was diverted from landfills which avoided approximately $153 million in landfill costs. This 59 percent diversion rate exceeds the Department's diversion goal of 40 percent in 2005. Integrating a strong compliance program into installation environmental management systems will strengthen this program.

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, both here and abroad, where we test equipment and conduct training. Development 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 issues as more noise complaints from new neighbors; diminished usable airspace due to new structures or increased civil aviation; a compromised ability to test and train with the frequency needed in time of war; and a loss of habitat for endangered species.

History and experience gained over decades demonstrate that 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 (RRPI) to achieve a balance between national defense and environmental policies. As a result, DOD has successfully balanced the statutory requirements of the Migratory Bird Treaty Act, the Marine Mammal Protection Act, and the Endangered Species Act with our national defense mission requirements. However, the Department continues to seek legislative clarification under the Clean Air Act, the Comprehensive Environmental Response, Compensation, and Liability Act, and the Resource Conservation and Recovery Act.

The Congress provided statutory authority to use Operations and Maintenance (O&M) funds to create buffers around our ranges and installations. Using this authority the Department established the Readiness and Environmental Protection Initiative, or REPI, and has worked with willing partners to cost-share land conservation solutions that benefit military readiness and preserve natural habitat. In fiscal year 2005, REPI leveraged $12.5 million of O&M funding to secure $48.2 mil-

lion worth of buffer land and easements, encompassing 10,238 acres at seven installations. The 2006 and 2007 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. Overall in fiscal year 2006, REPI initiated 23 projects in 17 States, and for fiscal year 2007 an additional 32 projects have been identified for funding. The Department has requested $30 million dollars in the fiscal year 2008 budget to support REPI.

Partnerships are essential to success and the Department continues to work with State governments and other Federal agencies in the Southeast Regional Partnership for Planning and Sustainability—or SERPPAS. In 2006, the State of Alabama joined North Carolina, Florida, Georgia, and South Carolina as SERPPAS State members. Through this process, the partners hope to promote better planning related to growth, preservation of open space and protection of the region's military installations. The regional approach to facilitate dialogue and to address issues of mutual concern is proving successful, and in 2006, the Department took the initial steps to establish a regional partnership in the Western States.

In 2006, DOD worked closely with other Federal agencies to sustain military readiness. At Fort Riley, Kansas, the Department of Agriculture's Natural Resource Conservation Service and the Department of Defense signed a Memorandum of Understanding (MoU) to work together on conservation efforts that sustain agricultural productivity on private lands that will buffer military lands. On energy issues, the Department of Defense is working with other Federal agencies to ensure that wind farm projects and energy transmission corridors are compatible with military readiness activities. The Department is also working 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, Indian tribal, and environmental groups on issues of mutual concern to seek win-win solutions. Overseas, DOD is developing 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.

Integrating Business Enterprises

The Department as a whole has made significant strides in breaking down the cultural and information technology (IT) systems barriers that hinder business agility. There is an increased need for tighter alignment of end-to-end business functions, better management visibility into operations, and a definitive focus on execution excellence. The current climate of making measurable business improvements every 6 months, tied to releases of the DOD Business Enterprise Transition Plan, has succeeded in driving progress. Changing the cultural mindset has meant redefining Defense business in terms of functions performed and the customers served, rather than who performs them. Breaking down IT systems barriers has meant, among other things, using common standards to integrate the business data owned by the Components.

The Real Property and Installation Lifecycle Management (RP&ILM) Core Business Mission area has had tremendous success with business transformation because it has been driven by the top leadership and supported across all Components and all levels. Over the past few years, RP&ILM has developed enterprise wide capabilities for real property accountability and visibility, environmental liability accountability and valuation, and hazardous materials operational controls. These capabilities are founded on requirements for standard business processes, data elements, and business rules. The Military Departments and Agencies, in coordination with the DUSD (I&E), have begun implementation efforts for these capabilities.

I&E community leadership actively oversees IT system investments to ensure that IT systems are being modernized to support the new business enterprise capabilities. I&E has become a leader in implementing DOD's net-centric vision and has already stood up a site unique identifier registry, that will allow all IT systems (and communities) with a need for location information to easily get authoritative source information. All of this foundational and transformational work has been achieved because of the established RP&ILM governance processes. These governance processes support federated management because the business owners themselves drive business modernization and the associated support IT. This work has also been completely integrated into the activities of the Business Transformation Agency, ensur-

ing that RP&ILM capabilities support the broader DOD enterprise business transformation efforts.

During the past year, the Department expanded its efforts beyond defining transformation requirements to actual implementation of business transformation. Each Military Service has either completed and is implementing, or is developing implementation plans, to deliver these reengineered capabilities. Some of our recent successes include:

—Ability to assign unique identifiers to all DOD's sites. For the first time in our history, the warfighter and business mission areas will have the ability to obtain access to real property site information at the push-of-a-button, with assurance that the data is authoritative and consistent from Service to Service.

—Development of Real Property Inventory Requirements (or RPIR) compliance assessment tools and procedures. These tools assure that the Services will implement and maintain consistent, accurate, and complete information on our vast and geographically diverse real property asset portfolio.

—Update of antiquated policies. Policy change promotes behavioral change. Building on this best practice, DOD is in the process of updating policies to include modernized processes for construction in progress, real property acceptance, and workplace hazard communication.

—Completion of standardized requirements for the management of regulatory and chemical hazardous materials information. This success allows the Defense Logistics Agency to serve the entire Department with standardized regulatory information on hazardous materials from a central repository of authoritative data. As the Services use this information in their business processes, DOD will realize cost savings, and more importantly, improve operational control of mission activities involving hazardous materials.

—The funding of a pilot to utilize geospatial information systems (GIS) and RPIR processes to determine official DOD boundaries for land parcels. The pilot also supports mapping any known environmental liabilities as outlined in the new Environmental Liabilities requirements. This pilot will enable DOD to reap many benefits as accurate geospatial information will be easily available and no longer isolated in the real property community.

—The development of Spatial Data Standards for Facilities, Infrastructure, and Environment (SDSFIE). Precision and speed are no longer unique qualifiers of the operational community alone. DOD is applying these drivers to core business mission areas as well. Fundamental to total asset management is knowing exactly where an asset is geographically located. The SDSFIE will ensure a level of accuracy and consistency never before seen as the Department geospatially enables its business areas.

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. I appreciate your continued support of our installations and environment portfolio, and I look forward to working with you as we transform these plans into actions.

REGULAR BUDGET REQUEST VS. SUPPLEMENTAL BUDGET REQUEST

Senator REED. Thank you very much, Mr. Grone. Let's take 7-minute rounds with the anticipation that we will do at least two rounds with this panel and I will begin.

Secretary Jonas, the bundled three separate military budget requests together this year, the fiscal year 2008 regular request plus the emergency supplemental request for fiscal year 2007/2008 and there appears to be a number of overlaps in these requests. There are CENTCOM projects in both the regular and supplemental requests. There is also a large amount of funding for the Army and the Marine Corp global force and related initiatives in both the regular and supplemental requests. How did OSD determine which projects qualify to the regular budget and which would deem to be emergencies?

Ms. JONAS. As a general matter, Mr. Chairman, we try to make sure we are including funds in the supplemental that are urgent.

We work with CENTCOM and with the military services to determine, specifically on supplementals, things that are operationally important, have a force protection component, or a safety concern. That is how we generally try to decide what is appropriate for a supplemental.

With the respect to the growth of force provisions, the growing force and accelerating the additional brigade combat teams and the regimental combat team for the Marines is urgent for the rotational aspect of it. As you know, the combat commanders are requesting additional forces and so it was believed that we needed to get that done quickly. So, as a general matter, that's how we try to work that, sir.

GLOBAL WAR ON TERROR AND GROW THE FORCE

Senator REED. OSD included military construction projects for both the global war on terror and the growth force initiative in the fiscal year 2008 regular budget. If that's the case, why do we need a fiscal year 2008 global war on terror emergency supplemental? Why couldn't normal projects be included in the regular 2008 budget?

Ms. JONAS. Sir, the decision as to whether or not the request for the global war on terror expenses for 2008 would be designated emergency or non emergency was one that was made by the Office of Management and Budget.

What we tried to do is provide the best estimate that we could and package it so that Congress could consider it well ahead of time. We don't know whether a supplemental will be required for fiscal year 2008. As the Deputy Secretary has said before, we know this number is an estimate and it's the best we could do at that time. It may have to be adjusted upward or downward and we would obviously have to work with the Congress to make those adjustments, sir.

Senator REED. So that you can't rule out a request for additional emergency supplemental funding for military construction projects in Iraq particularly after this supplemental?

Ms. JONAS. As you know, Mr. Chairman, the conversation that goes on with combat commanders on request for forces and needs is a continual one. We try to work with them, so I don't know at this time. I can't tell you one way or the other whether or not they would require that and obviously there is a larger national debate that is going on that will affect it, sir.

WALTER REED ARMY MEDICAL CENTER

Senator REED. Mr. Grone, we are all aware of the tremendous firestorm that the Walter Reed situation has generated here and across the country. Last week, the House Appropriations Committee added that amendment to the supplemental that would prohibit any appropriated funds for the use to close Walter Reed. If that provision were to become law, what impact would it have on the BRAC 2005 process? Would DOD proceed with building Walter Reed replacement facilities at Bethesda, Fort Belvoir, etc etera, or would this language completely overturn the closing of Walter Reed?

Mr. GRONE. Mr. Chairman, certainly as I understand the intent of what's contained in the House bill is to prevent us from realigning Walter Reed and closing Walter Reed, repositioning that mission to Bethesda pursuant was to the recommendation of the Secretary ratified by the Commission and ultimately supported by the President and the Congress. We believe it would have a very significant effect, not just conduct of the round overall, but certainly on the immediate question of the delivery of military medical care in this entire region.

The recommendation that was developed was carefully drawn up by the medical community and carefully assessed through multiple reviews. The issue there is maximizing the military value of the assets we have, the critical assets we have with the Services we need to provide to military personnel, their families, retirees, and certainly to our wounded warriors.

Excess capacity, poor facilitation exist throughout this region. Currently we have four inpatient facilities: Walter Reed, Andrews, Bethesda, and Fort Belvoir. The notion of looking at the entire military medicine on a comprehensive basis rather than looking solely at single hospitals was one of the great innovations of this prior round and the ability of the Joint Cross Service group to do that. Walter Reed is an inpatient facility opened in 1977 with the current building, Building 2, and has not had any renovations since. The notion of combining that mission on a joint basis at Bethesda, where you also have synergy with the National Institutes of Health and with the Uniformed Services Health Science University was a critical part of this.

We would also lose, if we were compelled to keep Walter Reed in its current condition open and operating, we would lose $170 million or so in annual recurring savings that would accrue from the implementation of the entirety of the recommendations affecting military medicine in this region. To then go forward if that was open and have to build out Fort Belvoir would exacerbate the capacity question, not resolve it, the result of which would likely be that we would be inefficiently using our resources over time and not effectively delivering medical care to our personnel.

Senator REED. One of the things that is obvious is that great attention has to be paid to this transition.

Mr. GRONE. Yes, sir.

Senator REED. If it is going to go forward.

Mr. GRONE. Yes, sir.

Senator REED. Which would imply, perhaps, acceleration of construction at Bethesda and Fort Belvoir and other facilities, attention to outpatient facilities, which may not have been included initially in the concept and consideration, frankly, for putting more resources into this whole plan, if it goes forward. Is that something that you are amenable to?

Mr. GRONE. Sir, we certainly are looking at all of those options, and currently the recommendation overall, all of the activities in this region—Walter Reed, Fort Belvoir, the other issues that are being worked, the many projects that go into a $1.6 billion program. Certainly, the question of acceleration is an important one. We are looking at that, and there have been many useful sugges-

tions made by members of this Subcommittee and others for us to look at that.

We continue to take lessons learned from the clinical work that's being done on a daily basis to support those brave Americans who are currently here as wounded warriors that we're taking care of. So we are trying to embed all of those lessons into the process to have the world-class facility of Bethesda that we require. So, yes, we are amenable.

Senator REED. Thank you very much, Senator Hutchison.

Senator HUTCHISON. Thank you, Mr. Chairman. I am glad that you raised the point so effectively about what the impact would be of the House language because I think it is very important that you have a plan for acceleration rather than overturn what was hours, days, weeks, months of real in-depth coordination that BRAC took to make the decision that it did. I think it would be very unwise and I hope Congress will resist that. I think Walter Reed at Bethesda is the right joint operational strategy that we should continue to implement.

I would also say that an appropriations bill only lasts for 1 year. So, it is really only 1 year. It wouldn't have the permanent effect that BRAC does and yet it would delay further the implementation of BRAC and cause all of the wrong things to happen. So I hope you will have a plan that will accelerate it and come back to the committee at some point in this appropriations year to show us that.

Secondly, the other policy issue is the jointness. I think that all of the medical training facilities research being much more joint in the Department of Defense is going to mean we have better state of the art facilities for all of our military personnel and I think that would be undercut if we just precipitously in an appropriations bill changed the BRAC.

GUARD AND RESERVE

Let me just move to the Guard and Reserve issue. Obviously, you are putting the emphasis where I think it is a correct emphasis and I appreciate that and I applaud you for it. The only area that I think we have to watch is that we know Guard and Reserve are being very heavily utilized and we want their training facilities to be good enough that they have what they need to stay up to speed, state of the art, to the extent that we can and that means their facilities have to be upgraded as well. So, how are you addressing that with this year's slight diminishing of the budget?

Mr. GRONE. Well, Senator Hutchison, I think it is important that we can get the exact figure for the record, but it is important that we take a look at what was remarked earlier of the totality of what we are doing for the Guard and Reserve because it is important to look not just at what's requested in what I would call the regular program, the regular military construction programs, but also the important work that is being done in the context of the BRAC account itself.

Total force requirements are critically important, and the notion of simply considering the Active on one side and the Guard and Reserve on the other is not the way we currently think of the use of forces. It is not the way we fight. The notion of having a total force

package and total force integration is critically important and we recognize that. That is why what we did as a Department we did inside the BRAC account itself.

So each year that we have brought a BRAC request forward, there are pieces that affect not just the Active side of the house, but the total forces represented in that account. We think that's the platform for transformation initiatives on a going-forward basis. And so I think when we look at—and certainly there are always going to be folks who think there should be more funding for given initiatives. But I think when one looks at the regular military construction program and what we're going through, BRAC, I think the record of the last couple of years will demonstrate an increasing emphasis on financing for Guard and Reserve requirements that we even had 3, 4 or 5 years ago.

So, I think it is a very positive development. It's a very important development, and we want to continue to refine our requirements so that we have dollars on the most important items, but I can assure you we do take the total force piece of this very seriously.

Senator HUTCHISON. Okay, well, I appreciate that. I know you have to make choices and I don't want to say that you have made the wrong choices because I think you've made the right choices. I do think we need to always reassess just like we are now, looking at the medical facilities of the Armed Services in the wake of the Walter Reed situation. We need to also make sure that we don't have woefully inadequate Guard and Reserve facilities for those who are being called up especially. So, I appreciate what you have done.

Mr. GRONE. I absolutely concur.

Senator HUTCHISON. Thank you, Mr. Chairman.

Senator REED. Thank you, Senator Hutchison.

PIÑON CANYON, COLORADO

Senator ALLARD. Thank you, Mr. Chairman and thank you for this hearing. Secretary Grone, thank you. There has been a recent expansion proposal for Fort Carson. The Colorado Springs community is excited about it and as a result of that have about 10,000 or so new soldiers coming into Fort Carson.

It's anticipated that there is a need to expand the training area, which is referred to as Piñon Canyon, which is out of the Colorado Springs community. It's a ways away and fairly isolated but there are some very small communities down there and they're real concerned about their tax base and they're concerned about how it is going to affect their communities and ranches.

So I was glad to hear when the Secretary of Defense granted a waiver of the land acquisition moratorium placed on the Armed Services for the possible expansion of Piñon Canyon. Now prior to the waiver approval, the Army's hands, particularly those at Fort Carson, have been tied because they could not communicate. So, now that there is an opportunity for them to communicate and I understand the difficult position that they were in, and the Army in general is in, is on this issue.

I believe the time is right for the Army and Department of Defense to get out in front on the issue and combat some of the mis-

conceptions, I think, about the proposal that is floating around, particularly down in the southern part of the State.

Now, many of these questions I'll ask today continue to be raised by the local communities down in southeastern Colorado and I am trying to provide a forum for them to be heard. It is my understanding that your superior, Under Secretary Ken Krieg, signed off on the Army's proposal. Have you seen the Army's waiver request?

Mr. GRONE. Yes sir, I forwarded it with recommendation for approval to Mr. Krieg.

Senator ALLARD. Would you care to comment on it?

Mr. GRONE. We think that the waiver of the moratorium obviously was the right and proper decision. The Army brought forward a package requesting a waiver to the land acquisition moratorium for precisely the reasons you detailed. We don't yet know precisely what the size and scope, ultimately, of the expansion of Piñon Canyon maneuver site might be. That is part of the scoping process that we will need to go through. The important part about the approval of the waiver, as you noted, is that it allows the Army to begin the planning process, public scoping and more open engagement in dialogue with local ranchers, the communities, local mayors and the like. That's critically important and that process has formally begun. The formal NEPA process will begin this summer and fall.

I met recently within the last few weeks with a couple of members of the Colorado House from that region of the State. They had the opportunity to give some of their perspectives on it as well.

This is a very important potential expansion, but we want to do it carefully. We want to do it only calibrated to the requirements of the Army and we want to do it with enormous sensitivity to the needs of the local communities as well. So the dialogue in that process is very, very important to us.

Senator ALLARD. Now, according to my information they've targeted about 1 million acres of what they are looking at and they are thinking of somewhere around 418,000 acres. Have any of those kinds of figures been made available to the public?

Mr. GRONE. I think it is fair to say that I believe the notion of the 418,000 acres of potential expansion has been made available and that will be part of what we go through the scoping process on.

As I say, Senator, I don't know if at the end of the day, it will be 418,000 or some other smaller number. That will depend on a number of factors that we really won't be able to determine until we go through this extensive consultation and environmental impact process.

Senator ALLARD. Is there any thought about a permanent party station at the site? I guess this brings up some questions about infrastructure to that particular area, which are pretty limited right now.

Mr. GRONE. It would, but Senator, if I might, I frankly would rather defer to the Army to answer the operational or stationing questions.

Senator ALLARD. Good. From the very beginning, the Army has insisted they have identified willing sellers in the area, which is how this entire process started. Many in the local community there

have stated matter of factly that there are no willing sellers in their proposal to the Secretary of Defense. Has the Army identified potential willing sellers?

Mr. GRONE. They did not identify specific willing sellers.

Senator ALLARD. But they did indicate that there were willing sellers in general?

Mr. GRONE. The Army believes that there are willing sellers in the region and it is possible that we may have an ability for arrangements that are something short of fee-simple acquisition—licensing, leases, easements. I mean, all of those items will have to be a part of that scoping process. I won't say that there won't be a fee-simple acquisition because I think there likely will be and I do think that there will be willing sellers with which the Army will work.

Senator ALLARD. Now, with their studies, are there going to be some economic evaluations for the area positive or negative or are we going to just go into the EIS, environmental impact statement and that's it, with no economic considerations?

Mr. GRONE. I think we would be prepared to work with you and others on assessing the implications of that. It might be appropriate. I would like to go back and take a look at it. The Office of Economic Adjustment might be able to help in this way.

Senator ALLARD. I would like to look and see if we can have positive economic figures or negative economic figures for that area. I think that would be helpful.

Mr. GRONE. That is a reasonable request, Senator.

Senator ALLARD. Now, you could be looking at some public land there too. There are some public lands in the area.

Mr. GRONE. There are.

Senator ALLARD. I guess they would require, it is my understanding, they require an EIS, an environmental impact statement, as well as a private lands, is that correct?

Mr. GRONE. Yes.

Senator ALLARD. If you do acquire those public lands, what happens to those agreements for public grazing permits that have already been issued?

Mr. GRONE. In the absence of specifics, I would prefer not to answer the hypothetical. Usually, as we go through something that involves the public land and if it is withdrawn for military purposes, I don't know the specific terms of the relationship on those particular parcels, but usually we have to come back to Congress and ask for legislation for that purpose. Not always, but it sort of depends on the circumstances.

Senator ALLARD. Let us know about that, if you would, as we move along. Just one last question, Mr. Chairman. You had stated that in the past you saw no need for eminent domain. Is that still your position?

Mr. GRONE. I believe what I indicated earlier was that I was reluctant to take any available legal tool off the table.

Senator ALLARD. Yes.

Mr. GRONE. But based on what we think we understand in the context of willing sellers' we always prefer to work with willing sellers but I would not desire to rule out any legally available tools.

Senator ALLARD. But your thought right now is that you are not going to have to use eminent domain because there are willing sellers?

Mr. GRONE. My hope is that we will not have to use that. That is correct. It is always preferable not to.

Senator ALLARD. Okay. Thank you. My time is expired.

Senator REED. Senator Craig.

Senator CRAIG. Mr. Chairman, thank you very much and again I have not had the opportunity to congratulate you publicly on your chairmanship here. We look forward to working with you. It is a very important committee for a lot of reasons and let me thank both the Deputy Secretaries for being with us today. I submitted an opening statement and in that statement I am going to draw that into this question.

FACILITY FUNDING PRIORITIZATION

When a military base is scheduled to receive funding in a future FYDP for new or upgraded facilities, but those facilities are currently condemned, as is the case at Mountain Home Air Force Base. What does the Department of Defense do to ensure that those facilities will receive a priority over other facilities outside of waiting for Congress to appropriate the funds?

Essentially, is there a system within DOD to seek out these condemned facilities and bump them up in priority status as it relates to funding?

Now, I am not talking about Building 18. I am talking about a facility that I visited at my airbase. It is important for the committee to know that we have basically one military installation in Idaho, Mountain Home Air Force Base, a world-class airbase that came through BRAC with flying colors for a lot of reasons but I was out there visiting some time ago; well a couple of months ago. I try to get there several times a year and this large building, it is called Mountain Home Readiness Center, is 53 years old. The wind was blowing very hard that day and they recommended that I not go in it. And I said no. We put hard hats on and went in, Mr. Chairman and looked it over. It is propped up, it's braced up, it's old, it's dilapidated and it's critically necessary and so back to my question.

When you've got something that's necessary but condemned and a good 30-mile per hour breeze puts people who might enter it at risk, how do we handle those things? Does anyone want to respond to that? None of you now? Well then, why don't both of you respond then?

Mr. GRONE. I have not had an opportunity, although I understand your interest, I have not had an opportunity to look at this specific project that you mention, but I will do that and get back to you on that.

Each of the military departments have, and they vary by military department, each of them have different, for lack of a better word, scoring regimes for how they assess military construction requirements and how they build their budget. I frankly would prefer to defer to Mr. Anderson on the panel that follows me to speak more directly to the project itself but certainly, if we have a critical facility where there is an urgent mission need, there are things we can

do in the programming process to accelerate those and if there is a mission currently in the facility, we can use our unspecified minor construction or other authorities to help stabilize or reduce the hazard to health and well being of military or civilian personnel who might need to enter the facility. So, I'd like to take a look at the specifics.

[The information follows:]

The Logistics Readiness Center, Facility 1325, was constructed in 1953. The facility is in inadequate condition and was recently assessed condition code 3, indicating required use only. However, since Facility 1325 is the only base facility capable of supporting large logistics functions, the base must continue to use the facility until it is replaced. Operations and Maintenance resources and manpower to maintain the facility has been limited to repair of the fire suppression system, the loading dock, and the armory. Until the facility is replaced, rules for use of the building that mitigate risk to personnel have been implemented, such as evacuation when snow loads exceed four inches or when equivalent dynamic/dead loading occurs. Structural condition of the facility is monitored to avoid injury to personnel and damage to war readiness supplies.

Within the facility, physical separation and displacement of the organization's assets and resources creates ineffective administrative management, compromises security, and degrades the Wing's ability to meet mission sustainability. Workarounds and fragmented operating sites result in inefficient use of critical transportation and manpower resources on a daily basis. Excessive handling and deterioration of supplies and equipment increase the amount of assets being damaged or lost. Work areas are cramped, hampering morale and productivity.

The planned replacement for this facility is an 8,500 SM facility costing $17.5 million. In balancing overall Air Force mission priorities, the project is planned for the fiscal year 2011 military construction (MilCon) program and would provide adequate size and configuration for storage of bulk and bin items to support Wing and flying missions in a centralized location expediting deployment rate and capability. Other mission essential operations would also be located in this new facility.

Senator CRAIG. I am not worried about risk to personnel because the airbase is handling it appropriately and they keep propping it up and double-checking it and doing all that but when 60 percent of the base's supplies have to operate out of temporary spaces spread out all over the base, it does not lend for great efficiency.

Mr. GRONE. I agree.

Senator CRAIG. And it creates significant delays sometimes in training and mobilization. As you know, Mountain Home Air Force Base and what we do there, we do very well, we drop bombs on targets and we have been used very heavily and our people have been deployed all over the world on a very regular basis. And now, that base is a base of desirability for the Israeli's to come and train, the Germans were there, the Singaporean Air Force is coming. Why? Because we have the best electronic range in the system that likens itself to the Middle East like no other range almost in the world and so it becomes a very desirable place to come and train. We expect it to not only be an appropriate place but a world-class place and a 53-year-old wooden building doesn't muster up.

Mr. GRONE. Senator, one of the initiatives that we have underway; we had an initiative several years ago on the demolition of unneeded facilities. This is separate from BRAC and to some degree separate from demolition we would undertake with the regular military construction projects. A couple of years ago, after successfully completing that initial round of initiatives where we targeted something like 80 million square feet and took down 83 million, we began a second initiative to get at, and encouraged military departments to remove from the inventory, precisely the kinds

of facilities that you're describing today. We are in the middle of building that program. So we are, from a policy perspective, in the Office of the Secretary of Defense, very interested and desirous of moving facilities just like that, that no longer serve a useful purpose and that are a hazard, off the inventory and replacing them if there remains a mission need with adequately and recapitalizable assets. So it is part of our overall portfolio management approach.

Again, it is something that I take very seriously because I do not desire to have the taxpayer paying caretaker costs for facilities like that. They are simply not necessary or needed. But we also have to recognize that there is a requirement for the mission and we will work with you, and sort of with the components, to make sure that issues like that are adequately addressed.

Senator CRAIG. Mr. Chairman, there are a lot of other issues that I am concerned about and I certainly one want to be associated with both you and the ranking member's remarks in a much broader area. It is not my intent to sound totally parochial today because the airbase is handling the facilities. They are not investing in it. Although the wind is slowly but surely taking it down and maybe that's the least expensive way to have it come down. But it is simply inappropriate and unnecessary and it creates complications in a facility that got extremely high marks during BRAC and is considered one of our premier bases because of air space and flight times and clear days and ranges and all of that that are extremely important to us. Thank you, Mr. Chairman.

Senator REED. Thank you, Senator Craig. We will begin a second round of 7 minutes.

BRAC 2005 COST ESCALLATION

Mr. Grone, you have said in your prepared testimony that the BRAC 2005 round now is fully funded through the out-years at $31.2 billion. A CRS memorandum has compared the BRAC cost estimates in the 2008 budget with those included in the 2007 budget. The 2008 budget shows a 70 percent increase over the cost of the BRAC round that DOD projected last year. Why are the original projections so far off base and can we have reasonable assurances that these new projections are accurate?

Mr. GRONE. Mr. Chairman, that is a question that a number of your colleagues have raised with me and I am pleased that you raised it with me because there is an important series of points that needs to be made about that difference.

When the original suite of recommendations were beginning to be implemented, we did a re-assessment of the COBRA's cost estimates. We determined that there was about a $22.3 billion baseline. Based on our COBRA analysis and as you know, that is the way we compare varying recommendations against each other in the BRAC process itself.

In all prior rounds of BRAC combined—and this is an important point—we spent approximately $24 billion. About one-third of that amount was due to military construction, about $8 billion. In this round of BRAC, given the extensive repositioning of assets and missions being undertaken at 800 separate locations across the country, this round is nearly three-quarters military construction.

Military construction and the construction industry will have, certainly, site adaptation issues, cost issues. So built into simply the raw ratio of how much MILCON is in the program, I frankly expected that there would be some cost increases.

Now, when we took that $22.3 billion program from COBRA, and then moved to implementation, and you spread that requirement over the 6-year implementation period, we then began to inflate and put appropriate cost parameters around, instead of them being fiscal year 2005 dollars, the then year dollars for implementation. So applying all of the standard inflation factors that we would need to apply, $2 billion of the $8 billion difference is solely a factor of inflation.

A key additional factor was as the Army looked at their implementation requirements they made a strategic choice to enhance facilities for, particularly, quality of life for military personnel and their families and additional training ranges in addition to some other items. That package represented about a $4 billion add to the program, which the Army self-financed. The other remaining $2 billion is caught up in a suite of changes that occur when you go from parametric analysis to actual site adaptation and sending engineers out into the field determining that renovation of a facility would be inefficient. New construction would be better. So there is a pattern for that $8 billion. Because, the current number is based on more rigorous field assessments and more rigorous design parameters, will we see marginal adjustments in cost over time either to the downside or to the upside? Certainly we could see that. But do I expect we are going to see the kind of swing we see here? No. I think that this is a very good estimate.

Senator REED. Have you recalculated the projected savings now, given the fact that costs are going up?

Mr. GRONE. Well, the annual recurring savings that will accrue are savings that will accrue from changes to military and civilian personnel and other items that are not affected by the implementation costs, per se. We are tracking annual recurring savings much more aggressively than we did in prior rounds of BRAC, given the interest to the Congress, the Government Accountability Office, and our own management principles including financial accountability that my colleague, Ms. Jonas, has led in the Department.

We still believe that the annual recurring savings figure of $4 billion after implementation—that is $4 billion every year after implementation to the far horizon—remains a reasonably accurate and very good estimate of what those savings will be.

Senator REED. Let me ask you, is the current estimate of cost to complete the environmental remediation associated—has that cost estimate changed, given there are construction aspects there.

Mr. GRONE. The dollar amount for environmental remediation inside the implementation period that I believe we provided in the budget justification was, I want to say, was nearly $900 million, so it has gone up a bit since the COBRA analysis. Some of that is due to additional understanding of remediation matters that may need to be taken, if there is a cost to complete beyond that. I am not sure that it is very large, but frankly I'd like get back to you for the record on that.

[The information follows:]

The cost to complete (program years fiscal year 2007 to completion) for BRAC 2005, which includes environmental restoration sites and compliance, is estimated to cost $892 million. The environmental cost estimate has not changed due to the construction requirements for BRAC 2005.

U.S. SOUTHERN COMMAND HEADQUARTERS

Senator REED. I had some additional questions but my time is dwindling quickly. One question I do want to address is that this year's request includes $237 million for the Consolidated Headquarters Facilities for Southern Command in Miami.

Mr. GRONE. Yes, sir.

Senator REED. This is a very large expenditure and involves a very complicated land lease to execute. It seems that this headquarters has been built on rather expensive real estate in a metropolitan area when there are perhaps alternatives. For example, CENTCOM is located in Tampa at MacDill Air Force Base on an existing military facility. There are other areas in Florida like Homestead Air Force Base where they might be readily available. Why aren't we trying to build this headquarters in a less expensive neighborhood?

Mr. GRONE. Mr. Chairman, during the BRAC process itself we actually looked at the question of whether the headquarters ought to move from Miami and came to the determination, both for cost reasons as well military efficiency and the judgment of the combatant commander, that Miami remains the appropriate location. The reason why the headquarters is fully financed, proposed to be fully financed, in the fiscal year 2008 budget request is due to OMB policy on full financing of large projects such as this one. It is something that is long overdue. It is a bit complex as you suggest, but we believe it is the right answer for the combatant commander for that headquarters.

Senator REED. Thank you. Senator Hutchison.

Senator HUTCHISON. Yes, I relate to the question where I think we have bases that can be more efficient than expensive urban land. I certainly think it is wise. We are just moving a Reserve facility outside of the interior part of Houston to Ellington as one example of a way to be more efficient and also realize the value of that real estate. So, if there were any opportunities to look at that I would certainly support the Chairman's line of questioning. I would just like to ask Mr. Grone—given the decision to increase the Army's end strength on a permanent basis, or a longer-term basis, is the Department of Defense still committed to reducing our footprint in Europe, which is something that this subcommittee was very instrumental with, and suggested and encouraged because of training constraints in European bases and also inefficiencies in a number of small bases that didn't have the troop support capabilities. So, I wanted to ask if there has been any decision to change, as we are increasing our end strength, in the bringing home of these 70,000 troops from Europe and Korea?

Mr. GRONE. Senator, we remain committed to the plan as you and the subcommittee has been previously briefed. I have, currently pending on my desk, the overseas master plans of the combatant commanders. We're reviewing those now. I expect to be submitting those to the Committee in the coming days and I believe

from a EUCOM perspective, certainly, when you have an opportunity to review the plan you'll see that it is very consistent with the prior briefings you have received on the subject.

Senator HUTCHISON. Good, thank you. I am very pleased to hear that. Thank you, Mr. Chairman.

Senator REED. Thank you Senator Hutchison. Senator Craig.

Senator CRAIG. Nothing further.

Senator REED. Senator Allard.

Senator ALLARD. No further questions.

Senator REED. Thank you for your testimony and for your dedicated service to the Nation.

Ms. JONAS. Thank you, sir.

Mr. GRONE. Thank you, Mr. Chairman.

DEPARTMENT OF THE AIR FORCE

STATEMENTS OF:

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

MAJOR GENERAL CHARLES V. ICKES, DEPUTY DIRECTOR, AIR NATIONAL GUARD

BRIGADIER GENERAL CHARLES D. ETHREDGE, DEPUTY TO THE CHIEF, AIR FORCE RESERVE

Senator REED. Now, let me call up the next panel. Well, let me welcome our second panel and I'm pleased to introduce the Honorable William C. Anderson, Assistant Secretary of the Air Force for Installations, Environment, and Logistics; Major General Charles V. Ickes II, Deputy Director of the Air National Guard; and Brigadier General Rick Ethredge, Deputy to the Chief of the Air Force Reserve.

Gentlemen, thank you very much for your presence here today and we look forward to your testimony. Secretary Anderson.

STATEMENT OF HON. WILLIAM ANDERSON

Mr. ANDERSON. Well, good morning. Mr. Chairman and distinguished members of the committee, on behalf of American's airmen, it is a pleasure to join my colleagues, Generals Ickes and Ethredge before you here today. As the Air Force continues to train and fight as a total force, it is great that we are together as a total force to testify.

Before I begin, I want to offer the best wishes of the Air Force to your chairman, may his recovery be fast and complete.

I'll keep my opening remarks brief and begin by thanking the committee for its continued support of America's Air Force and the many brave and dedicated airmen who serve around the globe to keep this country safe. As our Nation and department finds itself engaged in hostilities and war for the 16 consecutive year, we're also in a transition period where the Air Force continues to evolve and remain indispensable as threats to our Nation emerge and change.

The Air Force is getting smaller, but our commitments have not. Airmen perform critical installations, environmental and logistics tasks that are intrinsic to every facet in the success of our missions. We are making process changes at every level of the Air Force, which result in resource savings and more efficient operations. In these tumultuous times, our priorities remain consistent. Winning the war on terror, developing and caring for our airmen, and re-capitalizing and modernizing our air and space systems. Air Force facilities, housing, and BRAC programs are key in supporting, these priorities. At home, our installations provide stable training environments as we equip and reconstitute our force.

Both our stateside and overseas bases provide force projection platforms to support combatant commanders. Our bases are weapon 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 combatant commanders to fight and win the war on terror, provide quality facilities, implement BRAC, sustain and re-capitalize our aging infrastructure, all the while proactively supporting the operational environment.

The fiscal year 2008 President's budget request for traditional MILCON is $1 billion. This budget carefully balances our facilities operations and maintenance accounts for sustainment, restoration and modernization with military construction to make the most effective use of available funding to support the Air Force mission.

The 2008 budget request also includes $363 million for housing investment, which balances new construction, improvements, and planning and design work. Housing is a good news story for airmen. Privatization continues to be a success bringing quality homes to airmen and their families in less time than would be the case with traditional MILCON. To continue our aggressive BRAC implementation schedule, the fiscal year 2008 budget request includes an additional $1.2 billion for BRAC related activities, of which $910 million is construction. The Air Force is the lead on 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 our required compliance by 2011. We are committed to making BRAC and joint basing a raging a success. However, several BRAC basing policy elements run counter to the spirit of efficiency and cost savings in the joint basing construct.

The Air Force believes total obligational authority (TOA) and real property transfer would serve as a disincentive to cost savings, efficiency and effective execution of customer expectations. These customers, our operational commanders if you will, should define requirements necessary to execute the mission and manage the funds to meet those needs.

PREPARED STATEMENT

This year, we commemorate the 60 anniversary of our proud service, a service born of revolutionary ideas, forged in combat and proven through decades of progress and achievement. The readiness and capability of our force to fight and win our Nation's wars now and in the future depends heavily upon the state of our operational infrastructure. We look forward to your questions. Thank you.

[The statement follows:]

PREPARED STATEMENT OF WILLIAM C. ANDERSON

Mr. Chairman, Senator Hutchison and distinguished members of the committee, as our Nation, and Department, finds itself in a transition period, the Air Force continues to evolve and remain indispensable as threats emerge and change. The Air Force is the preeminent force for operations beyond the bounds of earth, and is vital and relevant in the conduct of ground operations as well. The Air Force has been continually engaged in War for the past 16 years. The Quadrennial Defense Review guides the Air Force and enables us to deliver sovereign options for the defense of the United States of America and its global interests. The Air Force is getting smaller, but our commitments have not. Airmen performing critical installations, environ-

ment and logistics tasks are intrinsic to every facet in the success of our missions. Our civil engineers are critical to every facet in the success of our missions. We currently have over 2,500 engineers in the theater of operations directly supporting Operations Enduring Freedom and Iraqi Freedom. In order to fulfill our mission, we are making process changes at every level of the Air Force with results in resource savings and more efficient operations. We have more work to do, but by institutionalizing Air Force Smart Operations 21 concepts into our daily operations we are leaning our internal processes to reduce workload and reduce or eliminate unnecessary work. These efforts allow us to meet the enormous challenges of today, the foreseeable future, and ultimately, sustain and modernize the world's best air, space, and cyberspace force. In these tumultuous times our priorities remain consistent: fighting and winning the war on terror, developing and caring for our Airmen and their families, and recapitalizing and modernizing aging aircraft and spacecraft.

Air Force facilities, housing 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 bases provide force projection platforms to support Combatant Commanders. Our bases 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 Combatant Commanders to fight and win the war on terror, providing quality of life facilities, implementing BRAC, sustaining our infrastructure and striving to recapitalize our aging infrastructure, while proactively supporting the operational environment. We are the DOD's leader in expeditionary combat support and continue that role with pride. Our total force military construction, family housing, and sustainment, restoration, and modernization programs are paramount to successful operations and maintaining a reasonable quality of life for our men and women in uniform and their families.

The fiscal year 2008 President's Budget request for Air Force construction is over $2.3 billion, comprised of traditional MILCON ($1.0B), BRAC 2005 ($910 million) and housing investments ($363 million). The Total Force MILCON portion ($1 billion) of Air Force fiscal year 2008 President's Budget (PB) construction request reflects our highest construction priorities. This request includes $912 million for active military construction, $86 million for the Air National Guard, and just over $27 million for the Air Force Reserve. While the 2008 traditional MILCON budget request is approximately $300 million lower than last year's, it reflects our highest priorities and most urgent needs. Unfortunately, we face demands on our resources that require some very tough choices. This budget carefully balances our facility operations and maintenance accounts for sustainment, restoration, modernization with military construction programs to make the most effective use of available funding in support of the Air Force mission. The Air Force Total Force sustainment funding in fiscal year 2008 is $2 billion, 92 percent of the amount called for by the Facility Sustainment Model (FSM). The fiscal year 2008 Total Force restoration and modernization (R&M) funding is $346 million.

The Air Force fiscal year 2008 PB request of $363 million for the Military Family Housing investment program balances new construction, improvements, and planning and design work. While we continue to strive to eliminate inadequate housing, we cannot allow more housing to fall into disrepair. In addition to the $363 million requested for housing investment, we request nearly $688 million for operations and maintenance, for a total housing investment of more than $1 billion.

To continue our aggressive BRAC implementation schedule, the fiscal year 2008 PB request includes $1.2 billion for BRAC related activities of which $910 million is construction. The Air Force is lead for 64 BRAC business plans and has financial equity in an additional 16 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 the Global War on Terror, support our Airmen and their families, and recapitalize and modernize our force. We believe the fiscal year 2008 President's Budget proposal will provide the construction bedrock for continued success of our mission.

FIGHTING AND WINNING THE GLOBAL WAR ON TERROR

The Air Force's first priority is to fight and win the Global War on Terror (GWOT). We plan to invest $192 million on GWOT-related projects that support and enhance the Air Force's ability to deliver intelligence, maintenance, and operational capabilities to our Combatant Commanders. At MacDill AFB, Florida the Air Force

is executing two projects at U.S. Central Command (USCENTCOM) by completing the Joint Intelligence facility and altering the USCENTCOM headquarters facility. The USCENTCOM's area of responsibility is the geographic and ideological heart of the GWOT. A war without borders, it spans 27 countries in the Central Asian region of the world. The Joint Intelligence Center provides the USCENTCOM Commander with the situational awareness and long range analyses needed to defeat adversaries within the AOR, promote regional stability, support allies, and protect U.S. national interests, all aimed toward victory in the GWOT. Two projects at RAF Menwith Hill Station, United Kingdom and one at Offutt AFB, Nebraska enhance intelligence gathering and analysis capabilities for the United States and our allies. The Basic Expeditionary Airman Skills Training at Lackland AFB, Texas provides facilities for expanded field training that will equip our Airmen as they enter the Air Force with the warfighting skills and mindset vital in today's operational environment.

DEVELOP AND CARE FOR AIRMEN AND THEIR FAMILIES

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, reside, and recreate. Our Total Force Airmen are the most valuable assets we have in fighting the GWOT and ensuring our air, space and cyberspace dominance. We have to continue to recruit, train, equip, and retain the Airmen of tomorrow. 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 exceptional training and operational facilities.

Workplace

Work-related injuries cost the Air Force over $130 million annually and have a significant impact on operational capability. Most importantly, workplace injuries negatively impact the quality of life for our Airmen and their families. One program being used to achieve a reduction in workplace injuries is OSHA's Voluntary Protection Program. The SECAF and CSAF have directed "launching the Voluntary Protection Program throughout the Air Force . . . for service wide implementation." Through the Voluntary Protection Program, every Airman and his Wingman are empowered to actively identify and take action to eliminate safety and health hazards in the workplace. Our goal is to offer an accident-free work environment for each and every Airman.

At Home

When Airmen deploy, time spent worrying whether their families are safe and secure is time not spent focusing on the mission. Quality of life initiatives are critical to our overall combat readiness and to recruiting and retaining our country's best and brightest. Our quality of life initiatives reflect our commitment to our Airmen.

Family Housing

The Air Force Family Housing Master Plan details our Housing military construction, operations and maintenance, and privatization efforts. It is designed to ensure safe, affordable, and adequate housing for our members. To implement the plan, our fiscal year 2008 budget request for family housing is over $1 billion. Consistent with Department of Defense Strategic Planning Guidance, the Air Force is on track to fund projects through fiscal year 2009 which will eliminate inadequate overseas housing.

For fiscal year 2008, the requested $363 million for our housing investment program will replace and improve approximately 2,100 housing units at eight overseas bases. An additional $688 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 the beginning of fiscal year 2008, we will have privatized over 44,000 housing units, or 72 percent of our U.S. housing inventory, far exceeding the DOD goal of 60 percent. The Air Force is strategically leveraging its $596 million investment to bring in $7.37 billion in equivalent MILCON investment from the private sector; that is nearly fifteen dollars of private

investment for each public tax dollar. The Air Force is aggressively researching privatization at remaining U.S. MILCON installations where feasible.

Unaccompanied Housing (Dormitories)

The fiscal year 2008 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. Phase I, now construction complete, eliminated central latrine dormitories. With the fiscal year 2007 MILCON we have funding necessary to complete phase II of our Dormitory Master Plan, our dorm room shortage (deficit), by building new dormitories. In Phase III, now underway, we will replace existing dormitories at the end of their useful life with a standard Air Force designed private room configuration under the "Dorms-4-Airmen" concept. Our "Dorms-4-Airmen" concept capitalizes on our wingman strategy and keeps our dorm residents socially and emotionally fit.

Our fiscal year 2008 Program reflects this strategy. The $47 million request for dormitory investment will replace 368 rooms for unaccompanied personnel at both stateside and overseas 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. Our goal is for Airmen to make fitness and exercise a regular part of their lives and prepare them to meet the rigors of a deployed environment, not simply to pass an annual fitness test. 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 Tyndall AFB, Florida.

We also remain committed to the children of our Airmen and are dedicated to provide them with adequate and nurturing day care facilities. In fiscal year 2008 the most urgent need is at Patrick AFB, Florida. Our $12 million effort at Patrick AFB will provide supervised care for 266 infants and preschool children, replacing a child development center that was established in a warehouse built in 1958.

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. A new Security Forces Operations Facility at Scott AFB, Illinois will provide the men and women of the active duty and National Guard in one of our most stressed career fields a functional, consolidated facility. The Fire Training Facility at Ramstein AB is jointly funded by NATO and provides military critical live-fire and structural fire/crash rescue training. Finally, a recapitalization project at the Air Force Academy continues the phased upgrade of Fairchild Hall academic building. The final renovation and upgrade of Fairchild Hall will be complete with a $15 million effort programmed in our fiscal year 2009 MILCON program.

RECAPITALIZATION AND MODERNIZATION

Our third priority is to modernize and recapitalize the Air Force. Air forces succeed when they anticipate and are allowed to shape the future strategic environment, and ultimately develop the capabilities required for the next fight. Air forces succeed when they are able to organize, train, and equip themselves properly for both the current and future fights and purposefully build in the flexibility to operate across the spectrum of conflict and deliver effects at all levels of war—tactical, operational and strategic. Air forces succeed when they remain focused on their primary mission of providing asymmetric range and payload as an independent force that is part of an interdependent joint team. Our MILCON program is a direct reflection of our strong commitment to the success of our Air Force and is heavily weighted toward modernization and recapitalization support. The fiscal year 2008 Total Force military construction program consists of 43 projects that are essential to modernization and recapitalization, totaling $544 million.

The F–22A Raptor is the Air Force's primary air superiority fighter and key enabler, providing operational access, homeland defense, 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. We are constructing five active duty and reserve projects to beddown the world's premier fighter at a cost of $75 million. The F–35A Lightning II Joint Strike Fighter (JSF) is our 5th generation multi-role strike fighter aircraft optimized for air-to-ground attack. The F–35A will recapitalize combat capabilities currently provided by the F–16 and A–10 and will complement the capa-

bilities of the F–22A. Projects at Eglin AFB, Florida begin the beddown for joint F–35 training squadrons and combines Air Force and Navy funding totaling $74 million. Our legacy aircraft remain a vital part of our national defense. We are constructing much needed facilities for the Reserve F–16 Wing at Hill AFB, Utah and the active duty F–15 Wing at RAF Lakenheath, United Kingdom.

We are also modernizing the weapons these 5th generation aircraft and legacy stalwarts will carry. The Small Diameter Bomb (SDB) enhances our payload and strike capability while increasing the standoff distance for our pilots. We are constructing munitions storage igloos at RAF Lakenheath, United Kingdom and Ramstein AB, Germany to provide this capability to the warfighter where storage capacity does not exist. Our Tactical Air Controllers are embedded with ground forces, directing air power, like the SDB, in support of ground operations. This year's MILCON program provides active duty and Guard Air Support Operations Squadrons the facilities needed on Army Installations like Fort Carson, Colorado; Fort Riley, Kansas; Camp Beauregard, Louisiana; and Fort Indiantown Gap, Pennsylvania. These facilities support U.S. Army brigade transformation and provide the Air Force Tactical Air Controllers 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. MILCON projects at Altus AFB, Oklahoma; Hickam AFB, Hawaii; and Travis AFB, California nearly completes the beddown of our inter-theater mobility workhorse. The C5 provides the strategic span in our air bridge and we are investing in six projects worth $50 million at Memphis, Tennessee and Martinsburg, West Virginia. Hangar projects at Davis-Monthan AFB, Arizona and Cannon AFB, New Mexico increase maintenance capabilities for Combat Search and Rescue EC–130s and AC–130s, respectively.

Intelligence, Surveillance, and Reconnaissance (ISR), communications, and space systems play an ever-increasing role in what we do. The Distributed Common Ground System (DCGS) provides real-time, net-centric, decision-quality information to commanders. Projects that enable the DCGS operations will be constructed at Hickam AFB, Hawaii; Hulman RAP Terre Haute, Indiana; and Otis ANGB, Massachusetts. MILSTAR is a joint service communications system that provides secure, jam-resistant, worldwide communications to meet essential wartime requirements for high priority military users. Investments at McGhee Tyson IAP, Tennessee support this vital communications beddown. The lethal combination of air and space assets the United States possesses gives us capabilities that are unmatched. The Air and Space Integration facility at Schiever, AFB, Colorado enables us to continue this dominance and widen the gap on our adversaries. Finally, the Communications Frame facility at Bolling AFB will modernize this critical node for communications in the National Capital Region.

Depot Maintenance Reengineering and Transformation 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 support warfighter requirements more effectively. The 2008 program continues with four projects at Hill AFB, Utah; Robins AFB, Georgia; and Tinker AFB, Oklahoma totaling $66 million.

The 2008 military construction program has six other modernization infrastructure projects worth $178 million. These projects span the globe; from a Mobility Processing Center in Germany and storm damage repair in the Gulf of Mexico, to an infrastructure project on Guam that provides increased force protection for the entrance to Anderson AFB. These projects recapitalize our aging infrastructure and enable us to support our vision for a modernized force.

BASE REALIGNMENT AND CLOSURE

As we continue supporting our three main priorities, implementing the Base Realignment and Closure (BRAC) recommendations is an important vehicle for the Air Force to ensure we are more lethal, agile, and capable of maintaining total dominance in air, space, and cyberspace domains. While the Commission's final decisions fell short of the Air Force's overall goals for BRAC, particularly in eliminating excess physical capacity, they did help the Air Force take a major step towards reshaping its Total Force structure. The Joint Cross Service Group recommendations which make up the vast majority of the fiscal year 2008 PB request are pivotal to transforming the way the Air Force and our sister services train and fight together.

The Air Force developed and is implementing an aggressive schedule for its BRAC 2005 recommendations, and we are working in close partnership with our Joint

partners and with the Air National Guard, the Air Force Reserve, and our major commands to further develop and refine this schedule.

The Air Force is lead military service for 64 BRAC Business Plans, and has equity in an additional 16. Our fiscal year 2008 BRAC program is comprised of $910 million in MILCON, $223 million in O&M, and the balance in the personnel and environmental accounts. Of the $910 million in MILCON projects, $749 million is driven by Joint Cross Service Group recommendations. Joint interdependence adds complexity to the execution of this BRAC funding. Business Plans developed to assist in execution of BRAC actions have been coordinated and approved by OSD and also coordinated with other Service agencies. Coordinating, completing, and implementing these plans will ensure the Air Force is successful in effectively and efficiently implementing the BRAC 2005 recommendations. We are confident the Air Force is heading in the right direction. We believe if we stay on course we can meet all expectations and objectives of the BRAC 2005 round, while minimizing disruptions to the mission, our warfighters, their families, and the communities that support our Air Force.

Given the many external influences, and as good stewards of taxpayer dollars, we cannot look at BRAC implementation as an isolated activity. To be successful, we must orchestrate BRAC implementation activities in concert with new Air Force mission beddowns, legacy weapons systems and force drawdowns, emerging missions, Total Force Integration (TFI), and cross Service initiatives. An example of our attainment of this objective from BRAC 2005 recommendations is at Kulis Air National Guard Base, Alaska. The 2005 BRAC Commission recommended that, contingent on the availability of adequate military construction funds to provide the necessary replacement facilities at Elmendorf AFB, Kulis ANGB be closed. After an in depth analysis of detailed concepts of operations and available infrastructure, the Air Force, the Air National Guard, Pacific Air Forces, and my staff, collectively concluded on January 30, 2007, that operations at Kulis ANG Base could and would be relocated to Elmendorf.

When this move is complete, the 176th Wing, Kulis ANGB and the 3rd Wing, Elmendorf AFB will form one, in a growing number of, Air National Guard and active duty associate units in the Air Force. This association will facilitate a unique opportunity for the Air Force to merge all our Total Force elements—Air National Guard, Air Force Reserve and active duty operations—across multiple mission areas, including airlift, Combat Search and Rescue, Airborne Warning and Control Systems and 5th generation fighters, all in one location and in a theater key to our global activities.

Environmental Cleanup and Property Transfer

As stewards of public assets the Air Force must manage them to achieve maximum value for the taxpayer while at the same time overseeing those assets with the utmost regard for environmental issues.

Environmental clean up and transfer of BRAC real property is often technically challenging and has involved extended timeframes to complete. Nevertheless, the Air Force has deeded 82 percent of 87,000 acres of BRAC property from previous BRAC rounds. Our real property disposal efforts have led to the creation of more than 54,000 reuse jobs in the affected communities. To complete the clean up and transfer of the remaining property, the Air Force is attempting to leverage private sector experience in redeveloping former industrial property similar to Air Force facilities. Our way ahead for legacy BRAC property includes an emphasis on performance-based contracting including guaranteed fixed price terms, regionalized contracts, and innovative tools such as early transfer, negotiated sales, and privatization. Our objectives remain 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 in the process.

The Air Force takes serious its responsibility to protect human health and the environment. Since 1991 we have spent $2.6 billion on environmental clean up at our BRAC installations—an investment that protects human health and the environment for our Airmen, our communities, and future generations.

Way Ahead

As you are well aware the House and Senate recently approved a Continuing Resolution Authority which approved $2.5 billion in BRAC funding for the Department of Defense, which is $3.1 billion less than requested for fiscal year 2007. If left unchanged, the reduction will result in the Air Force receiving far less than expected in fiscal year 2007 funding. If not corrected, the Air Force, and our sister services will have to re-evaluate our plans and will likely experience delays and disruptions

in construction and the movements of our people and assets. Delays could impact mission readiness and the ability to meet mandated completion deadlines.

Prompt action and restoration of full funding will permit the Air Force to stay on course in executing our obligation for timely completion of the BRAC recommendations approved by the Congress.

We solicit your support in advocating that action.

ENHANCED USE LEASING

At remaining non-BRAC facilities, the Air Force is reshaping our infrastructure to meet the demands of the 21st century. The Air Force seeks fair market value and utilizes new tools such as Enhanced Use Leasing to optimize our resources and obtain value from our excess capacity—value we can return to the warfighter. Enhanced Use Leasing allows undeveloped and unused military facilities to be used by private industry, by leasing them to private entities. For example, an Enhanced Use Lease of a vacant 8.33-acre parcel on Kirtland AFB in New Mexico, allows the New Mexico Institute of Mining and Technology to construct a 20,000 square feet commercial office building lab research facility and secondary educational facility, which provides rent to the Air Force and will improve scientific and educational opportunities for Kirtland AFB, the Air Force Research Laboratory, New Mexico Tech and the public in general. The Air Force has six current and pending Enhanced Use Lease projects and twenty potential Enhanced Use Leases across the country.

MAINTAINING OUR FACILITIES AND OPERATIONAL INFRASTRUCTURE

The Air Force remains focused on sustaining, restoring, and modernizing our operational infrastructure. 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 manage assets by optimizing resources to deliver operational infrastructure for the warfighter at our installations and ranges. For 2008, 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 wear out more rapidly. In addition, commanders in the field use 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 in fiscal year 2008 is $1.99 billion, 92 percent of the amount called for by the Facility Sustainment Model (FSM). The fiscal year 2008 Total Force R&M funding is $346 million, a slight improvement over our fiscal year 2007 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 9 years, the Air Force has aggressively demolished or disposed of facilities that were unneeded or no longer economically viable to maintain. From fiscal year 1998 through fiscal year 2006, we demolished 21.9 million square feet of non-housing facilities and infrastructure at a cost of $260 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. For fiscal year 2008 and beyond, 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 $75 million for planning and design (P&D), of which $12 million is for military family housing. The request includes $52 million for active duty, $8 million for the Air National Guard and $4 million for the Air Force Reserve. These funds will allow us to complete the design work for fiscal year 2009 construction programs and to start the designs for fiscal year 10 projects, allowing us to award contracts in the year of authorization and appropriation.

This year's request also includes $26 million for the Total Force unspecified minor construction program which is our primary means for funding small, unforeseen projects that cannot wait for the normal military construction process. Because these projects emerge over the course of the year, it is not possible to program the total funding requirement.

UTILITY 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 our installations are key to our operational capabilities, our network of bases provides 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 the best solution for simultaneously meeting both these requirements.

To date, under DOD's utilities privatization program, the Air Force has conveyed 11 systems under 10 U.S.C. 2688 and 6 additional systems using standard FAR clauses, for a total of 17 privatized systems with a plant replacement value in excess of $300 million. We are currently evaluating an additional 338 systems for privatization. We anticipate that we will more than double the number of our privatized utility systems in fiscal year 2008. By the time the program concludes, we anticipate more than 120 of about 500 systems could be privatized. During the course of this process, we expect many competitive solicitations will end up as sole source procurements from local utility companies.

ENERGY

The Air Force is serious about being a global leader in facility energy conservation and renewable energy. In the last year the Air Force chartered a Senior Focus Group and set its strategic vision of making energy a consideration in all we do. Our strategy is built around a balance of supply side energy assurance and demand side energy efficiency. Our new energy strategy for the 21st Century is focused on meeting the President's new energy mandates outlined in Executive Order 13423. Our strategy covers not only our facilities infrastructure, but also fuel optimization in our aviation operations and ground transportation fleet.

The Air Force facilities infrastructure strategy is to eliminate waste in energy use as the major conservation priority. Conducting effective energy audits to identify energy waste streams is the first step. Optimizing the efficiency of heating and cooling systems, and eliminating over-lighting are just two of the initiatives in our energy toolbox.

Our traditional project goals of delivering high quality facility projects on schedule and within budget is expanding the term "quality" so that our goal becomes the creation of functional, maintainable, and high performance facilities. Under Executive Order 13423 the Air Force will employ the Federal Leadership in High Performance and Sustainable Building Guiding Principles to reduce total cost of ownership, improve energy efficiency and water conservation, to provide safe, healthy, and productivity enhancing environments. We currently employ Leadership in Energy & Environmental Design (LEED) criteria created by the U.S. Green Building Council as design guidelines. The LEED Green Building Rating System is the nationally accepted benchmark for the design, construction, and operation of high performance green buildings. We are incorporating day-lighting and improved building envelop designs to reduce heating, ventilation, and air conditioning loads and power use. By fiscal year 2009, 100 percent of Air Force eligible MILCON projects will be "capable of certification" in LEED registration. High quality energy-efficient facilities is our goal.

The Air Force is responding to the effectively doubling of the energy conservation mandate of E.O. 13423 by strengthening management of our energy programs from

base level Energy Management Steering Groups, and technically competent energy managers through Major Command and Headquarters United States Air Force governance groups. Additionally, we are building an investment program based on high value initiatives that save energy and help the Air Force mitigate the impact of rising utility costs. We are hiring energy professionals to assist our Major Commands and installations target the right initiatives. We are also partnering with the Office of the Secretary of Defense, the Department of Energy, the Environmental Protection Agency (EPA), and others to implement best practices across our enterprise.

In the area of renewable energy, this year we awarded a contract that will result in an 18 megawatt (MW) peak power photovoltaic (PV) solar array at Nellis AFB, NV—projected to be the largest PV array in the world once on line in late 2008. The Air Force is building on a long history of facility energy conservation success. Our new energy initiatives will enhance our campaign to meet or exceed the goals of the new Executive Order.

Our efforts were recognized in fiscal year 2006 when we received the EPA Climate Protection Award as the number one purchaser of renewable energy in the Nation. The Air Force continues to be the largest user of renewable energy as defined by the Energy Policy Act of 2005 with the purchase of 990,319 MW of green power representing 9.6 percentof our total electrical consumption last year. Also, for the third year in a row, the Air Force heads the EPA's list of top ten Federal Government green power purchasers in the Green Power Partnership.

CIVIL ENGINEER TRANSFORMATION

The Air Force Civil Engineers have a long history of supporting all the critical Air Force programs mentioned earlier. The engineers are also benchmarking with the private sector and aggressively transforming their business processes to be more effective and efficient. The Air Force civil engineers developed several initiatives to minimize the impact of Air Force-wide personnel reductions on their ability to provide combat capability and home-station installation support. Rather than settle for a fair share distribution across specialties and Major Commands, these transformational initiatives targeted specific process improvements which resulted in realignments for military and civilian authorizations to balance workload and increase combat capability. The Civil Engineers are transforming civil engineer functions at all organizational levels to centralize the core engineering capabilities and streamline their processes. This includes centralizing the execution of new and current mission MILCON, housing, and environmental restoration construction projects at the Air Force Center for Environmental Excellence in San Antonio, Texas. The Civil Engineers also applied Operational Risk Management concepts to the way we accomplish the fire emergency services support mission. By accepting capability-based risks, civil engineers can provide the same level of fire and crash rescue service for the airfield and installation, while reducing the numbers of fire fighters required on duty during times when events are less likely to occur. The transformational initiatives mentioned above will allow us to execute our civil engineer mission more effectively and increase our combat capability for Explosive Ordnance Disposal and Air Force heavy construction units, known as RED HORSE Squadrons. As a whole, these initiatives ensure civil engineer support to the warfighter remains steadfast and our garrison installation support remains at an acceptable level.

CONCLUSION

September 18 2007, marks the 60 anniversary of the creation of our independent United States Air Force. This year we commemorate this anniversary of our proud Service—a service born of revolutionary ideas, forged in combat, and proven through decades of progress and achievement. The readiness and capability of our fighting force to fight and win our Nation's wars, now and in the future, depends heavily upon the state of our operational infrastructure. As the Air Force continues to modernize and recapitalize, we will continue to wisely invest our precious military construction funding to fight and win the war on terror, develop and care for our Airmen and their families, while recapitalizing and modernizing our air and space systems.

Senator REED. General Ickes.

STATEMENT OF MAJOR GENERAL CHARLES V. ICKES

General ICKES. Thank you, Mr. Chairman, members of the Committee. This is a great opportunity for the Air National Guard to be here as part of the total force team. Our story in the Air Guard

is one of cost effectiveness. We have 177 Air National Guard facilities. As a great value, we have approximately 1,100 personnel across America that steward a remarkable $12 billion plant value facilities program. We have more than 60 nominal fee leases where we operate organizations on commercial airports for $1 per year, a remarkable, effective way to manage the Air Guard.

We are aggressively managing our inventory, disposing of obsolete or unwanted facilities and we are pursuing energy effectiveness end efficiencies in everyway we can. However, we've got some challenges facing us also. We need to meet the requirements of BRAC and that is critical for us because we played such a large piece in BRAC. Unique, under what occurred during BRAC, we gained almost 2.2 million square feet of property in BRAC in the Air National Guard and now will have to manage those facilities and decide how we balance that out with current inventory. We definitely need to take advantage of the next upcoming weapon systems and be able to provide combat capability that the Air Force expects out of us. We need to ensure our facilities are flexible, efficient, sustainable, maintainable and durable.

This year, our request focus on re-capitalization and modernization and also to bed down critical weapon systems that are part our effort to reset the Air National Guard, the largest reset in the history of the Air National Guard. This reset initiatives to implement BRAC, total force integration or TFI and other problematic challenges. These initiatives, some of which have MILCON costs need to occur in sequence. It is very important for us as we build on and off ramps with these units were involved in BRAC and reset.

Fiscal year 2007's joint resolution left us with some challenges for this year. We hope we can work together so we don't jeopardize our ability to meet our mission requirements while we are transforming our force. Installations are essential to mission accomplishment and keeping us relevant into the future. Thank you very much for our opportunity this morning.

Senator REED. Thank you, sir. General Ethredge.

STATEMENT OF BRIGADIER GENERAL CHARLES D. ETHREDGE

General ETHREDGE. Mr. Chairman and distinguished members, thank you for the opportunity to be here today. The Air Force Reserve is a component of the total force and provides certain valuable support to the active duty component. We reflect in this our motto, One Air Force, Same Fight, Unrivaled Wingman. We demonstrate our motto in many ways and one of these ways is through our military construction (MILCON) program.

To support the Air Force mission as effectively as possible, the total force aligned its fiscal year 2008 and 2009 MILCON program to support the Air Force Chiefs top three priorities. Number one, fighting and winning the global war on terrorism. Number two, developing and caring for our airmen and their families. And, number three, re-capitalizing and modernizing the force.

The total force, including the Air Force Reserve, has deliberately taken risks in facilities to support the Air Force Chief's third priority of re-capitalizing our aging aircraft fleet. As a result, all components of the Air Force, including the Air Force Reserve, have lower MILCON TOA's. However, with the distribution of the total

TOA among the components is equitable based on the value of facilities and infrastructure.

We understand there are not enough resources to support every need. The alignment of MILCON projects towards the Chief's priorities differs from our past practice of allotting MILCON projects as current mission or new mission. By doing this, we are providing the most effective use of limited MILCON resources to best meet the Reserve's needs while supporting the Air Force's mission.

The Air Force Reserve MILCON program in fiscal year 2008 and 2009 support the Chief's priority of re-capitalizing and modernizing the force by supporting our associate units. The Air Force Reserve MILCON TOA for 2008 is $27 million. One-third of this is dedicated to planning, design and minor construction and two-thirds is dedicated to three construction projects supporting the F–22 associated unit at Elmendorf Air Force Base, Alaska and the F–16 associate unit at Hill Air Force Base, Utah.

Our fiscal year 2009 program is similar with only $28 million of TOA. We are applying one-third to planning, design, and minor construction and two-thirds for construction projects supporting an associate unit for a space wing at Schriever Air Force Base in Colorado and an associate KC–135 unit at Tinker Air Force Base, Oklahoma. We believe the model we are using to align our MILCON efforts with the Air Force Chief's three priorities provides coherency between the components, supports the Reserve mission, and significantly strengthens us as a total force. However, with the smaller amounts that we are receiving in TOA for the MILCON, we do see us falling further behind as we try to modernize our facilities and look towards the future. Thank you, sir.

Senator REED. Thank you very much, General. Secretary Anderson, we just had an interesting discussion with your colleagues about the increases in funding for MILCON, Marine Corps and Army and everybody else. The Air Force is asking for a 21 percent decrease. At the risk of looking a gift horse in the mouth, what is going on here? Is DOD essentially diverting resources to other services or has the Air Force reached a position where you don't need more MILCON, you need less?

Mr. ANDERSON. Well Senator, I think it is maybe a little bit of a couple of different things. First of all, as Senator Hutchison so kindly brought up earlier today, the Air Force is very proud of its reputation over the last 60 years of investing very heavily in bricks and mortar and infrastructure and it does show at our bases.

As my colleagues have pointed out, we realize that there is a significant need within the Air Force to re-capitalize iron, aircraft. We are making a conscious effort to take some degree of risk in our MILCON line item for the next couple of years. This is not a permanent ratchet down of that level of funding, but it is being done for a couple of years to help us re-capitalize the aircraft fleet. Now, as we are reducing to some degree our MILCON budget, that as you well know, is not the only pot of money that we use to manage and maintain our infrastructure. We have restoration, sustainment, modernization, and operating and maintenance funds. We are actually increasing our sustainment, I mean, our restoration and modernization accounts over the next couple of years, our sustainment account over the next couple of years, to take those

good assets that we already have across the Air Force and continue to keep them good as we work on re-capitalizing the fleet.

It is risk; we all understand its risk. We've all three components have determined that this is the appropriate thing to do and we are going to work very, very hard to maintain quality of life. Our Chief and Secretary have said we are not going to in any way impact quality of life for our airmen, the quality of life that they've all come to deserve and expect as being members of the United States Air Force.

Senator REED. So we can anticipate a request next year of a decrease in MILCON request, that is within your purview.

Mr. ANDERSON. It will be lower next year and then beginning after that to start ratcheting up again.

Senator REED. There is another issue here that came up several years ago. All the services committed to devote more resources to the Reserve components and looking at the numbers for the Air Guard, that in terms of MILCON, there seems to be a steady decline, not an increase. In 2006 Air Guard MILCON was $165 million, in 2007 fell to $126 million. This year, the request has dropped to $85 million and that is about a 49 percent decrease in just 2 years and then as you talk about projecting cuts going forward that probably, likely we would see more cuts.

The Air Force Reserve budget has fallen from $79 million in 2006 to $44 million to this year $26 million. Those are steep cuts and the Air Guard has 177 locations around the Nation and there is a great 143rd Air Wing up in Quonset Point, Rhode Island and frankly, you know, I think their needs are increasing rather than decreasing, certainly not commensurate with this level of support. So can you—how do you respond to these significant decreases?

Mr. ANDERSON. Again, sir, I think obviously the MILCON bucket is an important bucket but there are other buckets of funding that are used to maintain and keep current our assets. We have increases in some of those other buckets of funds, actually offsetting the decrease in MILCON.

The other piece, as Mr. Grone pointed out in the first panel, is the BRAC funding, which is not the same as current mission MILCON but it is a huge infusion of capital into Air Force assets. As an example, the Kulis Elmendorf movement of Kulis Air National Guard into Elmendorf, which also helps facilitate Air Force Reserve, Air National Guard and Active Duty, are working very closely together—a huge infusion of capital and new facilities for all three of the components.

So when you combine it all together and again, I will admit, we are taking risks. There is no question about that. When you combine it all together, I believe that in the short to medium term, the risks that we're taking are manageable and reasonable with an expectation that the Air Force will come back to its historical levels of funding within another couple of years.

Senator REED. You talked about re-capitalization rates, Mr. Secretary. What are the rates for the Active Air Force versus the Reserve components? Are they equal?

Mr. ANDERSON. If you look strictly at MILCON, the Active Duty is slightly more favorable than the other two components. If you look at all the buckets of funding against the plant replacement

value, of each of the various components, actually the Air National Guard and the Air Force Reserve are slightly better than the Active Duty, when you put all the buckets together, all of which, though again, I will admit, are really level funding amounts.

Senator REED. Now, the Air Force has been promoting the total force initiative as the centerpiece of its transformation. Does the Air Guard have the TFI initiatives, which have MILCON requirements that are not in the fiscal year 2008/2009 budget request?

Mr. ANDERSON. If there are needs in that time period that you suggested, they are in the budget request. There are obviously plans for activities beyond that time period, which would be dealt with later but if they are needs for that time period, they are fully included in those numbers, yes sir.

Senator REED. And that is your understanding, General Ickes.

General ICKES. I think our concern would be are all the TFI projects fully funded? Some of that is still to be discussed. There are a bunch of projects that had to slide out, based on OSD guidance in some directives, so we are a little concerned about will TFI be fully funded through the process in a timely manner.

Senator REED. And General Ethredge, your reaction to that?

General ETHREDGE. Some of the TFI initiatives are presently funded and for example, in the 2008 budget, the project we have at Hill Air Force Base, Utah is a TFI initiative, where we are associating changing the structure there from a UE-equipped F–16 unit to an Associate Unit and we're building a wing headquarters for that wing so we do have some of the TFI initiatives included but you know, looking out into the future, there are a significant number of TFI initiatives we are still investigating that will probably require some further funding.

Senator REED. Let me, Senator Allard, by the time I take one more question and turn it over to you. The Air Guard noted here in the submissions, has no current mission MILCON project initiative request while Active Duty Air Force has 27 projects totaling $542 million. How does this situation evolve where one component, Air Guard, has nothing and Active has 27 projects, if there is a total force emphasis?

Mr. ANDERSON. Well, Senator, based on a couple of things. One is, when you look at a snapshot of a year, the balance, obviously, can change. The balance of each of the particular funding buckets can change. I would submit that we ought to look at a longer term time period to see how it all flows together. In its current mission MILCON, new mission MILCON, BRAC funding, all needs to be kind of pulled in together. The other thing I would submit is, there are a number of Air National Guard and Air Force Reserve bases or Guard and Reserve operations that actually reside on Active Duty bases. A lot of the current mission MILCON is for quality of life items like fitness centers and dining halls and what have you. They are maybe on the Active Duty list but would be used by all.

So you've got to kind of look at the whole mix and we need to continue to work with the other components to make sure that that balance is fair and I think at this point, with the level of risk that we're taking, appears to be fair. But we've got to continue to look at that and make sure that it is, in fact, giving us what we need for the total force.

Senator REED. Well, thank you, Mr. Secretary. I think you really have to look between the lines to get that fairness. It may exist but it seems like it's starkly one-sided and I will continue to pay attention to that. Senator Allard.

Senator ALLARD. Thank you, Mr. Chairman. I just have a couple of questions. It shouldn't take long and I understand we've got some votes coming up here in the next five minutes or so.

Secretary Anderson, on February 26, had received a delegation letter from the Colorado Delegation in support of acquisition of 23 acres immediately adjacent to Peterson Air Force Base in Colorado and it's—the base hosts Northern Command and Air Force Space Command and it is my understanding that this acquisition is for force protection of Peterson and that there is a willing seller. Has a determination been made if fiscal year 2007 funds will be expended on this effort?

Mr. ANDERSON. Well, sir, let me first start talking about encroachment kind of in general. The Air Force approach has always been that we acquire land as a last resort, if you will. Obviously taking land off of the tax rolls and not allowing it to be developed can be actually a pretty significant negative to a community and we don't want to do that unless we really have to, with a willing seller or not.

The one thing that has really impressed me, quite frankly, about what's been going on in Colorado is that there is a unique partnership that all of the bases in Colorado have been working and it's a very long title and I'll try to give it to you here. The Front Range Combined Military Comprehensive Planning Committee, which each of the bases in Colorado is working with the local communities in a regional way to determine, number one, whether there are true encroachment issues or not and of course, total force protection is one of those particular issues and if there are, how do we work with the communities to resolve that issue best?

At this point, we're still looking at it but it is not evident yet whether there is truly a force protection issue related to that bit of ground or not but we're still looking at it and if it is an appropriate action to take to acquire that land, certainly we would go down that route. We're not quite at this point to suggest that that is necessary yet. We're going to continue to look at it.

Senator ALLARD. Yeah, my understanding is that there is good community support on it and the Colorado Springs area is known for their support of the bases that are posted there. So whatever you could do to move that along would be appreciated.

Mr. ANDERSON. If necessary, sir, we will absolutely do that. Yes, sir.

Senator ALLARD. Thank you. Now, last year this committee noted in a report, some issues surrounding aging facilities at the United States Air Force Academy there, just close by. It is my understanding that more than $700 million in military construction and operation maintenance dollars were needed to be invested in the Academy and have been invested since fiscal year 2000. Now, a significant portion of the Academy still has an infrastructure concern, is what I'm told. Can you update me on the progress of the infrastructure re-capitalization plan and what challenges there are to re-capitalize the aging facilities at the Air Force Academy?

Mr. ANDERSON. Yes, sir. A couple of items that we had a deliverable to you or to the committee, I should say, about a report, a Master Infrastructure Re-capitalization Plan, which is currently in the hands of our civil engineers and our finance people and will be delivered to the committee shortly, to meet that requirement.

Senator ALLARD. Can you make sure we get a copy of that in our office? Is that possible?

Mr. ANDERSON. Absolutely, yes sir.

Senator ALLARD. If not, we'll get it from the committee. Just let us know.

Mr. ANDERSON. In addition, the findings from 1 year ago, we're taking very seriously. A couple of items we're going to embark on are the average annual funding rate of about $49 million a year in operation and maintenance for the Academy and an average annual investment of $11.7 million in MILCON through 2013. Beyond that, we have committed to an annual investment of 2½ to three times the normal, the average investment across all Air Force bases, for the Academy beyond the year 2014 in what we call Fix USAFA.

For 2007, we're looking at $19 million of operation and maintenance funds that had been earmarked or allocated at this point, an additional $15 million in 2008 for facility upgrades. There is a comprehensive plan, which you will all see that takes us out through 2013 to help bring the Academy back to the standard it should have.

ADDITIONAL COMMITTEE QUESTIONS

Senator ALLARD. Yeah, one of the problems we have at the Academy is that it was built all at once so everything is aging out all at once and we have to figure out a plan and how we're going to take care of this stuff so it doesn't happen all at once. It creates budget problems, I think. We need to kind of stagger it through somehow or the other. But apparently, one of the more pressing things right now is the infrastructure, which we all understand.

Mr. ANDERSON. We agree and we appreciate your leadership and helping us through this issue.

Senator ALLARD. You bet. Thank you.

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

QUESTIONS SUBMITTED TO WILLIAM C. ANDERSON

QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

ELLSWORTH AFB—FUNDING MOBILITY CENTER UPGRADE

Question. Over the past decade, the facilities at Ellsworth Air Force Base have been substantially upgraded. A primary reason the Base Realignment and Closure Commission rejected the Department of Defense's recommendation to close Ellsworth was because it is a top-notch military installation. Continued upgrades at the base are essential. One project integral for mission readiness at the base, which is not in the FYDP, is the Mobility Center. Currently, deployment operations are housed in three separate buildings that are approximately 50 years old.

In light of the fact that both active duty service members stationed at Ellsworth, as well as South Dakota National Guard units, have used the facility repeatedly to deploy in support of the Global War on Terror, it is important that these facilities be upgraded as soon as possible.

Can you please provide to me a detailed explanation why the Air Force has not supported including this project in the Future Years Defense Program?

Answer. With limited military construction (MILCON) funding available in the out years for MILCON requirements, we can only fund MILCON projects in the Future Years Defense Program (FYDP) which have been vetted through a facility analysis and planning process which determine and validate its need. This process is necessary to determine if renovation or new construction is the most economical way to meet the facility requirements. Prior to the submission of the fiscal year 2008 President's Budget FYDP, the necessary facility analysis was not completed for this project. We are working to complete the facility analysis prior to finalizing the fiscal year 2009 President's Budget.

ELLSWORTH AFB—FUNDING FOR GATE UPGRADES

Question. Currently, all three entry gates at Ellsworth Air Force Base need significant upgrade to ensure they comply with current anti-terrorism requirements. To date, construction for the base gates is funded through O&M funds allocated from Air Combat Command. Unfortunately, with the rising costs of construction, it has become increasingly difficult to finish these upgrades in a timely fashion.

Can you please comment on whether or not the Air Force would support funding these upgrades through the regular MILCON process? Doing so may eliminate funding these upgrades incrementally and allow the base to comply with current antiterrorism requirements.

Answer. Military construction (MILCON) funding is one avenue to upgrade the gates, in lieu of incrementally funding these upgrades with Operation and Maintenance (O&M) funds. However, with reduced MILCON funding and other critical mission essential requirements we are unable to absorb these upgrade requirements in our MILCON funding line. We understand the urgency of these upgrades and because of this the decision was made to execute these upgrades incrementally with O&M funding.

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

CRITERIA FOR WORST PERFORMING AIRCRAFT

Question. Mr. Anderson, I understand that the Air Force Chief of Staff appeared before the Senate Armed Services Committee earlier this week and responded to several questions about C–5 and C–17 aircraft. In particular, I note that the Air Force Chief of Staff stated that the Air Force would like to retire 25–30 of the worst performing aircraft.

What criteria is the Air Force using to determine "worst performing" aircraft?

Answer. The Chief was referring to retirement of a portion of the C–5 fleet. When determining the worst performing C–5 aircraft in order to establish retirement order, we take into account maintenance metrics such as mission capability rates and maintenance man hours per flying hour as well as cost-to-repair factors to determine the specific tail number retirement sequence. We also weigh other factors such as the accumulated usage of each airframe, and the cost and time to conduct required maintenance actions to determine retirement order. Finally, we work closely with the C–5 system program office and airframe user to ensure a coordinated fleet management process.

BACKFILL FOR RETIRED AIRCRAFT

Question. Mr. Anderson, I understand that the Air Force Chief of Staff appeared before the Senate Armed Services Committee earlier this week and responded to several questions about C–5 and C–17 aircraft. In particular, I note that the Air Force Chief of Staff stated that the Air Force would like to retire 25–30 of the worst performing aircraft.

Does the Air Force plan to fully backfill aircraft that are retired at the impacted bases?

Answer. Under options currently being studied by the Air Force, units presently flying C–5A aircraft would retain a strategic airlift mission. There are no current plans to close existing units or stand up new units at this time. No decision has been made to retire any C–5A aircraft.

C–5 FLEET

Question. Mr. Anderson, I understand that the Air Force Chief of Staff appeared before the Senate Armed Services Committee earlier this week and responded to

several questions about C–5 and C–17 aircraft. In particular, I note that the Air Force Chief of Staff stated that the Air Force would like to retire 25–30 of the worst performing aircraft.

Under what timeline is the Air Force planning to act and to inform Congress and the impacted bases of such retirements?

Answer. There is no current plan to retire specific aircraft or from specific bases. The proper fleet mix of strategic airlift aircraft is currently under review. Current legislation does not allow the Air Force to retire any C–5 aircraft until the Operational Test and Evaluation report of the C–5A aircraft, currently in flight test, is delivered. The report will not be delivered until fiscal year 2010, two full years after the shutdown of the C–17 production line has begun. If relieved of legislative restrictions, the Air Force would be able to effectively manage the mix of various aircraft fleets. Preliminary options under review include replacing retiring strategic airlift aircraft with new C–17s or backfilling with newer C–5Bs from within the Air Force. No new units are anticipated. Likewise, closures of existing units are not planned. The Air Force will be open and transparent with regard to basing plans.

Question. Mr. Anderson, I understand that the Air Force Chief of Staff appeared before the Senate Armed Services Committee earlier this week and responded to several questions about C–5 and C–17 aircraft. In particular, I note that the Air Force Chief of Staff stated that the Air Force would like to retire 25–30 of the worst performing aircraft.

Are any of the C–5As that are scheduled to arrive at the 167th Airlift Wing over the next 2 years among the worst performers noted by the Air Force Chief of Staff?

Answer. The Air Force has not determined which specific C–5A aircraft will go to Martinsburg, West Virginia. The Air Force must conduct further analysis to finalize the specific aircraft involved and when they will be available for transfer to the 167th Airlift Wing.

Question. Mr. Anderson, I understand that the Air Force Chief of Staff appeared before the Senate Armed Services Committee earlier this week and responded to several questions about C–5 and C–17 aircraft. In particular, I note that the Air Force Chief of Staff stated that the Air Force would like to retire 25–30 of the worst performing aircraft.

Is it true that the Air Force's Fleet Viability Board found the C–5A fleet to be healthy and with decades of service life remaining? Is it also true that the C–5s have about 70 percent service life remaining and can serve through 2040?

Answer. The Fleet Viability Board found the C–5A fleet could be kept viable at least until 2029 (25 years from 2004 assessment) with the addition of the Avionics Modernization Program and Reliability Enhancement and Re-engine Program modifications. In addition, the Board projected the C–5A will likely need an avionics upgrade on the scale of today's Avionics Modernization Program around fiscal year 2020 to deal with technology obsolescence and future operational requirements. According to testing and analyses, from a structural fatigue standpoint, it is true the C–5A has at least 70 percent service life remaining. The Board has not performed any further analysis projecting beyond 2029.

Question. Is it true that during IRAQI FREEDOM operations, the C–5 flew 23 percent of the missions and delivered nearly 47 percent of the cargo; carried 63 percent more cargo per mission than the C–17; and delivered more cargo than any other aircraft?

Answer. The following mission data collected by Air Mobility Command shows the most current figures:

—The C–5 flew 16 percent of the missions (C–17 flew 29.8 percent)
—The C–5 delivered 25.3 percent of the cargo (C–17 delivered 36.4 percent)
—The C–5 carried 25 percent more cargo per mission than the C–17 (Average of 50 short tons per mission for C–5; 38 short tons per mission for C–17)
—The C–5 ranked third in delivered cargo amongst aircraft types (#1. Commercial: 427,769 short tons, #2. C–17: 433,421 short tons, #3. C–5: 301,202 short tons)

Excluding commercial aircraft from the analysis, and only counting military aircraft, the percentages are:

—The C–5 flew 26.4 percent of the missions (C–17 flew 50.5 percent)
—The C–5 delivered 39.5 percent of the cargo (C–17 delivered 56.8 percent)
—The C–5 carried 25 percent more cargo per mission than the C–17 (Average of 50 short tons per mission for C–5; 38 short tons per mission for C–17)
—The C–5 ranked second in delivered cargo amongst aircraft types (#1. C–17: 433,421 short tons,#2. C–5: 301,202 short tons)

OPERATION IRAQI FREEDOM DEPLOY/SUSTAINMENT/REDEPLOY TOTALS

Aircraft Type	Missions	Sorties	Pax	STons	Offloads	Flying Hours	Percent Missions	Percent Sorties	Percent STons	STons/Mission
C–5	6,016	32,277	156,526	301,202	13,395	172,481	15.6	19.6	25.3	50.07
C–17	11,514	54,056	232,812	433,421	25,044	216,697	29.8	32.8	36.4	37.64
C–130	1,440	7,432	6,002	2,253	779	36,811	3.7	4.5	0.2	1.56
C–141	1,426	8,317	33,356	16,780	3,553	40,042	3.7	5.1	1.4	11.77
Commercial	15,856	56,084	2,127,858	427,769	24,649	299,686	41.0	34.1	35.9	26.98
KC–10	521	2,283	10,403	7,699	1,115	13,609	1.3	1.4	0.6	14.78
KC–135	1,690	3,560	16,986	1,491	1,477	27,939	4.4	2.2	0.1	0.88
OTHER	185	567	185	2	60	912	0.5	0.3	0.0	0.01
Total	38,648	164,576	2,584,128	1,190,617	70,072	808,177	.....	.....	.....	.....

OPERATION IRAQI FREEDOM DEPLOY/SUSTAINMENT/REDEPLOY TOTALS EXCLUDING COMMERICAL

Aircraft Type	Missions	Sorties	Pax	STons	Offloads	Flying Hours	Percent Missions	Percent Sorties	Percent STons	STons/Mission
C–5	6,016	32,277	156,526	301,202	13,395	172,481	26.4	29.8	39.5	50.07
C–17	11,514	54,056	232,812	433,421	25,044	216,697	50.5	49.8	56.8	37.64
C–130	1,440	7,432	6,002	2,253	779	36,811	6.3	6.9	0.3	1.56
C–141	1,426	8,317	33,356	16,780	3,553	40,042	6.3	7.7	2.2	11.77
KC–10	521	2,283	10,403	7,699	1,115	13,609	2.3	2.1	1.0	14.78
KC–135	1,690	3,560	16,986	1,491	1,477	27,939	7.4	3.3	0.2	0.88
OTHER	185	567	185	2	60	912	0.8	0.5	.....	0.01
Total	22,792	108,492	456,270	762,848	45,423	508,491	.....	.....	.....	.....

Question. Please explain why a modernized fleet of 111 C–5s and 190 C–17s, a ratio that has been validated by the U.S. Air Force and other military organizations and studies, is now no longer an adequate solution to meet the Nation's strategic airlift requirements.

Answer. The current programs of record and the resulting 301 strategic airlift aircraft meet current and projected requirements at the "bare minimum" of acceptable risk. The question at hand is the future viability of the Air Force strategic airlift fleet. As the C–5A fleet continues to age beyond an average of 35 years, the increased investment required to modernize and replace portions of the airframe facing stress cracks and corrosion makes this the opportune time to shape the future fleet.

Question. Are there other aircraft in the U.S. inventory, beyond the C–5, that are capable of moving 100 percent of the Department of Defense airlift requirements?

Answer. The Air Transportability Test Loading Agency (ATTLA) is the Department of Defense agency responsible for the approval of airlift cargo. The C–5 is the only aircraft capable of moving 100 percent of the ATTLA approved items. Air Mobility Command identified seven critical, time-sensitive items or National Security Sensitive items that are only airlifted via the C–5. This being said, a robust, modernized C–5 fleet is a force multiplier, carrying roughly twice the palletized payload of a C–17. This enables the C–17 fleet to fully exploit its unique multi-role, aeromedical, airdrop, special-operations and austere airfield capabilities (short/unimproved airfields, direct delivery). The programmed strategic airlift fleet, when fully mobilized and augmented by the Civil Reserve Airlift Fleet, provides sufficient airlift capability to support U.S. strategic and operational objectives during large-scale deployments, while concurrently supporting other high priority operations and sustainment of forward deployed forces.

Question. Mr. Anderson, I also understand that at the Armed Services, the Air Force Chief of Staff made comments about the extensive maintenance requirements associated with the C–5 aircraft. As you are aware, the Air Force is launching a new regionalized approach to standardizing and reducing the time of Isochronal (ISO) Inspection for C–5 Aircraft. In fact, 167th Airlift Wing at the Martinsburg Air National Guard Base has recently been selected as one of three regional sites that will conduct these inspections. ISO inspections are conducted on C–5 aircraft every 420 days in accordance with Air Force Regulations, and include hundreds of inspections covering the airframe, propulsion, and all systems of the C–5 aircraft. Under regionalized ISOs on the 420 day schedule, inspections will only require 15 days per inspection, rather than the current 40-day endeavor.

Do you believe that this new streamlined process developed by the Air Force, which will be in place next year, will help with the C–5 reliability issues that have been raised by the Air Force?

Answer. The primary benefit of regionalized ISO will be increased aircraft availability through reduced inspection and repair time, but it would not address the reliability issues plaguing the C–5A.

Question. Mr. Anderson, I have also heard the Air Force is concerned about possible cost overruns associated with the Reliability Enhancement and Re-Engining Program (RERP) for the C–5 fleet, which is leading the Air Force to consider the premature retirement of the C–5A aircraft. In reviewing the planned modification schedules for RERP, it appears that the Air Force has stretched this program out to the point where the Air Force itself has contributed much to the overall program cost growth that is currently under discussion.

(a) Is it possible that the Air Force's desire to slow down the program drives inefficiencies, which drives up costs? (b) What would it take to accelerate the C–5 RERP program and create greater efficiencies in production? (c) Does the C–5 RERP pay for itself and generate substantial additional savings over the projected service life of this aircraft?

Answer. The Air Force does not desire to slow down C–5 RERP. Rather, the delays and "stretch" to the RERP schedule are due primarily to upward cost pressures for RERP production associated with GE engines, Goodrich pylons and Lockheed Martin touch labor. A detailed Air Force cost estimating effort is underway (projected to be complete by July 2007) that will determine the extent of the cost growth and result in a service cost position for the C–5 RERP. Given a constrained program budget across the Future Years Defense Program (FYDP), any RERP production cost growth will translate into reductions to the planned annual kit quantities and delay the RERP schedule and projected completion dates.

To keep RERP on its previous schedule (and limit the inefficiencies due to reduced production quantities), it would likely take significant RERP funding increases across the FYDP and beyond. The exact amount will not be known until the ongoing cost estimating effort is completed in July 2007. Adding significant funding within

the FYDP above what has been previously programmed for RERP will be extremely challenging given the current fiscally constrained environment.

Ongoing evaluation of C–5 RERP has brought previous estimates of cost savings into question. The assumptions that led to predictions of substantial cost savings through 2040 did not account for the recently identified cost pressures associated with engines, pylons, and touch labor. Analysis of overall RERP cost savings is part of the cost estimating effort projected to complete in July 2007.

Question. What is the interpretation of the Air Force with regard to Section 132 of fiscal year 2004 Defense Authorization Act?

Answer. The language of Section 132, fiscal year 2004 Defense Authorization Act, Limitation on Retiring C–5 Aircraft, provides: "The Air Force may not proceed with a decision to retire C–5A aircraft from the active Air Force inventory that will reduce the active C–5 fleet below 112 aircraft until two conditions are satisfied: (1) the Air Force has modified a C–5A aircraft to the RERP configuration as planned under the program as of May 1, 2003, and (2) the DOD Director of Operational Test and Evaluation conducts an operational evaluation of the RERPed aircraft and provides an operational assessment to the Secretary of Defense and Congressional Defense Committees."

The operational evaluation referred to above requires an evaluation conducted during operational testing and evaluation of the RERPed aircraft that addresses the performance of the aircraft concerning reliability, maintainability, and availability with respect to critical operational issues. The operational assessment referred to above is a operational assessment of the C–5 RERP program to determine the overall strengths and weaknesses of the program to improve performance of the RERPed C–5 aircraft relative to requirements and specifications in effect May, 1, 2003, for reliability, maintainability, and availability of the RERPed C–5 aircraft.

Question. I am advised the USAF Program of Record supports modernization of the entire C–5 fleet. Likewise, I understand the 2006 Quadrennial Defense Review and the 2005 Mobility Capabilities Study validated the requirement and support modernization of the entire C–5 fleet. Further, the President's fiscal year 2008 budget request for the Air Force supports C–5 aircraft modernization through the Avionics Modernization and the Reliability Enhancement and Re-Engining Programs.

With all of these official milestone C–5 modernization decisions in place, what has changed and why is the Air Force publicly discussing the retirement of C–5As at this time, conflicting with its own studies and analysis?

Answer. C–5 modernization, specifically the Reliability and Re-Engining Program (RERP), is facing increasing cost pressures bringing into question the cost effectiveness of the program for a fleet of 111 aircraft. It is also our desire to continue the recapitalization of Air Force aircraft. Additionally, the C–5A fleet is showing some significant metal corrosion and stress cracking adding to the investment required to maintain viability of this fleet. The average age of the current Air Force fleet is 26 years per aircraft. The C–5A portion of the fleet is, on average, over 35 years old. Continuing the retirement of legacy aircraft facilitates the equipping of an Air Force able to maintain the required airlift capability for combatant commanders in both peacetime and contingency operations.

Question. Mr. Anderson, I understand the Air Force Chief of Staff appeared before the Senate Armed Services Committee earlier this week and responded to several questions about C–5 and C–17 aircraft. In particular, I note that the air Force Chief of Staff stated the Air Force would like to retire 25–30 of the worst performing C–5 aircraft.

Is this the official position of the Air Force on the matter?

Answer. The Air Force official position is that we would like the ability, with the Chief of Staff of the Air Force, to manage the Air Force fleet without congressional restriction and mandate. Air Force professionals have the right experience and knowledge to make the best force structure decisions with regard to air and space power. With that being said, we are exploring every option to find the most effective and fiscally responsible answer to meet the strategic airlift needs of the Air Force of today and tomorrow.

If the decision is made to retire some number of C–5A aircraft, the Air Force would use mission capable rate, maintenance man-hour/flying hour, cumulative flight hours, total outstanding structural repair and modification costs, total landings, and next programmed depot maintenance input dates as factors to stratify the fleet.

SUBCOMMITTEE RECESS

Senator REED. Thank you, Senator Allard. Gentlemen, thank you very much for your testimony.

This subcommittee is recessed.

[Whereupon, at 11:30 a.m., Thursday, March 22, the subcom mittee was recessed, to reconvene subject to the call of the Chair.]

MILITARY CONSTRUCTION AND VETERANS AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2008

THURSDAY, APRIL 12, 2007

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

The subcommittee met at 10:12 a.m., in room SD–124, Dirksen Senate Office Building, Senator Jack Reed presiding.

Present: Senators Reed, Byrd, Murray, Hutchison, Craig, and Allard.

DEPARTMENT OF VETERANS AFFAIRS

STATEMENT OF R. JAMES NICHOLSON, SECRETARY

ACCOMPANIED BY:

MICHAEL J. KUSSMAN, M.D., ACTING UNDER SECRETARY, VETERANS HEALTH ADMINISTRATION

WILLIAM F. TUERK, UNDER SECRETARY FOR MEMORIAL AFFAIRS, NATIONAL CEMETERY ADMINISTRATION

ROBERT J. HENKE, ASSISTANT SECRETARY FOR MANAGEMENT, DEPARTMENT OF VETERANS AFFAIRS

ROBERT T. HOWARD, ASSISTANT SECRETARY FOR INFORMATION AND TECHNOLOGY, DEPARTMENT OF VETERANS AFFAIRS

RON AUMENT, DEPUTY UNDER SECRETARY, VETERANS BENEFITS ADMINISTRATION

OPENING STATEMENT OF SENATOR JACK REED

Senator REED. Let me call this hearing to order.

And, this morning we're joined by the chairman of the full committee, Senator Robert Byrd. And, I would like to, at this time, recognize Chairman Byrd for his statement.

Senator Byrd, please.

STATEMENT OF SENATOR ROBERT C. BYRD

Senator BYRD. I thank you.

Mr. Chairman, in the fourth century Augustine of Hippo said, "In doing what we ought, we deserve no praise because it is our duty."

Mr. Chairman, over the last several years the administration has repeatedly shirked its duty by sending budget requests to Congress that have short-changed our veterans. When the supplemental request was received a few months back, there was no request for additional funding from the Department of Veterans Affairs to treat those veterans who have been injured during the wars in Iraq and

Afghanistan, including those injured who required special care and those who require long-term care.

To address these very pressing needs, the Senate recently added $1.77 billion to the emergency supplemental appropriations bill. The continued neglect of America's seriously injured veterans demands an emergency response from Congress.

As the chairman of the full Appropriations Committee, I am at a complete loss as to why this administration does not feel the same way. While the VA continues to try to address the injuries and unique illnesses suffered by Vietnam and Persian Gulf war veterans, a new surge of injured warriors are flooding our veterans hospitals. Each conflict and each patient presents a unique dilemma. The VA must be ready to step up to the daunting challenge. The backlog of claims within the Department of Veterans Affairs remains unacceptable.

We continue to receive reports of veterans who are forced to wait far too long for an appointment. Now, I'll say that again. We continue to receive reports of veterans and from veterans and by veterans who are forced to wait far too long for an appointment. And, the number of veterans entering the system continues to grow at a rapid pace. The ongoing wars in Iraq and Afghanistan combined with a growing number of patients from previous conflicts have resulted in an unprecedented strain.

Attempts at seamless transition between the Department of Defense and the Department of Veterans Affairs date back to the 1980s. And, while billions of taxpayer dollars have been invested in the development of electronic medical record keeping standards in each agency, a reliable system has yet to be established.

In West Virginia, we received positive comments regarding the quality of care, but very negative comments regarding appointments to get that care.

I believe that these veterans, as a result of their service to our country, deserve the best possible care, not on your timeline, and I say this most respectfully, not on your timeline, but on theirs. And, we, meaning Robert C. Byrd and the members from both sides, we should do everything we can to ensure that their service and sacrifices are honored.

Mr. Chairman.

Senator REED. At this point, I'd like to recognize the ranking member, Mrs. Hutchison, for her statement.

STATEMENT OF SENATOR KAY BAILEY HUTCHISON

Senator HUTCHISON. Mr. Chairman, I'm happy to defer to you for a statement first.

Senator REED. I think in fairness we'll go back and forth, so why don't you go ahead now.

Senator HUTCHISON. Thank you. Thank you, Mr. Chairman.

I'm pleased to welcome the Secretary and the other witnesses and guests today, because we all know this is a very important subject and the budget that you have presented is certainly one that we must appropriately address.

The medical services account is up 6.49 percent and medical administration requests up 8.49 percent and this is necessary growth to keep pace with the increasing workload. That is in addition to

over $1.5 billion that we put in a supplemental appropriation to assure that you would have the money to meet the increasing demand from the, for the Veterans Affairs Medical Services. I am especially pleased to see the emphasis that you have placed on post-traumatic stress syndrome and the incidence of traumatic brain injury, which we will discuss further, I'm sure, but this is something that we see many of our returning soldiers dealing with, and that you have increased that part of your appropriations request is very good.

We also—I want to say that the $3 billion committed to mental health services, I am seeing that commitment to the Centers of Excellence and Mental Healthcare certainly coming to fruition. At the Waco Veterans Center—which has been one of the three designated, the other two being in California and New York—we're seeing that the collaboration with research facilities at Baylor University, Texas A&M, Fort Hood Army Hospital, and the Mental Health Association from the State of Texas, the facility at Waco has become a critical cornerstone in providing quality care. And I think that we're going to see great benefits from that. And, I appreciate your working to make that facility one that I think is going to be a true Center of Excellence.

I also want to say that you have stepped up to the plate on gulf war syndrome. The research being done on that is very important for—not only today—but future warriors who will go into chemical or biological weaponry. I think it is important that we learn once and for all how the chemicals that we know our soldiers were exposed to, coming back with these symptoms, can be addressed. So, I appreciate that despite some of the chatter out there and some of the controversy, that you have remained committed to finding out what is the cause and therefore, what can be the cure.

Another area of concern for me, has been the inability of the VA and the Department of Defense to coordinate the electronic transfer of records. One of the things that the committee has done through the years with myself and Senator Feinstein in complete agreement, and the full committee chair and ranking member in complete agreement, has been that the VA has a great electronic transfer system of records. That was shown in Katrina when not one veteran had a lost record. Wherever that veteran ended up from New Orleans, their records were electronically transferred and that, that veteran got the care and the medicine that he or she needed.

However, the Department of Defense is not coordinated with the Veterans Administration so, we have found that there has been a disconnect when the returning veteran of today is trying to get into the Veterans' system from active duty service, and, we want to, we want to remedy that.

I'm going to introduce an amendment to the Defense appropriations bill to ensure that the DOD healthcare records become electronic, and compatible, with the VA. That will mean that you, within your parameters and laws, will have to work with the Department of Defense, but it will be in everyone's interest that we improve that system.

In addition, the number of days of processing required for benefits has certainly come under scrutiny. We are concerned that the

processing of claims now has an average of 177 days and I know that you are aggressively hiring claims examiners and that you are providing in this appropriation for more claims examiners. I hope that this will be a major focus of your administration going forward. Someone should not have to wait more than 30 days to have the claims processed and I hope that that is your goal.

I want to bring up in the major construction area. You've got, in this year's major construction request, $341 million for one project. That is over 53 percent of your major construction budget. This is a project that has already had $259 million appropriated for it, of which only $53 million has been obligated since 2004. So, I have to ask the question, why you're tying up so much money into one project if you are not obligating the funds? This is Las Vegas. The project was originally scheduled to cost $286 million. Last year, the project was projected to cost $406 million and now, 4 months later, your staff is reporting that the cost has risen to over $600 million. I understand that an additional 90,000 square feet has recently been added to the project after the design was complete and so, I want to, to have a little more exploration of that and particularly because I know that there is least one study of there for South Texas to have a Veterans' Administration hospital, and that Booz Allen Hamilton has been tasked to do that. We've waited for over a year for that report, but I'd just like a little more explanation about why the major construction funding seems to be taken up with a project that doesn't seem to be going forward, and seems to be increasing in the amount of the allocation to it.

So, I hope that we can address some of these issues, but in the main, Mr. Secretary, I want to say that as the former chairman and now ranking member of this subcommittee, I appreciate how hard you have worked to be transparent with this committee, to address the issues of concern that we have had with our different chairmen and ranking members. Your staff has been very accessible and when you had the shortfall, you stepped up to the plate, you didn't try to, you didn't try to soften that there was going to be a shortfall. You came right to the committee, you asked for the help, and you got it. So, I appreciate the working relationship that we've had.

PREPARED STATEMENT

I appreciate the great job that veterans believe that you do, even with some of the things that I've talked about. The veterans are coming for veterans' healthcare in droves. The numbers are increasing exponentially. So, you are doing a good job in many areas and we want to make sure you have the funding you need to do the good job and to grow and do an even better job.

Thank you very much.

[The statement follows:]

PREPARED STATEMENT OF SENATOR KAY BAILEY HUTCHISON

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

There has been a lot of public concern lately about the ability of the Department of Veterans Affairs to deliver on its promises to America's veterans. This budget en-

trusts $84 billion to the Department of Veterans Affairs to provide healthcare and benefits for our veterans. This is $45 billion in mandatory benefits and $39 billion for discretionary spending, which includes $37 billion for medical programs.

The Medical Services account request is up 6.49 percent to $1.656 billion and the Medical Administration request is up 8.49 percent to $265 million. I know this growth is necessary to keep pace with the increasing workload you are taking on and we will do everything we can to work with you to take care of our Nation's veterans. We are concerned that as our brave men and women return from the war they receive the very best medical care our Nation can provide. I am please to see that your budget request keeps us on that track. I know it is difficult to anticipate every need, but I know this subcommittee is solidly behind providing everything you need to carry out your mission.

As more of our soldiers return with delayed Post Traumatic Stress Syndrome (PTSD) and the incidence of Traumatic Brain Injury is at an alarmingly high rate, I am please to see the emphasis you placed on these problems in you budget request. I'm sure we will discuss these issues at length today.

We are pleased to see that you have submitted all VA facilities to a thorough review to make sure there is no Building 18 in your system; and we are happy to find out there is not. Still, we recognize that our duty to veterans goes beyond buildings. It goes straight to the people and processes that ensure excellence in the spectrum of health, benefits, and memorial affairs.

We are pleased to see that $3 billion has been committed to mental health services, including PTSD. The Waco Center of Excellence in Mental Health is a model for how consolidating personnel, training and specialized resources produces world class care. Their work includes close collaboration with the research facilities at Baylor University, Texas A&M University Medical School, Fort Hood Army Hospital, and the Mental Health Association from the State of Texas. The facility at Waco has become a critical cornerstone in providing quality care to our veterans and it is one of the many success stories for the VA. The VA is receiving great benefits from this hospital. I appreciate the work you have personally done for this facility and the other two in California and New York.

I am also pleased that collaborative research into Gulf War illness has continued for a second year, and I ask your assurance that this $15 million annual investment continues for the sake of our deserving veterans. I appreciate the efforts you and your staff have made to make the collaborative agreement between the Dallas VA Medical Center and the University of Texas Southwestern Medical College a win-win for the VA, UT and especially our veterans. We do not yet understand all of the factors that have caused serious health problems for our veterans who fought in the Gulf region but we are seeing the many affects. I am committed, as are you, to not turning a blind eye to veterans who may have suffered harm during either of the Gulf Wars. Instead, we will actively seek to understand and treat the service connected illnesses of our Gulf War veterans, whatever their cause.

We look forward to the good work you will do as the Chair of the Task Force on Returning Global War on Terror Heroes. We trust that as you examine the system of care for our wounded veterans, you will take every opportunity to break through old agency processes to coordinate easily accessible and effective care for our veterans. There is no excuse for allowing bureaucratic barriers, especially between DOD and the VA, to get in the way of caring for our service men and women's needs.

Electronic healthcare records proved how valuable they are during hurricanes Katrina and Rita. Because of the VA's great electronic healthcare system, not one veteran went without healthcare. You have said many times the VA has become the "gold standard" for its use of electronic healthcare records, and I think we all agree with you. While you are chairing this new task force I hope you are able to convince the Department of Defense not to develop records systems in parallel that do not build on your proven successes.

Another area of concern for me is the inability of the VA to receive medical records from the Department of Defense automatically and electronically. I understand you are cooperating in a pilot program with the DOD to test the bi-directional transfer of records. We cannot afford to wait too long for a solution to this problem. Not only does this jeopardize healthcare, it physically slows down claims processing times, and we are very aware of the large backlog of claims.

We are concerned that the average number of days to process benefits claims has risen to around 177 days instead of dropping to 160 days, as originally estimated for 2007. We don't want our veterans waiting over 30 days to have their claims processed. We recognize that you have aggressively hired 580 claims examiners over the past 2 years, and now you need even more. But, we are concerned that the inability to electronically transfer medical records and the IT system and management proc-

esses designed to help process claims are not as good as you or we would want them to be.

I will introduce an amendment to the Department of Defense appropriations bill to insure DOD healthcare records become electronic and are compatible with and easily transfer to the VA for a real seamless transition. In addition, we will then look to you to streamline your processes within the law, set explicit efficiency goals, and hold staff and contractors accountable to these high standards of productivity. We must improve the wait times for claims processing. That will be one of the major issues before this subcommittee.

Another issue that has been discussed many times on this subcommittee is VA's major construction plan. I particularly note that in this year's major construction request you ask for $341.4 million for one project. This is over 53 percent of the entire major construction budget. This project already has $259 million appropriated for it, of which only $53 million has been obligated since 2004. Why tie up so much money into one project if you are not obligating the funds? Is this realistic? This project was originally projected to cost $286 million. In November of 2006 your staff reported the project was then projected to cost $406 million. Now 4 months later your staff reports the cost has risen to over $600 million. This can't be all inflation and construction demand. I understand that an additional 90,000 square feet has recently been added to the project, after design was complete, and according to your architecture contractor the original plan we approved was not realistic. I hope you will speak to this in your remarks, as I would like more information on your plans.

Mr. Secretary, last year I asked you to evaluate the inpatient healthcare needs of the South Texas Valley region. I understand you contracted for this study but it has been a year and I am still waiting for the results. Would you please advise me when I can expect the results from this study?

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

Senator REED. Thank you, Senator Hutchison.

I have a prepared statement, but I think Senator Byrd made a very compelling case and I'd be prepared to submit my statement to the record. And, I know that there's a hearing going on simultaneously involving Veterans' Administration and we want to, I think, move quickly to questions. I presume my colleagues have no formal statements at the time.

PREPARED STATEMENTS

Senator CRAIG. I'll make a statement in my questioning period.

Senator ALLARD. I'd just, Mr. Chairman, I'd just like to have my statement made a part of the record.

[The statements follow:]

PREPARED STATEMENT OF SENATOR JACK REED

Mr. Secretary, thank you for appearing before the subcommittee today to discuss the President's fiscal year 2008 budget request for the Department of Veterans Affairs. We welcome you and your associates, and we look forward to your testimony.

I believe that the Department of Veterans Affairs is at a critical point. Two years ago, Congress and the Nation got a sobering wake up call when the VA owned up to a $3 billion shortfall in medical funding due to faulty budget projections. While the rest of America was focused on the growing number of casualties from the wars in Iraq and Afghanistan, the VA apparently neglected to factor them into its projections, thus leaving a gaping hole in its budget.

Congress moved swiftly to remedy that shortfall, and since then, we have been watching the VA budget very closely, as I'm sure you have noticed. I commend you for sending up a more realistic budget request last year, and again this year, and I believe that the VA is moving in the right direction.

Unfortunately, I do not believe that the VA is moving fast enough or aggressively enough to meet the challenges that are bearing down on it. Two weeks ago, the Senate passed a war supplemental funding bill that included $1.7 billion for the VA, primarily to meet the unique medical needs of Iraq and Afghanistan war veterans. The House passed a similar measure. The need for such funding seems obvious to me, and yet the President did not request one penny in the supplemental for Iraq and Afghanistan veterans.

It is difficult to comprehend how the President and the Department of Veterans Affairs can reach the conclusion that no supplemental funding is needed for Iraq and Afghanistan veterans in the face of what has become the longest and costliest conflict for U.S. troops since Vietnam. No matter how you crunch the numbers, they just don't add up. Hundreds of thousands of new combat veterans are entering the VA healthcare system, some with catastrophic injuries that will require life-long care, and yet the Administration seems to think these veterans can simply be absorbed into the system without a major reassessment and reinforcement of the VA's budget.

That is a perilous assumption. It is essential for the VA to prepare for the future now, not when the next crisis is upon us. We have all seen the reports in the media about the rundown facilities and substandard treatment of some of our wounded service members at military and VA hospitals. I am pleased that both the Defense Department and the VA are moving to address these issues. We know there are problems today, and it is no great stretch to recognize that these problems will only grow worse if they are not addressed quickly and comprehensively. This is not the time for penny-wise, pound-foolish budget decisions. I fear that the President's budget request for fiscal year 2008, while adequate to keep the VA afloat today, is dangerously shortsighted in terms of building the capacity that our veterans will need in the years to come.

Although we may not always agree on policies or priorities, it is important to remember that we are all committed to helping our Nation's veterans. Mr. Secretary, we want to work with you, and we ask you to work with us. We had some problems during the drafting of the supplemental in getting timely and accurate information from the VA to verify certain data and statistics. I would like your personal assurance that your agency will cooperate fully with congressional requests for this type of data in the future so that we can tackle these very important issues together.

There is much more that I could say, and would like to say, about the pressing needs of our Nation's veterans. But as you know, Mr. Secretary, there is a joint hearing of the Senate Armed Services and Veterans Affairs Committees underway at this time on disability and transition issues affecting both DOD and the VA. Many members of this panel who are also members of those committees, and I expect that many of our members would like an opportunity to attend that hearing as well. So in the interests of time, I suggest that we limit opening statements to the Chairman and Ranking Member, and I would ask that you keep your opening remarks brief so that we can get directly to our questions. We will, of course, include your full statement in the record, as well as the opening statements of any members who wish to submit them.

Thank you again for appearing before the subcommittee today.

PREPARED STATEMENT OF SENATOR WAYNE ALLARD

Thank you, Mr. Chairman, for holding this important hearing today. I appreciate all of our witnesses appearing before the committee today, and would like to especially welcome Secretary Jim Nicholson, a long time friend and fellow Coloradan.

This committee continues to face the challenges of balancing both the needs of veterans returning from combat in Afghanistan and Iraq as well as those who served their country in World War II, Korea, Vietnam and Desert Storm. As every day passes and more veterans return home, greater stresses are brought upon the Veterans Health Administration.

Despite the excellent quality of care provided by the VA, there have been a number of incidents over the last year that have reflected poorly upon the military and veterans health systems. It is my hope that Congress can continue to work with the VA to ensure that the needs of all of our veterans are met and that they continue to receive exceptional care.

Of course, accomplishing these objectives is not easy if we also intend to reign in Federal spending and act fiscally responsible. These are the challenges that await, and I look forward to working with the panel to deliver to our veterans the quality healthcare they deserve.

Mr. Secretary, again I'd like to reiterate my appreciation to the panel for appearing in front of us today and I look forward to your testimony. Thank you Mr. Chairman.

Senator REED. All statements were made part of the record upon submission.

And, at the request of Senator Byrd and we informed him, Mr. Secretary, we'd request you'd take an oath of your testimony. Please stand.

Senator CRAIG. Oh, you've got to be kidding me.

Senator REED. Do you solemnly swear that the testimony you will give to the committee today is the truth, the whole truth, and nothing but the truth, so help you God?

Secretary NICHOLSON. I do.

Senator REED. Thank you, Mr. Secretary.

Senator CRAIG. Mr. Chairman, in all due courtesy to the chairman of the full committee, since when did we start asking for oaths? I've never seen that practice in my 10 years of serving on the Appropriations—are we suggesting that the testimony that's about to be given is not truthful?

Senator REED. No.

Senator CRAIG. Then why are we asking for an oath?

Senator BYRD. I'll tell you why.

Senator REED. Mr. Chairman——

Senator CRAIG. Please do. This is a precedent-setting event, and it ought to be on the record.

Senator REED. Mr. Chairman and Senator Craig for the record, we informed the Secretary. He had no objection to it. We informed the ranking member. She had no objection to it. I think it's the right of any member of the committee, with at least three members present, to request that any witness take the oath.

Senator CRAIG. I appreciate that.

Senator REED. Those are the rules.

Senator CRAIG. Let the record show that I object, because I think it reflects an attitude of suspicion. Thank you.

Senator REED. The record will so show that.

Secretary, your statement, please.

Secretary NICHOLSON. Thank you, Mr. Chairman, Senator Hutchison, members of the committee, Chairman Byrd.

I have a written statement that I would like to submit for the record.

Senator REED. Mr. Secretary, your statement will be made part of the record. You can make a statement, a summary, or any——

Secretary NICHOLSON. Yes, sir.

Senator REED [continuing]. Form thereof. Thank you, Mr. Secretary.

STATEMENT OF R. JAMES NICHOLSON

Secretary NICHOLSON. First, I'd like to introduce my VA colleagues that are at the table with me starting at my far left and your right is Under Secretary Bill Tuerk, who's the Under Secretary for Memorial Affairs. Next is Mr. Ron Aument, who is the Deputy Under Secretary for Benefits. My immediate left is Dr. Mike Kussman, who is the senior executive in charge of the Veterans Health Administration. My right and your left is Assistant Secretary Bob Howard, who's the Assistant Secretary for Information Technology. And, at my immediate right is Assistant Secretary Bob Henke, who is the Chief Financial Officer for the Department of Veterans Affairs.

I also would like to mention that, I like everyone else, is heartened to learn that Senator Johnson seems to be firmly on the road to recovery and we look forward to his return to the Senate and to our working with him to care for our veterans.

Mr. Chairman, I'm here today to discuss President Bush's landmark 2008 budget proposal of nearly $87 billion for the Department of Veterans Affairs, which represents a 77 percent increase in veterans spending since this President took office on January 20, 2001. Medical care itself is up 83 percent.

This funding level allows for the VA to continue improving the delivery of benefits and services to veterans and their families in three critical primary areas.

One, to provide timely, high-quality healthcare to veterans returning from service in Operation Iraqi Freedom and Operation Enduring Freedom. Veterans with service-connected disabilities, those with lower incomes, and veterans with special healthcare needs. To improve the delivery of benefits through the timeliness and accuracy of claims processing and to increase veterans access to a burial option in a National or State veteran cemetery. This budget will also allow us to continue our progress toward becoming a national leader in information technology and data security.

Mr. Chairman, I will outline the major portions of our proposed budget. The Veterans Health Administration, our total medical care request is $36.6 billion in authority for our healthcare. VA healthcare is now almost universally acclaimed as the best healthcare in the world. During 2008, we expect to treat about 5.8 million unique veteran patients. We will see each of them on an average of 10 times, approximately, resulting in our seeing over 1 million patients per week.

With the resources requested for medical care in 2008, the Department will continue our exceptional performance, providing access to healthcare. Ninety-six percent of primary care appointments and 95 percent of specialty care appointments are scheduled within 30 days of the patient's desired date.

The President's request includes nearly $3 billion to improve access to mental health services across the country. The VA is a respected leader in mental health and PTSD research and care. About 80 percent of the funds for mental health go to treat seriously mentally ill veterans, including those suffering from post-traumatic stress disorder. Our approach to PTSD is the, is to promote early recognition of this condition to prevent lasting impairment.

Medical research—the President's 2008 budget includes $411 million to support VA's unparalleled medical and prosthetic research program. This amount will fund nearly 2,100 high-priority research projects to expand knowledge in areas most critical to veterans' particular health needs. Nearly 60 percent of our research budget is devoted to OIF/OEF healthcare issues.

In response to the unique injuries of the current war, the VA has expanded its four traumatic brain injury centers, which are in Minneapolis, Palo Alto, Richmond, and Tampa, to become polytrauma centers encompassing additional specialties to treat patients from multiple complex injuries. We're now expanding our polytrauma network to 21 sites and 76 clinic support teams around the country

providing state of the art treatment closer to injured veterans' homes.

The VA has taken steps to raise awareness of TBI, that is traumatic brain injury, issues by requiring specific training on TBI. The course advises practitioners that brain trauma causes both acute and delayed symptoms and that prompt identification and multi-disciplinary evaluation and treatment are essential to successful recovery. On April 2, we began screening all OIF/OEF patients who come to us, to assess the possibility that they may have developed mild or moderate traumatic brain injury.

Seamless transition—one of the most important features of the President's 2008 budget request, is to make injured service members' transition from active duty to veteran status as smooth as possible. And we will not rest until every seriously injured service member returning from combat receives the quality treatment they need in a compassionate and timely way.

In that regard, Mr. Chairman, I have recently directed the hiring of 100 new patient advocates to serve as the voices for our severely wounded soldiers, as they transition from DOD hospitals, to our VA system, to their lives as civilians.

In response to Walter Reed, on March 6 the President issued an Executive order forming a Presidential commission, led by Senator Dole and Secretary Shalala, tasked to review the care provided to our wounded servicemen and women. Their work is ongoing. In addition, President Bush appointed me, in that same Executive order, to Chair an inter-Cabinet taskforce that will report to the President on Federal services for our returning troops.

The taskforce is examining services that are currently provided, as well as existing gaps in those services. It is seeking recommendations from Federal departments on ways to fill those gaps as quickly as possible. This taskforce will report to the President on April 19.

Let me speak of veterans' benefits. The VA's primary focus within the administration of benefits remains unchanged, delivering timely and accurate benefits to veterans and their families. Improving the delivery of compensation and pension benefits has become increasingly challenging, but we will succeed. The volume of claims applications has grown substantially during the past few years, and is now the highest it's been in 15 years. We received more than 806,000 claims last year. Our pending inventory of disability rating claims is currently about 400,000 claims, and averages a processing time of 177 days. And this is too long.

We must and will reduce the pending inventory and shorten the time veterans must wait for decisions on their claims. Through a combination of aggressive management and productivity improvements and our 2008 request we will add 450 additional staff and continue to improve our performance, while maintaining high quality. With this budget, we project that we will reduce our claims processing time by 18 percent, while maintaining high quality. Further, we continue to prioritize the claims processing for those claims of our OIF/OEF combatant veterans.

For the National Cemetery Administration, we expect to perform nearly 105,000 interments, in 2008. And, this is primarily the result of the aging of the World War II and Korean War veteran pop-

ulation. We are experiencing the biggest expansion of the National Cemetery System since the Civil War, including six new cemeteries in this, President Bush's 2008 budget. Every day now, more than 1,800 veterans die. Most of them are World War II and Korean War veterans.

Let me mention capital programs. The VA's 2008 request includes $1.1 billion in new budget authority for our capital programs. Our request includes $727 million for major construction projects, $233 million for minor construction, $85 million in grants for State extended-care facilities, and $32 million in grants to build State veterans' cemeteries. The 2008 request for construction funding for our healthcare programs is $750 million. These resources will be devoted to the continuation of the Capital Asset for Realignment for Enhanced Services, or CARES program.

Over the last 5 years, $3.7 billion in total funding has been provided for CARES. With our request for major construction are the resources to continue six medical facility projects already underway. They are in Pittsburgh, Denver, Las Vegas, Orlando, Lee County, Florida, and Syracuse, New York. Funds are also included for six new national cemeteries in Bakersfield, California, Birmingham, Alabama, Columbia-Greenville, South Carolina, Jacksonville, Florida, Southeastern Pennsylvania, and Sarasota County, Florida.

Information technology—the VA's 2008 budget request for IT is $1.86 billion, which includes the first phase of our reorganization of IT functions in the Department. This major transformation of IT will bring our program in line with the best practices in the IT industry. Greater centralization will play a significant role in ensuring that we fulfill our promise to make the VA the gold-standard for data security within the Federal Government, just as we have done with electronic medical records.

And speaking of electronic medical records, the most critical IT project for our medical care program, is the continued operation and improvement of the Department's electronic health records. Electronic health records are a Presidential priority and VA's electronic health record system has been recognized nationally as the model for increasing productivity, quality, and patient safety.

And, I would like to point out—and I take great pride in doing so—the, an article of Monday's Washington Post in the Health section saying, "The VA takes the lead in paperless care." And, it takes up almost the entire section, extolling the VA healthcare and the VA electronic medical records. And, it makes me very proud of the people who work for the VA and who have achieved that.

We will continue to lead the way with electronic health records and we want to work closely with the Department of Defense and other Federal agencies to make the electronic sharing of medical information universally a reality, sooner rather than later.

Mr. Chairman, I also want to take this opportunity to inform you that I have formed a special Advisory Committee on OIF/OEF veterans and their families. Under its charter, the committee will focus on advising me, directly, to ensure that all men and women with active military service in Iraq and Afghanistan are transitioned to the VA in a, in a hassle-free, informed manner. The

committee will pay particular attention to severely disabled veterans and their families.

Yesterday I was in Las Vegas speaking at a VA–DOD conference of 1,400 people focused on improving healthcare to transitioning combat veterans. In recent months, as I've traveled across the country, I have met with the leadership of the Southern, Central, and Northern Commands to talk to them about how the VA and the DOD could work better together to care for our soldiers, sailors, airmen, Marines, and Coast Guardsmen who are returning from the global war on terror.

PREPARED STATEMENT

I've also met with the Commandant of the Marine Corps, the Chiefs of the Reserve Components and the Senior Enlisted Advisors of the Active and Reserve components, including the Coast Guard, for that same reason.

We at the VA recognize and take very seriously our noble mission of serving those who have served us. This budget of the President's will allow us to fulfill our responsibilities.

Thank you, Mr. Chairman.

[The statement follows:]

PREPARED STATEMENT OF R. JAMES NICHOLSON

Mr. Chairman and members of the Committee, good morning. I am pleased to be here today to present the President's 2008 budget proposal for the Department of Veterans Affairs (VA). The request totals $86.75 billion—$44.98 billion for entitlement programs and $41.77 billion for discretionary programs. The total request is $37.80 billion, or 77 percent, above the funding level in effect when the President took office.

The President's requested funding level will allow VA to continue to improve the delivery of benefits and services to veterans and their families in three primary areas that are critical to the achievement of our mission:

—to provide timely, high-quality healthcare to a growing number of patients who count on VA the most—veterans returning from service in Operation Iraqi Freedom and Operation Enduring Freedom, veterans with service-connected disabilities, those with lower incomes, and veterans with special healthcare needs;

—to improve the delivery of benefits through the timeliness and accuracy of claims processing; and

—to increase veterans' access to a burial option in a national or state veterans' cemetery.

ENSURING A SEAMLESS TRANSITION FROM ACTIVE MILITARY SERVICE TO CIVILIAN LIFE

The President's 2008 budget request provides the resources necessary to ensure that service members' transition from active duty military status to civilian life continues to be as smooth and seamless as possible. We will continue to ensure that every seriously injured or ill serviceman or woman returning from combat in Operation Iraqi Freedom and Operation Enduring Freedom receives the treatment they need in a timely way.

Recently I announced plans to create a special Advisory Committee on Operation Iraqi Freedom/Operation Enduring Freedom Veterans and Families. The panel, with membership including veterans, spouses, and parents of the latest generation of combat veterans, will report directly to me. Under its charter, the committee will focus on the concerns of all men and women with active military service in Operation Iraqi Freedom or Operation Enduring Freedom, but will pay particular attention to severely disabled veterans and their families.

We will expand our "Coming Home to Work" initiative to help disabled service members more easily make the transition from military service to civilian life. This is a comprehensive intergovernmental and public-private alliance that will provide separating service members from Operation Iraqi Freedom and Operation Enduring Freedom with employment opportunities when they return home from their military service. This project focuses on making sure service members have access to existing

resources through local and regional job markets, regardless of where they separate from their military service, where they return, or the career or education they pursue.

VA launched an ambitious outreach initiative to ensure separating combat veterans know about the benefits and services available to them. During 2006 VA conducted over 8,500 briefings attended by more than 393,000 separating service members and returning reservists and National Guard members. The number of attendees was 20 percent higher in 2006 than it was in 2005 attesting to our improved outreach effort.

Additional pamphlet mailings following separation and briefings conducted at town hall meetings are sources of important information for returning National Guard members and reservists. VA has made a special effort to work with National Guard and reserve units to reach transitioning service members at demobilization sites and has trained recently discharged veterans to serve as National Guard Bureau liaisons in every state to assist their fellow combat veterans.

Each VA medical center and regional office has a designated point of contact to coordinate activities locally and to ensure the healthcare and benefits needs of returning service members and veterans are fully met. VA has distributed specific guidance to field staff to make sure the roles and functions of the points of contact and case managers are fully understood and that proper coordination of benefits and services occurs at the local level.

For combat veterans returning from Iraq and Afghanistan, their contact with VA often begins with priority scheduling for healthcare, and for the most seriously wounded, VA counselors visit their bedside in military wards before separation to assist them with their disability claims and ensure timely compensation payments when they leave active duty.

In an effort to assist wounded military members and their families, VA has placed workers at key military hospitals where severely injured service members from Iraq and Afghanistan are frequently sent for care. These include benefit counselors who help service members obtain VA services as well as social workers who facilitate healthcare coordination and discharge planning as service members transition from military to VA healthcare. Under this program, VA staff provide assistance at 10 military treatment facilities around the country, including Walter Reed Army Medical Center, National Naval Medical Center Bethesda, Naval Medical Center San Diego, and Womack Army Medical Center at Fort Bragg.

To better meet the healthcare needs of the newest generation of combat veterans returning from Iraq and Afghanistan, VA has established a polytrauma system of care for veterans and active duty personnel with lasting disabilities due to polytrauma and traumatic brain injury. This system of care will provide the highest quality of medical, rehabilitation, and support services. This initiative was developed consistent with three fundamental principles—(1) geographic distribution of specialty rehabilitation programs so as to facilitate transitioning veterans into their home communities; (2) use of an interdisciplinary model of care delivery where specialists from several medical and rehabilitation disciplines work together to develop an integrated treatment plan for each veteran; and (3) provide lifelong services for veterans with severe impairments and functional disabilities resulting from polytrauma and traumatic brain injury.

VA has expanded its four polytrauma centers in Minneapolis, Palo Alto, Richmond, and Tampa to encompass additional specialties to treat patients for multiple complex injuries. Our efforts are being expanded to 21 polytrauma network sites and clinic support teams around the country providing state-of-the-art treatment closer to injured veterans' homes. We have made training mandatory for all physicians and other key healthcare personnel on the most current approaches and treatment protocols for effective care of patients with traumatic brain injuries. At each of our medical centers, we will screen all recent combat veterans for traumatic brain injury. We have also created an outside panel of experts to review VA's complete polytrauma system of care, including programs focused specifically on patients with traumatic brain injuries. Furthermore, we established a polytrauma call center in February 2006 to assist the families of our most seriously injured combat veterans and service members. This call center operates 24 hours a day, 7 days a week to answer clinical, administrative, and benefit inquiries from polytrauma patients and family members.

VA is improving coordination of care for veterans with polytrauma and traumatic brain injury by assigning a social work case manager to every patient treated at the polytrauma centers. These case managers handle the continuum of care and care coordination, act as the point of contact for emerging medical, psychosocial, or rehabilitation problems, and provide psychosocial support and education. In addi-

tion, we are using state-of-the-art video conferencing that permits top specialists to take an active role in the treatment of patients in remote locations.

VA has significantly expanded its counseling and other medical care services for recently discharged veterans suffering from mental health disorders, including post-traumatic stress disorder. We have launched new programs, including dozens of new mental health teams based in VA medical facilities focused on early identification and management of stress-related disorders, as well as the recruitment of about 100 combat veterans as counselors to provide briefings to transitioning service members regarding military-related readjustment needs.

MEDICAL CARE

We are requesting $36.6 billion for medical care in 2008, a total more than 83 percent higher than the funding available at the beginning of the Bush Administration. Our total medical care request is comprised of funding for medical services ($27.2 billion), medical administration ($3.4 billion), medical facilities ($3.6 billion), and resources from medical care collections ($2.4 billion).

Legislative Proposals

The President's 2008 budget request identifies three legislative proposals which ask veterans with comparatively greater means and no compensable service-connected disabilities to assume a small share of the cost of their healthcare.

The first proposal would assess Priority 7 and 8 veterans with an annual enrollment fee based on their family income:

Family income	Annual enrollment fee
Under $50,000	([1])
$50,000–$74,999	$250
$75,000–$99,999	500
$100,000 and above	750

[1] None.

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

While our budget requests in recent years have included legislative proposals similar to these, the provisions identified in the President's 2008 budget are markedly different in that they have no impact on the resources we are requesting for VA medical care. Our budget request includes the total funding needed for the Department to continue to provide veterans with timely, high-quality medical services that set the national standard of excellence in the healthcare industry. Unlike previous budgets, these legislative proposals do not reduce our discretionary medical care appropriations. Instead, these three provisions, if enacted, would generate an estimated $2.3 billion in mandatory receipts to the Treasury from 2008 through 2012.

Workload

During 2008, we expect to treat about 5,819,000 patients. This total is more than 134,000 (or 2.4 percent) above the 2007 estimate. Patients in Priorities 1–6—veterans with service-connected conditions, lower incomes, special healthcare needs, and service in Iraq or Afghanistan—will comprise 68 percent of the total patient population in 2008, but they will account for 85 percent of our healthcare costs. The number of patients in Priorities 1–6 will grow by 3.3 percent from 2007 to 2008.

We expect to treat about 263,000 veterans in 2008 who served in Operation Iraqi Freedom and Operation Enduring Freedom. This is an increase of 54,000 (or 26 percent) above the number of veterans from these two campaigns that we anticipate will come to VA for healthcare in 2007, and 108,000 (or 70 percent) more than the number we treated in 2006.

Funding Drivers

Our 2008 request for $36.6 billion in support of our medical care program was largely determined by three key cost drivers in the actuarial model we use to project veteran enrollment in VA's healthcare system as well as the utilization of healthcare services of those enrolled: inflation; trends in the overall healthcare industry; and trends in VA healthcare.

The impact of the composite rate of inflation of 4.45 percent within the actuarial model will increase our resource requirements for acute inpatient and outpatient

care by nearly $2.1 billion. This includes the effect of additional funds ($690 million) needed to meet higher payroll costs as well as the influence of growing costs ($1.4 billion) for supplies, as measured in part by the Medical Consumer Price Index. However, inflationary trends have slowed during the last year.

There are several trends in the U.S. healthcare industry that continue to increase the cost of providing medical services. These trends expand VA's cost of doing business regardless of any changes in enrollment, number of patients treated, or program initiatives. The two most significant trends are the rising utilization and intensity of healthcare services. In general, patients are using medical care services more frequently and the intensity of the services they receive continues to grow. For example, sophisticated diagnostic tests, such as magnetic resonance imaging (MRI), are now more frequently used either in place of, or in addition to, less costly diagnostic tools such as x-rays. As another illustration, advances in cancer screening technologies have led to earlier diagnosis and prolonged treatment which may include increased use of costly pharmaceuticals to combat this disease. These types of medical services have resulted in improved patient outcomes and higher quality healthcare. However, they have also increased the cost of providing care.

The cost of providing timely, high-quality healthcare to our Nation's veterans is also growing as a result of several factors that are unique to VA's healthcare system. We expect to see changes in the demographic characteristics of our patient population. Our patients as a group will be older, will seek care for more complex medical conditions, and will be more heavily concentrated in the higher cost priority groups. Furthermore, veterans are submitting disability compensation claims for an increasing number of medical conditions, which are also increasing in complexity. This results in the need for disability compensation medical examinations, the majority of which are conducted by our Veterans Health Administration, that are more complex, costly, and time consuming. These projected changes in the case mix of our patient population and the growing complexity of our disability claims process will result in greater resource needs.

Quality of Care

The resources we are requesting for VA's medical care program will allow us to strengthen our position as the Nation's leader in providing high-quality healthcare. VA has received numerous accolades from external organizations documenting the Department's leadership position in providing world-class healthcare to veterans. For example, our record of success in healthcare delivery is substantiated by the results of the 2006 American Customer Satisfaction Index (ACSI) survey. Conducted by the National Quality Research Center at the University of Michigan Business School, the ACSI survey found that customer satisfaction with VA's healthcare system increased last year and was higher than the private sector for the seventh consecutive year. The data revealed that inpatients at VA medical centers recorded a satisfaction level of 84 out of a possible 100 points, or 10 points higher than the rating for inpatient care provided by the private-sector healthcare industry. VA's rating of 82 for outpatient care was 8 points better than the private sector.

Citing VA's leadership role in transforming healthcare in America, Harvard University recognized the Department's computerized patient records system by awarding VA the prestigious "Innovations in American Government Award" in 2006. Our electronic health records have been an important element in making VA healthcare the benchmark for 294 measures of disease prevention and treatment in the United States. The value of this system was clearly demonstrated when every patient medical record from the areas devastated by Hurricane Katrina was made available to all VA healthcare providers throughout the Nation within 100 hours of the time the storm made landfall. Veterans were able to quickly resume their treatments, refill their prescriptions, and get the care they needed because of the electronic health records system—a real, functioning health information exchange that has been a proven success resulting in improved quality of care. It can serve as a model for the healthcare industry as the Nation moves forward with the public/private effort to develop a National Health Information Network.

The Department also received an award from the American Council for Technology for our collaboration with the Department of Defense on the Bidirectional Health Information Exchange program. This innovation permits the secure, real-time exchange of medical record data between the two departments, thereby avoiding duplicate testing and surgical procedures. It is an important step forward in making the transition from active duty to civilian life as smooth and seamless as possible.

In its July 17, 2006, edition, Business Week featured an article about VA healthcare titled "The Best Medical Care in the United States." This article outlines many of the Department's accomplishments that have helped us achieve our posi-

tion as the leading provider of healthcare in the country, such as higher quality of care than the private sector, our nearly perfect rate of prescription accuracy, and the most advanced computerized medical records system in the Nation. Similar high praise for VA's healthcare system was documented in the September 4, 2006, edition of Time Magazine in an article titled "How VA Hospitals Became the Best." In addition, a study conducted by Harvard Medical School concluded that Federal hospitals, including those managed by VA, provide the best care available for some of the most common life-threatening illnesses such as congestive heart failure, heart attack, and pneumonia. Their research results were published in the December 11, 2006, edition of the Annals of Internal Medicine.

These external acknowledgments of the superior quality of VA healthcare reinforce the Department's own findings. We use two primary measures of healthcare quality—clinical practice guidelines index and prevention index. These measures focus on the degree to which VA follows nationally recognized guidelines and standards of care that the medical literature has proven to be directly linked to improved health outcomes for patients. Our performance on the clinical practice guidelines index, which focuses on high-prevalence and high-risk diseases that have a significant impact on veterans' overall health status, is expected to grow to 85 percent in 2008, or a 1 percentage point rise over the level we expect to achieve this year. As an indicator aimed at primary prevention and early detection recommendations dealing with immunizations and screenings, the prevention index will be maintained at our existing high level of performance of 88 percent.

Access to Care

With the resources requested for medical care in 2008, the Department will be able to continue our exceptional performance dealing with access to healthcare—96 percent of primary care appointments will be scheduled within 30 days of patients' desired date, and 95 percent of specialty care appointments will be scheduled within 30 days of patients' desired date. We will minimize the number of new enrollees waiting for their first appointment. We reduced this number by 94 percent from May 2006 to January 2007, to a little more than 1,400, and we will continue to place strong emphasis on lowering, and then holding, the waiting list to as low a level as possible.

An important component of our overall strategy to improve access and timeliness of service is the implementation on a national scale of Advanced Clinic Access, an initiative that promotes the efficient flow of patients by predicting and anticipating patient needs at the time of their appointment. This involves assuring that specific medical equipment is available, arranging for tests that should be completed either prior to, or at the time of, the patient's visit, and ensuring all necessary health information is available. This program optimizes clinical scheduling so that each appointment or inpatient service is most productive. In addition, this reduces unnecessary appointments, allowing for relatively greater workload and increased patient-directed scheduling.

Funding for Major Healthcare Programs and Initiatives

Our request includes $4.6 billion for extended care services, 90 percent of which will be devoted to institutional long-term care and 10 percent to non-institutional care. By continuing to enhance veterans' access to non-institutional long-term care, the Department can provide extended care services to veterans in a more clinically appropriate setting, closer to where they live, and in the comfort and familiar settings of their homes surrounded by their families. This includes adult day healthcare, home-based primary care, purchased skilled home healthcare, homemaker/home health aide services, home respite and hospice care, and community residential care. During 2008 we will increase the number of patients receiving non-institutional long-term care, as measured by the average daily census, to over 44,000. This represents a 19.1 percent increase above the level we expect to reach in 2007 and a 50.3 percent rise over the 2006 average daily census.

The President's request includes nearly $3 billion to continue our effort to improve access to mental health services across the country. These funds will help ensure VA provides standardized and equitable access throughout the Nation to a full continuum of care for veterans with mental health disorders. The resources will support both inpatient and outpatient psychiatric treatment programs as well as psychiatric residential rehabilitation treatment services. We estimate that about 80 percent of the funding for mental health will be for the treatment of seriously mentally ill veterans, including those suffering from post-traumatic stress disorder (PTSD). An example of our firm commitment to provide the best treatment available to help veterans recover from these mental health conditions is our ongoing outreach to vet-

erans of Operation Iraqi Freedom and Operation Enduring Freedom, as well as increased readjustment and PTSD services.

In 2008 we are requesting $752 million to meet the needs of the 263,000 veterans with service in Operation Iraqi Freedom and Operation Enduring Freedom whom we expect will come to VA for medical care. Veterans with service in Iraq and Afghanistan continue to account for a rising proportion of our total veteran patient population. In 2008 they will comprise 5 percent of all veterans receiving VA healthcare compared to the 2006 figure of 3.1 percent. Veterans deployed to combat zones are entitled to 2 years of eligibility for VA healthcare services following their separation from active duty even if they are not otherwise immediately eligible to enroll for our medical services.

Medical Collections

The Department expects to receive nearly $2.4 billion from medical collections in 2008, which is $154 million, or 7.0 percent, above our projected collections for 2007. As a result of increased workload and process improvements in 2008, we will collect an additional $82 million from third-party insurance payers and an extra $72 million resulting from increased pharmacy workload.

We have several initiatives underway to strengthen our collections processes:

—The Department has established a private-sector based business model pilot tailored for our revenue operations to increase collections and improve our operational performance. The pilot Consolidated Patient Account Center (CPAC) is addressing all operational areas contributing to the establishment and management of patient accounts and related billing and collections processes. The CPAC currently serves revenue operations for medical centers and clinics in one of our Veterans Integrated Service Networks but this program will be expanded to serve other networks.

—VA continues to work with the Centers for Medicare and Medicaid Services contractors to provide a Medicare-equivalent remittance advice for veterans who are covered by Medicare and are using VA healthcare services. We are working to include additional types of claims that will result in more accurate payments and better accounting for receivables through use of more reliable data for claims adjudication.

—We are conducting a phased implementation of electronic, real-time outpatient pharmacy claims processing to facilitate faster receipt of pharmacy payments from insurers.

—The Department has initiated a campaign that has resulted in an increasing number of payers now accepting electronic coordination of benefits claims. This is a major advancement toward a fully integrated, interoperable electronic claims process.

MEDICAL RESEARCH

The President's 2008 budget includes $411 million to support VA's medical and prosthetic research program. This amount will fund nearly 2,100 high-priority research projects to expand knowledge in areas critical to veterans' healthcare needs, most notably research in the areas of mental illness ($49 million), aging ($42 million), health services delivery improvement ($36 million), cancer ($35 million), and heart disease ($31 million).

VA's medical research program has a long track record of success in conducting research projects that lead to clinically useful interventions that improve the health and quality of life for veterans as well as the general population. Recent examples of VA research results that are now being applied to clinical care include the discovery that vaccination against varicella-zoster (the same virus that causes chickenpox) decreases the incidence and/or severity of shingles, development of a system that decodes brain waves and translates them into computer commands that allow quadriplegics to perform simple tasks like turning on lights and opening e-mail using only their minds, improvements in the treatment of post-traumatic stress disorder that significantly reduce trauma nightmares and other sleep disturbances, and discovery of a drug that significantly improves mental abilities and behavior of certain schizophrenics.

In addition to VA appropriations, the Department's researchers compete for and receive funds from other Federal and non-Federal sources. Funding from external sources is expected to continue to increase in 2008. Through a combination of VA resources and funds from outside sources, the total research budget in 2008 will be almost $1.4 billion.

GENERAL OPERATING EXPENSES

The Department's 2008 resource request for General Operating Expenses (GOE) is $1.472 billion. This is $617 million, or 72.2 percent, above the funding level in place when the President took office. Within this total GOE funding request, $1.198 billion is for the administration of non-medical benefits by the Veterans Benefits Administration (VBA) and $274 million will be used to support General Administration activities.

Compensation and Pensions Workload and Performance Management

VA's primary focus within the administration of non-medical benefits remains unchanged—delivering timely and accurate benefits to veterans and their families. Improving the delivery of compensation and pension benefits has become increasingly challenging during the last few years due to a steady and sizeable increase in workload. The volume of claims applications has grown substantially during the last few years and is now the highest it has been in the last 15 years. The number of claims we received was more than 806,000 in 2006. We expect this high volume of claims filed to continue, as we are projecting the receipt of about 800,000 claims a year in both 2007 and 2008.

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

Disability compensation claims from veterans who have previously filed a claim comprise about 55 percent of the disability claims received by the Department each year. Many veterans now receiving compensation suffer from chronic and progressive conditions, such as diabetes, mental illness, and cardiovascular disease. As these veterans age and their conditions worsen, we experience additional claims for increased benefits.

The growing complexity of the claims being filed also contributes to our workload challenges. For example, the number of original compensation cases with eight or more disabilities claimed nearly doubled during the last 4 years, reaching more than 51,000 claims in 2006. Almost one in every four original compensation claims received last year contained eight or more disability issues. In addition, we expect to continue to receive a growing number of complex disability claims resulting from PTSD, environmental and infectious risks, traumatic brain injuries, complex combat-related injuries, and complications resulting from diabetes. Each claim now takes more time and more resources to adjudicate. Additionally, as VA receives and adjudicates more claims, this results in a larger number of appeals from veterans and survivors, which also increases workload in other parts of the Department, including the Board of Veterans' Appeals.

The Veterans Claims Assistance Act of 2000 has significantly increased both the length and complexity of claims development. VA's notification and development duties have grown, adding more steps to the claims process and lengthening the time it takes to develop and decide a claim. Also, we are now required to review the claims at more points in the adjudication process.

We will address our ever-growing workload challenges in several ways. First, we will continue to improve our productivity as measured by the number of claims processed per staff member, from 98 in 2006 to 101 in 2008. Second, we will continue to move work among regional offices in order to maximize our resources and enhance our performance. Third, we will further advance staff training and other efforts to improve the consistency and quality of claims processing across regional offices. And fourth, we will ensure our claims processing staff has easy access to the manuals and other reference material they need to process claims as efficiently and effectively as possible and further simplify and clarify benefit regulations.

Through a combination of management/productivity improvements and an increase in resources in 2008 to support 457 additional staff above the 2007 level, we will improve our performance in the area most critical to veterans—the timeliness of processing rating-related compensation and pension claims. We expect to improve the timeliness of processing these claims to 145 days in 2008. This level of performance is 15 days better than our projected timeliness for 2007 and a 32-day improvement from the average processing time we achieved last year. In addition, we anticipate that our pending inventory of disability claims will fall to about 330,000 by the end of 2008, a reduction of more than 40,000 (or 10.9 percent) from the level we

project for the end of 2007, and nearly 49,000 (or 12.9 percent) lower than the inventory at the close of 2006. At the same time we are improving timeliness, we will also increase the accuracy of our decisions on claims from 88 percent in 2006 to 90 percent in 2008.

Education and Vocational Rehabilitation and Employment Performance

With the resources we are requesting in 2008, key program performance will improve in both the education and vocational rehabilitation and employment programs. The timeliness of processing original education claims will improve by 15 days during the next 2 years, falling from 40 days in 2006 to 25 days in 2008. During this period, the average time it takes to process supplemental claims will improve from 20 days to just 12 days. These performance improvements will be achieved despite an increase in workload. The number of education claims we expect to receive will reach about 1,432,000 in 2008, or 4.8 percent higher than last year. In addition, the rehabilitation rate for the vocational rehabilitation and employment program will climb to 75 percent in 2008, a gain of 2 percentage points over the 2006 performance level. The number of program participants will rise to about 94,500 in 2008, or 5.3 percent higher than the number of participants in 2006.

Our 2008 request includes $6.3 million for a Contact Management Support Center for our education program. These funds will be used during peak enrollment periods for contract customer service representatives who will handle all education calls placed through our toll-free telephone line. We currently receive about 2.5 million phone inquiries per year. This initiative will allow us to significantly improve performance for both the blocked call rate and the abandoned call rate.

The 2008 resource request for VBA includes about $4.3 million to enhance our educational and vocational counseling provided to disabled service members through the Disabled Transition Assistance Program. Funds for this initiative will ensure that briefings are conducted by experts in the field of vocational rehabilitation, including contracting for these services in localities where VA professional staff are not available. The contractors would be trained by VA staff to ensure consistent, quality information is provided. Also in support of the vocational rehabilitation and employment program, we are seeking $1.5 million as part of an ongoing project to retire over 650,000 counseling, evaluation, and rehabilitation folders stored in regional offices throughout the country. All of these folders pertain to cases that have been inactive for at least 3 years and retention of these files poses major space problems.

In addition, our 2008 request includes $2.4 million to continue a major effort to centralize finance functions throughout VBA, an initiative that will positively impact operations for all of our benefits programs. The funds to support this effort will be used to begin the consolidation and centralization of voucher audit, agent cashier, purchase card, and payroll operations currently performed by all regional offices.

NATIONAL CEMETERY ADMINISTRATION

The President's 2008 budget request includes $166.8 million in operations and maintenance funding for the National Cemetery Administration (NCA). These resources will allow us to meet the growing workload at existing cemeteries by increasing staffing and funding for contract maintenance, supplies, and equipment. We expect to perform nearly 105,000 interments in 2008, or 8.4 percent higher than the number of interments we performed in 2006. The number of developed acres (over 7,800) that must be maintained in 2008 will be 7.3 percent greater than last year.

Our budget request includes $3.7 million to prepare for the activation of interment operations at six new national cemeteries—Bakersfield, California; Birmingham, Alabama; Columbia-Greenville, South Carolina; Jacksonville, Florida; southeastern Pennsylvania; and Sarasota County, Florida. Establishment of these six new national cemeteries is directed by the National Cemetery Expansion Act of 2003.

The 2008 budget has $9.1 million to address gravesite renovations as well as headstone and marker realignment. These improvements in the appearance of our national cemeteries will help us maintain the cemeteries as shrines dedicated to preserving our Nation's history and honoring veterans' service and sacrifice.

With the resources requested to support NCA activities, we will expand access to our burial program by increasing the percent of veterans served by a burial option within 75 miles of their residence to 84.6 percent in 2008, which is 4.4 percentage points above our performance level at the close of 2006. In addition, we will continue to increase the percent of respondents who rate the quality of service provided by national cemeteries as excellent to 98 percent in 2008, or 4 percentage points higher than the level of performance we reached last year.

CAPITAL PROGRAMS (CONSTRUCTION AND GRANTS TO STATES)

VA's 2008 request includes $1.078 billion in appropriated funding for our capital programs. Our request includes $727.4 million for major construction projects, $233.4 million for minor construction, $85 million in grants for the construction of State extended care facilities, and $32 million in grants for the construction of State veterans cemeteries.

The 2008 request for construction funding for our healthcare programs is $750 million—$570 million for major construction and $180 million for minor construction. All of these resources will be devoted to continuation of the Capital Asset Realignment for Enhanced Services (CARES) program, total funding for which comes to $3.7 billion over the last 5 years. CARES will renovate and modernize VA's healthcare infrastructure, provide greater access to high-quality care for more veterans, closer to where they live, and help resolve patient safety issues. Within our request for major construction are resources to continue six medical facility projects already underway:

—Denver, Colorado ($61.3 million)—parking structure and energy development for this replacement hospital
—Las Vegas, Nevada ($341.4 million)—complete construction of the hospital, nursing home, and outpatient facilities
—Lee County, Florida ($9.9 million)—design of an outpatient clinic (land acquisition is complete)
—Orlando, Florida ($35.0 million)—land acquisition for this replacement hospital
—Pittsburgh, Pennsylvania ($40.0 million)—continue consolidation of a 3-division to a 2-division hospital
—Syracuse, New York ($23.8 million)—complete construction of a spinal cord injury center.

Minor construction is an integral component of our overall capital program. In support of the medical care and medical research programs, minor construction funds permit VA to address space and functional changes to efficiently shift treatment of patients from hospital-based to outpatient care settings; realign critical services; improve management of space, including vacant and underutilized space; improve facility conditions; and undertake other actions critical to CARES implementation. Our 2008 request for minor construction funds for medical care and research will provide the resources necessary for us to address critical needs in improving access to healthcare, enhancing patient privacy, strengthening patient safety, enhancing research capability, correcting seismic deficiencies, facilitating realignments, increasing capacity for dental services, and improving treatment in special emphasis programs.

We are requesting $191.8 million in construction funding to support the Department's burial program—$167.4 million for major construction and $24.4 million for minor construction. Within the funding we are requesting for major construction are resources to establish six new cemeteries mandated by the National Cemetery Expansion Act of 2003. As previously mentioned, these will be in Bakersfield ($19.5 million), Birmingham ($18.5 million), Columbia-Greenville ($19.2 million), Jacksonville ($22.4 million), Sarasota ($27.8 million), and southeastern Pennsylvania ($29.6 million). The major construction request in support of our burial program also includes $29.4 million for a gravesite development project at Fort Sam Houston National Cemetery.

INFORMATION TECHNOLOGY

VA's 2008 budget request for information technology (IT) is $1.859 billion. This budget reflects the first phase of our reorganization of IT functions in the Department which will establish a new IT management structure in VA. The total funding for IT in 2008 includes $555 million for more than 5,500 staff who have been moved to support operations and maintenance activities. Prior to 2008, the funding and staff supporting these IT activities were reflected in other accounts throughout the Department.

Later in 2007 we will implement the second phase of our IT reorganization strategy by moving funding and staff devoted to development projects and activities. As a result of the second stage of the IT reorganization, the Chief Information Officer will be responsible for all operations and maintenance as well as development activities, including oversight of, and accountability for, all IT resources within VA. This reorganization will make the most efficient use of our IT resources while improving operational effectiveness, providing standardization, and eliminating duplication.

This major transformation of IT will bring our program under more centralized control and will play a significant role in ensuring we fulfill my promise to make VA the gold standard for data security within the Federal government. We have

taken very aggressive steps during the last several months to ensure the safety of veterans' personal information, including training and educating our employees on the critical responsibility they have to protect personal and health information, launching an initiative to expeditiously upgrade all VA computers with enhanced data security and encryption, entering into an agreement with an outside firm to provide free data breach analysis services, initiating any needed background investigations of employees to ensure consistency with their level of authority and responsibilities in the Department, and beginning a campaign at all of our healthcare facilities to replace old veteran identification cards with new cards that reduce veterans' vulnerability to identify theft. These steps are part of our broader commitment to improve our IT and cyber security policies and procedures.

Within our total IT request of $1.859 billion, $1.304 billion (70 percent) will be for non-payroll costs and $555 million (30 percent) will be for payroll costs. Of the non-payroll funding, $461 million will support projects for our medical care and medical research programs, $66 million will be devoted to projects for our benefits programs, and $446 million will be needed for IT infrastructure projects. The remaining $331 million of our non-payroll IT resources in 2008 will fund centrally-managed projects, such as VA's cyber security program, as well as management projects that support department-wide initiatives and operations like the replacement of our aging financial management system and the development and implementation of a new human resources management system.

The most critical IT project for our medical care program is the continued operation and improvement of the Department's electronic health record system, a Presidential priority which has been recognized nationally for increasing productivity, quality, and patient safety. Within this overall initiative, we are requesting $131.9 million for ongoing development and implementation of HealtheVet-VistA (Veterans Health Information Systems and Technology Architecture). This initiative will incorporate new technology, new or reengineered applications, and data standardization to improve the sharing of, and access to, health information, which in turn, will improve the status of veterans' health through more informed clinical care. This system will make use of standards accepted by the Secretary of Health and Human Services that will enhance the sharing of data within VA as well as with other Federal agencies and public and private sector organizations. Health data will be stored in a veteran-centric format replacing the current facility-centric system. The standardized health information can be easily shared between facilities, making patients' electronic health records available to them and to all those authorized to provide care to veterans.

Until HealtheVet-VistA is operational, we need to maintain the VistA legacy system. This system will remain operational as new applications are developed and implemented. This approach will mitigate transition and migration risks associated with the move to the new architecture. Our budget provides $129.4 million in 2008 for the VistA legacy system. Funding for the legacy system will decline as we advance our development and implementation of HealtheVet-VistA.

In veterans benefits programs, we are requesting $31.7 million in 2008 to support our IT systems that ensure compensation and pension claims are properly processed and tracked, and that payments to veterans and eligible family members are made on a timely basis. Our 2008 request includes $3.5 million to continue the development of The Education Expert System. This will replace the existing benefit payment system with one that will, when fully deployed, receive application and enrollment information and process that information electronically, reducing the need for human intervention.

VA is requesting $446 million in 2008 for IT infrastructure projects to support our healthcare, benefits, and burial programs through implementation and ongoing management of a wide array of technical and administrative support systems. Our request for resources in 2008 will support investment in five infrastructure projects now centrally managed by the CIO—computing infrastructure and operations ($181.8 million); network infrastructure and operations ($31.7 million); voice infrastructure and operations ($71.9 million); data and video infrastructure and operations ($130.8 million); and regional data centers ($30.0 million).

VA's 2008 request provides $70.1 million for cyber security. This ongoing initiative involves the development, deployment, and maintenance of a set of enterprise-wide controls to better secure our IT architecture in support of all of the Department's program operations. Our request also includes $35.0 million for the Financial and Logistics Integrated Technology Enterprise (FLITE) system. FLITE is being developed to address a long-standing material weakness and will effectively integrate and standardize financial and logistics data and processes across all VA offices as well as provide management with access to timely and accurate financial, logistics, budget, asset, and related information on VA-wide operations. In addition, we are asking

for $34.1 million for a new state-of-the-art human resource management system that will result in an electronic employee record and the capability to produce critical management information in a fraction of the time it now takes using our antiquated paper-based system.

SUMMARY

Our 2008 budget request of $86.75 billion will provide the resources necessary for VA to:

—strengthen our position as the Nation's leader in providing high-quality healthcare to a growing patient population, with an emphasis on those who count on us the most—veterans returning from service in Operation Iraqi Freedom and Operation Enduring Freedom, veterans with service-connected disabilities, those with lower incomes, and veterans with special healthcare needs;

—improve the delivery of benefits through the timeliness and accuracy of claims processing; and

—increase veterans' access to a burial option by opening new national and State veterans' cemeteries.

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

Senator REED. Thank you very much, Mr. Secretary, for your statement.

We will engage in our 6-minute rounds of questioning. And, I will yield my initial 6 minutes to Senator Byrd.

Senator Byrd, do you have questions?

Senator BYRD. Mr. Secretary we have been told that the VA hospitals are juggling the books to make it appear that the time to get an appointment is shorter than it is. Allegedly, appointments are being made, then cancelled, and rescheduled to make it appear that the time from making the appointment, to actually seeing a doctor, is shorter than it is. Are you aware of this practice?

Secretary NICHOLSON. Senator Byrd, I've been Secretary now, for about 26 months and in that time, I have had it brought to my attention that this might be happening in isolated cases. And, I'm also told that the Inspector General looked into this. Because this would be a very unacceptable practice, and that it may have been found in very isolated cases, but it certainly is not systemic.

I'm going to read this, because I'm under oath so I want to be as precise as I can be. First of all, I can tell you that the VA is very committed to improving access. All veterans who have urgent or emergent needs that come to a hospital are seen immediately. We are focused on getting appointments within 30 days of the veteran's desired date.

In fiscal year 2006, which was the last fiscal year, the VA provided 39 million outpatient appointments to 5.3 million veterans. Ninety-five percent of those were provided within 30 days of the desired date, 98 percent of those were provided within 60 days of the desired date. And, most of those outliers were appointments for sub-specialty needs in other clinics.

We also implemented the Advanced Clinical Access Program as a process to speed up the appointment process and it has worked very successfully. Because this is pretty extraordinary when you think of the volume that we do, that 95 percent of them get an appointment within 30 days.

Now, I would also like to say if you have an incident of that or if a veteran has talked to you with that, I would very much appreciate if you would bring that to me with specificity, because I will

direct the Inspector General to look into that. Because if that is happening, that is unacceptable even on an isolated incident and we will investigate that.

Senator BYRD. Right? Now this is a second question. Will you look into this again and respond to the subcommittee?

Secretary NICHOLSON. Yes, indeed. I will look into it, and I will repeat and say that if you have the specific case or incidences, it would greatly help us in looking into it.

Mr. Chairman, I want to thank you and I want to thank all members. And, I want to thank the witnesses.

Senator REED. Thank you very much, Mr. Chairman.

Senator BYRD. Yes, sir.

Senator REED. Senator Hutchison, your questions please?

Senator HUTCHISON. Thank you, Mr. Chairman. I want to start with the issue of the claims backlog, Mr. Secretary. I know that you have said that you are appointing patient advocates and more claims adjusters. What do you—what is your goal to try to get this backlog really alleviated? I'm told that the current backlog is over 400,000, and you're saying 800,000 new claims are coming in annually. I sympathize with you—that is a huge workload.

One of the things that has been suggested is that you maybe transfer some of the claims adjustment issues from regions that are overloaded to regions that might not be as overloaded, is that something that you're looking at? What is your plan to address this comprehensively?

Secretary NICHOLSON. Well, first to your specific question at the end there, Senator Hutchison, we are doing that now. We're, the term of art that they use is "brokering" in that where a regional office might not be as loaded as another, we take bundles of claims to those, and have them evaluated by that office. They all use the same criteria, so they're, in that respect, able to do that, there's no jurisdictional border that would prohibit that.

This is a beguiling problem. In a way we're kind of the victim of our own success, because we have a very active outreach effort going on, and education program going on to inform veterans, to inform Active duty members of the potential of benefits that may be available to them at the VA. In fact, we have VA personnel embedded at over 140 military establishments today, whose mission is to talk to people who are on the verge of getting out of the service. So that they know what is available, what they've earned, what they may be eligible for. We also have implemented a program called benefits during discharge, which allows us to accelerate the adjudication of a claim for a, about to be, or just departed Active duty member, and that has helped.

This backlog, by the way, has come down—a few years ago is was like 212 days or something—and I would say, and I would commend the people in the Veterans' Benefit Administration because they really are working hard, we had 806,000 come in, and they——

Senator HUTCHISON. Could I?

Secretary NICHOLSON [continuing]. Processed almost that many.

Senator HUTCHISON. Could I interrupt you for just a minute, because some of the people who cause this backlog are people who are coming in asking for benefits long after they have served, so it

could have been in the Korean War or Vietnam or something. So, that is one category.

But, do you prioritize people who are coming out right now, and particularly those who are injured? Is there a strata where you put people who are injured in Iraq, Afghanistan or any Active Duty, or any person now serving Guard, Reserve, whatever, do you make that a priority? So that somebody who's leaving because they're—they've lost a limb, or they have severe disabilities gets a, more immediate action?

Secretary NICHOLSON. Yes, we do, Senator. We prioritize the returning OIF/OEF, Iraq and Afghanistan veterans, we prioritize them, and we prioritize the claims of veterans who are 70 years old, or older.

Senator HUTCHISON. Okay.

Secretary NICHOLSON. And we have special teams that are working to expedite those claims, in both cases.

Senator HUTCHISON. Okay. Well, I just want to highlight, and I have, and you have responded, that this has to be taken care of.

I want to ask a quick question, and then I hope I have time for——

Senator REED. There will be a second round.

Senator HUTCHISON. Okay. Quick question on the study for south Texas for a Veterans Hospital—it just seems like it's been over—I know it's been over a year, that seems awfully long—could you tell me the status, and can we expect a report? We're told now, July—is that a set time, and I'd just like a status report on that?

Secretary NICHOLSON. The study is still ongoing, and we do expect it to be completed in July, yes.

Senator HUTCHISON. Thank you. Last question, or, for this round—the data security issue—I just can't not address that, since it's been in the news so much lately.

We understand that Mr. Howard in your agency has begun using a Fidelis testing software to monitor VA employees' compliance, in addition to all of the education that you are giving to employees, regarding the need for this privacy and security of data.

However, the testing software showed that there were—just in the week of March 5–11, 2007, violations in the Boston VA, of the security procedures. Can you tell me if you—how you think that happened, after all the education efforts, and what you are doing to assure the privacy of data of our veterans?

Secretary NICHOLSON. Well, first of all, in a transcendent way, we're totally transforming the IT system in the VA. We've moved thousands of people from a decentralized format to a centralized format under the cone of the Assistant Secretary for IT, which is General Howard.

We have intensive training going on, we're trying to re-culturate the entire organization about the seriousness of data. It's handling, and it's security. And, we're making considerable progress. We have, taking the personal laptops and computers, personally owned, from people and giving them Government computers, we want the information on there to be encrypted. But, we're still dealing with human beings, some of whom have bad habits, and some of whom still have an overly lax attitude about the severity of this. But, I would say that we've made a lot of progress, we're encour-

aging self-reporting, we get those Security Operation Center reports every day, and people, I think, are quite forthcoming about the reporting of it, we take immediate corrective action if it's a serious episode.

I'd like to invite, if I could, General Howard, if he would like to add anything specifically, particularly with regard to your question about the software.

Senator HUTCHISON. Yes, I should have addressed that to you, thank you.

General HOWARD. Senator Hutchison, the software you're referring to is one of several products that we're testing right now, Fidelis. The incidents you refer to were a result of the testing we were conducting, and just to let you know that what that was, monitoring activity, e-mail-type activity over the network. This particular software has the capability to terminate sessions, based on certain rules, and that's why we're very interested in it, and that's why we uncovered emails that were transmitting large amounts of information that should not have been transmitted. In fact, there were several of them that were serious enough that we actually reported them as "incidents" and those are the ones that you're referring to.

What has happened to the individuals who were involved in that, I'm not sure. They were in the Veterans' Health Administration, I think. Dr. Kussman is looking at that. There weren't a lot of them, but there were several.

And I'll just summarize, the software like this we do intend to deploy, along with other techniques to help us better control activity on our networks.

Senator REED. Thank you, Senator Hutchison, and the vote as we have realized, has been delayed, and we will have at least two rounds, so I think everyone will have ample time to ask questions.

Thank you, Mr. Secretary, for your statement today and your response to questions.

Let me agree with you that 177 days is just much too long to process a claim. What is your target date in terms of your, ordering your or requesting your organization to manage down to?

Secretary NICHOLSON. Well, the ultimate target date, Mr. Chairman is 125 days. But, because of the prioritization that we're giving to these young combatants returning from the War, I've put down a marker for us to do those in 100 days.

Now, this is a complicated process, and it would take up quite a bit of the time of your hearing to really give you a primer on it, but I'll do it in a truncated form, and maybe use an example.

A veteran comes into us—and by the way, veteran's claims are never res judicata—ever. They can continue to bring them back, if they're denied on an appeal, they can re-apply, if they get an award at a certain percent, they can come back in and, they are never finished. And, of those 800,000, roughly, that we saw last year, about half of them had been in there before.

The Congress and the courts have afforded continual rights to the veteran claimants, and I'm just stating this, I'm not evaluating it or editorializing on it. But, for example, if a claimant comes in and said, "I have, an arthritic knee, and I got it, I know I got in a parachute jump in the 82d Airborne Division in 1988," we must,

in our fiduciary, go back and see, one, was the guy a parachutist? Was he in the 82d? Did he jump on that day? Did he go to the dispensary because he said he hurt his knee? And we need to find evidence of that, and those paper files, non-electronic, need investigating. And, if we need to go back to a veteran claimant and say, "We need more verification or another document," he has 60 days, each time we do that, he has 60 days within which to respond to us.

The culmination of this is while we can shorten it, and we're going to mobilize on this OIF/OEF on a test basis to see if we can't do that in 100 days, and they will have to work with us—it has some organic difficulties.

Senator REED. I recognize the complexity, because we have veterans coming through our offices every day asking for assistance. But, if your target is 125 days, do you have the resources in this budget, and succeeding budget plans to meet that target for all veterans?

Secretary NICHOLSON. In this budget, as I testified, we are asking for resources to increase claim evaluators in the amount of 450, and again, they take a fair amount of training, but we project that would reduce it to 145 days.

Senator REED. So, we still have a ways to go, to get——

Secretary NICHOLSON. Still have a ways to go to get the 145.

Senator REED. Thank you, Mr. Secretary.

Mr. Secretary, let me also commend you for the screening of all OIF/OEF veterans for traumatic brain injuries, and it's a great first step, but can you tell us what the next step is, after that? After you've identified these individuals?

Secretary NICHOLSON. Yes, sir. As I've said, we're going to screen all of them now, and we've just about completed the training of all of our staff, our clinicians, to be able to do that. And then, they will commence a treatment regime for those that have any showing of either mild or moderate brain damage. I attended yesterday a session we had with DOD on this subject, so I learned a lot just yesterday about this, but it's often very difficult to discern whether or not they have any physical symptoms of it at some point.

But we are being very diligent, we think, and of those that—through their answers to the questions that we give them seem to indicate, because of some experience, some moment of forgetfulness or something—we would then refer them for a neurological assessment. I think we have set up a very good program.

Senator REED. One of the difficulties is that once the person leaves the military, they leave the post, and the post hospital, and the whole structure, very structured environment, and go off to their—many times—small towns, where the VA doesn't have a huge presence. Are you reaching out to private clinicians to be able to treat these individuals who are identified with traumatic brain injuries, and doing it in a systematic way?

Secretary NICHOLSON. We have been having some meetings, in fact, we had one in my conference room recently with the Association of the Private Rehabilitative Clinics, and we are interfacing with them, and we have a policy—if we cannot provide that kind of therapy and care to a veteran on a reasonable basis, we then can

allow them to go out to the outside on a contract basis, and get this care, yes.

Senator REED. And, are you programming funds for this activity in this budget and succeeding budgets?

Secretary NICHOLSON. Yes, we are. I'll ask Dr. Kussman to maybe give you more detail, Mr. Chairman.

Dr. KUSSMAN. Thank you, Mr. Secretary.

The Secretary has alluded to the fact that we have this screen, and on the basis of the screen, if the questions are answered positively, they get a referral for a neuro-cognitive assessment, that is not as easy as it sounds, as you know. There's no x-ray or blood test that can be done to assess it, but further evaluation would then determine what kind of treatment, if anything.

We're fortunate, the few studies that have been done are looking at mild to moderate TBI, longitudinally, long term, have shown that most people—thank goodness—will get better. And, so the important thing is to be able to identify them, and then follow them, in making sure that they get better, and if they don't, do everything possible to assist them.

We do need to aggressively assist the civilian community, because as you allude to, the average practitioner in the country probably doesn't have much experience with TBI, and that's a fertile area that we need to look at.

Senator REED. Thank you very much, Doctor.

Senator Craig.

Senator CRAIG. Mr. Chairman, thank you very much. Let me make a comment more than a question, because as the chairman, now ranking member of the authorizing committee, I've had an opportunity to look at the budget of VA, to the extent that we've even offered views and estimates necessary to go to the Budget Committee, so that the budget that we now have in front of us to appropriate to, I've already screened.

And so, as a result of that, I want to make this statement, and then ask a question.

Mr. Chairman, just 2 months ago, the Veterans Affairs Committee held the hearings on the budget. At that time, I remarked to Secretary Nicholson that it must have been a little difficult to develop a budget without the knowledge of the fiscal year 2007 appropriation, because we had not yet passed it. As everyone knows, we now have passed the bill, the VA received about a $3.5 billion increase in funding relative to the 2006 budget. Of course, not long after the bill passed, we also passed a supplemental appropriation for, fiscal year 2007, which added another $1.7 billion, bringing the total increase for this year to about $5.2 billion, or just over a 15.5 percent increase. Most of the money is for the medical system which, assuming enactment at some point of a supplemental bill, will have about $35 billion this year.

Mr. Secretary, you've requested about $36.5 billion for medical care for next year. A few months ago that was a pretty strong increase, of about $2.9 billion. However, at this point, your increase would be about $1.3 billion over what you're likely to have for the rest of the fiscal year.

Further, the Senate has gone on record as suggesting that we need around $40 billion for medical care, alone, next year. The money is coming in, in my opinion, in huge waves.

Mr. Chairman, I recognize that returning troops from Iraq and Afghanistan are going to require a substantial infusion of money over the long term. And, I am committed to doing everything and anything we can to help the men and women who return from war injured, physically and mentally. I have even suggested that we should let them go outside of the VA system, where necessary. And we just have had reports this morning coming in, that maybe in the area of prosthesis and other areas, where VA is not yet geared up, and yet the private sector is clearly out there in advance of that, that some of our military people ought to be able to go there, or our veterans.

But right now, I fear, we are almost throwing money at VA, with little planning on the part of the Agency as to how it could possibly be spent. And then, 6 months from now, we are going to hold another hearing, asking the VA one of two questions, Mr. Chairman: Why didn't you spend it all? That will be one of the questions, or, Why didn't you spend it all wisely?

I hope we are mindful of those possibilities during this fiscal cycle. Additionally, Mr. Chairman, I know all of us here at the committee are concerned about VA's claims processing systems, and problems, I'd like to suggest that maybe money isn't a solution to all of those problems that plague the VBA. With the additional employees VA has requested for fiscal year 2008, VBA staffing will have a increase 61 percent since 1997, and funding for compensation and pension service will have increased 118 percent. Yet probability—but productivity has been deteriorating, and the number of pending cases has been on the rise.

And while more staffing may help, I don't believe that simply adding more employees is a long-term solution to the problem. For many years, experts have stressed that significant improvements may not be possible without fundamental changes in the system.

A 1996 Veterans' Claims Commission concluded that problems with the existing systems are so many and varied, that it cannot be fine-tuned into a system that will consistently produce timely and high-quality adjudication products. After years of struggling to improve the performance of the existing system, it may be time to acknowledge that those experts were right—that fundamental changes are needed before we see the kind of lasting improvement we desire. And, Mr. Secretary, I am pleased that you are moving in that direction.

Those are the issues that concern me. The question is, Mr. Chairman, the 2007 supplemental—Mr. Secretary, the 2007 supplemental and the budget resolution of 2008, which provide VHA with about $5 billion more than your agency believes is necessary to fund operations—question, Do you believe VA can responsibly allocate that level of increased resources in such a short period of time? And what might be some of the challenges or issues you would encounter in planning to spend that amount of money?

Secretary NICHOLSON. Well, I think it's a very good question, Senator Craig, I mean, we're a big agency with over 1,400 points of where we dispense medical care, from Maine to Manila and we

have a huge benefits operation going on, given also the real estate stock that we have, and the age of it, we probably could always use, use more resources.

A very important part of the question to me is, can you spend it within the timeframe that you're supposed to? And sometimes, I think to do that prudently, is difficult. We have had incidents where we've been given more money to spend in mental health. That money, though, was subject to a CR, the CR, late in the fiscal cycle was released, and in that envelope that we had left, we did not spend it all, and we were criticized for that.

But, the reason for that—and the same applying prospectively—is that we're talking about people with real specialties, and, they don't all grow on trees, and they're not all willing to move to certain locations, to be there where we want to set up a Center of Excellence, or where we have a particular need, so we have to recruit them. And these things take, they take time.

So, I think the time part of it, is one that I—couldn't sit here, and certainly couldn't under oath say we could spend all of this within the prescribed time of that fiscal envelope, no.

Senator CRAIG. Thank you.

Mr. Chairman, thank you.

Senator REED. Thank you very much, Senator Craig.

Senator Allard.

Senator ALLARD. Thank you, Mr. Chairman.

First of all, I want to recognize the improvement that's happened at the VA in the past several years. Some of it started before you assumed your term, so I have to credit your predecessor as well, but I think you've continued to improve on it, and I note that the American Customer Satisfaction Index, on their seventh consecutive year says that VA has earned higher marks in the private healthcare industry—this is on customer satisfaction—and I think you're to be commended about that.

Colorado, as you're well aware of, has experienced a bigger, and a more important role, as far as our National defense is concerned, in many aspects, particularly as we move toward a modern military. And, I would say, before 9/11 that the healthcare that we provided our veterans in Colorado, at best, was marginal.

But, the Veterans Administration has been willing to make some tough decisions in Colorado, we closed a VA hospital—how many times does that happen in a State? And, in replace of that, we put in some regional clinics. And, so, what it did, was made medical services much more available to a segment of the population that weren't being well served.

And, the input that I'm getting from those veterans in southern Colorado, where that was located, has been very positive, since they appreciate the fact that they have these clinics.

And one aspect in going through these clinics, and personally visiting them that—we've looked at is their electronic record keeping and everything, and it's phenomenal. And, I think that's added to that, also, I hope you continue that.

I would like to join with Senator Hutchison in saying that we need to work on getting a transition from active military over to the veterans. And, I understand how complicated that could be, particularly if they come back home, and maybe they, then they re-

enroll or something, back and forth. But, I do think that's something we really work on, and I think it's a doable thing, but we need to work on compatibility in our programming.

In—so, you know, with the closure of the Fort Lyons Hospital and then those clinics opening up, Colorado, and those veterans feel well served. We've had a hospital in Colorado that has—you know, as far as medical care been doing pretty good, but it's just been getting outdated and old. And, as a result of that, you've recognized that need, and now in the Denver area, you're in the process of putting together, and constructing, we made the land agreements and everything, putting a plan together for a Veterans' Hospital in Denver to serve the entire Rocky Mountain Region, and provide some very, very high quality care, I'm convinced.

And, I understand that Veterans' Hospitals don't come cheaply, and I appreciate your recognizing the needs—which are rather unique in the State of Colorado, because of our growing veteran population—people get assigned there, they decide to come back there and retire. And, so we're experiencing unprecedented growth, I think, in the veterans population, but your modernizing the VA has helped, and I think, provide good care despite that stress.

Now, I've asked you to update the committee, what plans you foresee for the Veterans' Hospital there at the Fitzsimmons site in the future, and how you plan on meeting—you've got an additional amount in the budget of $62 million or so, which is an increase from last year. Now, we're going to have some expensive years ahead of us, now, we get into actual construction. Could you kind of indicate to me how you plan on generating the revenue, and what you plan on doing with those extra monies that's going to be needed to finish the construction of that hospital?

Secretary NICHOLSON. Yes, I can, Senator Allard.

We have slightly over $100 million approved so far for that project, as you know, because you've worked on this, and been very helpful. We've chosen the architect engineer, we've acquired the major part of the site for this, after months and months of negotiation with the city of Aurora to put this hospital out where it belongs, which is right next to the interstate highway, and right next to the University of Colorado Hospital, with whom the VA has been affiliating for over 50 years. In fact, it's interesting for some people to know that the first liver transplant ever—successful liver transplant ever done on a human being was done at the Denver VA Hospital, in consult with the University of Colorado.

We will now continue to assemble the rest of the ground that we have, so we have the resources for that, and to do the design of the hospital. We, though, must come back here to the Congress, and get the subsequent approvals for the funding that it's going to take to build and finish the hospital. Assuming that we get that, we believe that we can have this hospital open sometime in 2011.

Senator ALLARD. You think you can get that in the President's budget request? A good chance?

Secretary NICHOLSON. Yes, sir, I do.

Senator ALLARD. Okay, very good.

I'd like to—discuss other Colorado business, because of our unique growth in military retirees as well as veterans, we have sort of a unique situation in the Colorado Springs area, in the fact

that there's an increased demand for a cemetery to serve those that are in southern Colorado. And, I've introduced some legislation to take care of the Pike Peaks Region. I understand the challenges you're having with the number of people that you have to have to justify a cemetery within a 75-mile region, and we've been visiting with Mr. Tuerk more, with this.

And, so, I'm going to address this question to Mr. Tuerk, if I might. You mentioned in our discussion that it is not necessarily set in stone. That there are exceptions you have, maybe it's not easy to get the exception but it is possible in some unique situations, maybe, to get an exception.

You mentioned last year that the formula, again as I stated, was not set in stone. Could you advise us on the progress of updating the formula? To be more accommodating to some of these unique situations, such as the Pikes Peak Region?

Mr. TUERK. Yes, Senator, I'm happy to have the opportunity to do that.

The policy that we have adopted, and that the Congress has adopted in directing where we will locate new cemeteries, as you know, states that a new cemetery will be placed in a location that has 170,000 veterans, who are not served by another existing National or State Veterans cemetery. You're certainly correct that Colorado Springs is an area of significant growth—by our estimates there are 261,000 veterans, within 75 miles of Colorado Springs.

The question, though, for purposes of our determinations and, heretofore, the Congress's determinations on where we ought to go, is how many veterans, within proximity to a given city, aren't already served by an existing cemetery. You understand how that plays out with respect to Colorado Springs vis-á-vis Fort Logan National Cemetery, southwest of Denver.

It is correct, as you said, that no formula is set in stone. We try to be flexible in making our determinations of where to put resources, and our recommendations to Congress on where it should decide our resources ought to be placed. And, when I say it's not set in stone, I mean it is subject to change.

As we have discussed, I have commissioned a program evaluation by an outside consultant to look at our methodology for siting cemeteries to consider factors that you have brought to my attention, that Senator Salazar has brought to my attention, and members of Colorado's House delegation have brought to my attention about traffic issues between Colorado Springs and Fort Logan, and the significant growth the significant military presence, in the region. We have instructed our consultant to take those factors into account as it critically looks at the way we site cemeteries now. That program evaluation is in progress. We have hired a contractor, and we have set him off to work. He will report next year. He has not yet completed his analysis of the methodology that we have used to date on siting new cemeteries.

Senator ALLARD. Well, then, you know, if we could exclude the Denver area, which we talked about, just the Pikes Peak Region, we've come up with 175,000 population, we talked about the Region, we pull in the area south of Colorado Springs and go south, we can come up with 175,000 on that. So, take a close look, and

I'm glad to hear that you're working on the formula and looking at the unique aspects of Colorado and the situation there.

Fort Logan which is also, is the cemetery you mentioned in southwest Denver—I've had some personal experience with that in the last year or so, we buried both of my wife's parents in Fort Logan. It's a great facility, but in visiting with those, you know, it doesn't have too much—there's still some capacity there, but you know, that capacity in 10 years is going to be gone.

I, as well as you, know it takes awhile to get cemeteries built and get them in line, so I hope you keep that in mind when you're doing that. Thank you.

Mr. TUERK. We are very mindful of that, Senator. We are developing the last 66 acres of the Fort Logan site. We've encountered a problem with respect to some of it, that we can't turn into burial space. Right now we project that Fort Logan will continue to offer burial services until at least 2020, and we are very mindful of that, and are thinking ahead on where we might go to continue to provide services to the Denver/Colorado Springs area at the point in time when Fort Logan will have to close.

Senator ALLARD. Thank you very much for your comments, and I have some additional questions on the second round.

Senator REED. Thank you very much, Senator Allard. We have a vote under way right now, for your information. And Senator Murray is voting, and she will join us shortly, and I'll begin the second round, Mr. Secretary and, Senator Craig raised some very interesting questions about the capacity to spend money, and I guess one point should be noted, is that in the Senate supplemental for the VA funding is "no year" funding, meaning that you will not have a specific amount of time to spend it, so that will give you a little more flexibility, we hope, going forward.

I just would note, and Senator Allard has left, but the Denver Post reports that nearly 2 in 10 Fort Carson GIs got brain injuries in Iraq. They're screening. Which, if you do some back-of-the-envelope calculations of the several hundreds thousands of troops that have gone through Iraq and Afghanistan, if 20 percent is the number, that's going to present the VA with a very huge increase in very complicated cases, going forward.

And it raises, perhaps the flip side, of Senator Craig's question, which is, do you have a number right now, going forward over the next—over the next 10 years, of how much we're going to have to devote to caring for these veterans?

I've asked the same question of Dr. Chu on the DOD side.

Secretary NICHOLSON. The answer is no, we do not, Senator. We monitor very closely, but we have not projected it out to a 10-year number, no.

Senator REED. Well, Mr. Secretary, I think that's something collectively we have to do. Because the fear I have, and I think it's your fear also, is that at some point in time, when this situation has been resolved one way or the other in Iraq, Afghanistan, we'll still have these veterans, and it will be a disservice to them at that point, when the attention has waned, not to have at least understood the demands we need.

And that also goes to the budget numbers that I've seen so far. You, quite rightly, reference the increase in the President's budg-

ets, particularly for healthcare over the last several years, but if we look at the 5-year discretionary budget projections for VA medical care, it shows no growth at all. According to the historical tables that accompany the 2008 budget request, hospital and medical care will actually decrease slightly by 2012. And, again, how realistic is that if we're looking at these, this patient flow coming into the system?

Secretary NICHOLSON. Well, we've used a model, Senator Reed, it's proprietary, it's operated by a company called Milliman and over the years they've been very uncanny, accurate, not without exception. But, there is a decrease in the number of veterans in the country, on a net basis, because of the mortality rates. I would ask Dr. Kussman if he'd like to add anything to that medical projection.

Dr. KUSSMAN. Sir, as far as the severe TBI—the number that had been transferred to us throughout the war is 369 severe trauma, that have come to our polytrauma centers. No one really knows the number of mild to moderate. And, that's why we're putting this screening mechanism in. I think that at Fort Carson, it's a similar type of screening. We've worked with DOD and so, these are new numbers.

As I mentioned earlier, hopefully these mild to moderate TBI, as I said, frequently will get better on its own and hopefully won't need a lot of care, hopefully these service members, who have suffered this, will return to whatever their baseline was before they suffered the injury.

But, it's a very important thing. We need to get the information. This is a very important issue for us and we will monitor it very closely.

Senator REED. Well, I would suggest that, perhaps, the model has to be reviewed significantly. And, I do think we need a—at least a conceptual notion of how much money, going forward, we're going to need. And, not just the next 5 years, but these young people are going to be in your system for 50 years, probably.

And, let me ask a final question before I turn it over to Senator Murray and ask her to continue.

One of the issues that's consistently in the public view, is homeless veterans. And, it seems to be a contradiction in terms, that someone who's served their country in the uniform of the country should not be without a home. There are some programs that have been proposed. And, one is a innovative program between the Veterans Administration and HUD where section 8 vouchers are combined with VA-supported services. That fund, that program has not been funded to date at any robust level. But just your opinion, Mr. Secretary, if that's the type of approach that would make sense in terms of dealing with this issue of homeless veterans.

Secretary NICHOLSON. Yes, Mr. Chairman. In my opinion that would be very helpful. We have some microcosms of that. In fact, I'm going next month, I think, to open a facility that we've done in south Chicago in the old St. Leo's Parish Corner, we've done with Catholic charities there in Chicago and, and using HUD Section 8 to support the transitional housing costs. We've also sited a clinic on that facility. That's an excellent model.

I was very recently in San Diego with Chairman Filner at a place called Veterans' Village, where we were supporting a lot of

transitional housing there. That has a great deal of promise, I think, and it's the right model. Because what we do is, we support a non-profit sponsor who operates the facility and we help in its construction and then we have the per diem maintenance for the veterans who reside there. But we need more of that.

Senator REED. Thank you, Mr. Secretary. Let me just say we'll keep the record open for three additional days if there are questions from members of the panel.

I'll recognize Senator Murray. I'll endeavor to get back after the vote, but if I don't, you finish your questions. Feel free to conclude the hearing.

Thank you.

Senator MURRAY [presiding]. Thank you very much, Mr. Chairman and thank you, Mr. Secretary.

It has been a couple of months since you testified before the Veterans' Committee so, you know, I've been amazed at the number of things that have occurred since then. Obviously with the Walter Reed issue and the growing awareness of facilities across the country with needs, the internal VA report that showed the problems that need to be addressed and, of course, we have learned a lot more about the signature issue of this war, traumatic brain injury and the number of men and women out there who have been impacted that—some of them not yet caught. And, I appreciated some of the work you're doing to find those men and women and make sure we address that extremely important issue.

The Senate has now passed a budget for fiscal year 2008 that provides the VA with more money than the President's budget for medical care, for IT, medicom prosthetic research, and a lot more. I wanted to ask you. Do you support the higher level of veterans funding in the Senate Budget?

Secretary NICHOLSON. Well, we've had a lot of consultation with staff on those amounts and the application of them and the way that we would utilize them. We, as part of the administration, have submitted a robust budget for 2007 and felt—and it was eventually approved and—that that is a solid budget. But, we can use, if you so choose in the Congress, we can make good use of the money.

Senator MURRAY. And the additional money that is in the supplemental for polytrauma care and other issues for healthcare for veterans. I assume you would be supportive of that as well?

Secretary NICHOLSON. We can use it, yes ma'am.

Senator MURRAY. I appreciate that very much.

We've talked, I heard you talk a little bit about polytrauma care. We have $90 million in that supplemental. I think this is an issue that we all have got to put down everything else we do and really address those issues. So, I appreciate it.

I did want to ask you a little bit about the TBI. We are ready to give you the resources you need. I know that you're screening Iraq and Afghani veterans for TBI now and I think it would really be helpful for the VA to start that screening process a lot sooner.

Back in August 2006, the Pentagon Medical Board proposed that the Defense Department begin tracking which service members were exposed to IEDs on the battle—even those without physical injury or serious at the time—because we know the shockwaves have an impact on the diagnosis of TBI. Do you agree that it would

be helpful to the VA if those men and women were diagnosed before they left the service, or at least that you knew they'd been in the vicinity of an explosion before they entered the VA system?

Secretary NICHOLSON. I'll give you my view and then I'll refer to Dr. Kussman, who is the Chief Medical Officer of the VA.

I think that it would be useful because the sooner that we can detect it, the sooner that we can begin to treat it, and thus, the sooner we can bring about healing.

Senator MURRAY. Yeah.

Secretary NICHOLSON. And, through therapy and treatment. Now, I ask Dr. Kussman if he'd like to expand medically.

Dr. KUSSMAN. Yes, sir. Thank you.

Yes, Senator, we've been working with DOD to develop an adequate screening mechanism. As you know, it's hard to do that because there's no test, as I mentioned earlier, or no blood test that you can do to make the diagnosis. I think we, with the DOD and the VA, do very well with severe TBI. Those people get into the medical evacuation chain and I think that together——

Senator MURRAY. Well, it's more a physical injury.

Dr. KUSSMAN. That's correct. But, as far as the mild to moderate, one of the challenges is, and the difficulty is that the patient frequently doesn't even know they have it.

Senator MURRAY. Right.

Dr. KUSSMAN. And so, we've developed a very, I think—and time will tell how accurate it is—but a good screening mechanism using the best knowledge from the civilian community, DOD, and us to ask people when they come in, everybody who is OIF/OEF, and we hope that DOD will use that as well during the post-deployment screen. On the basis of that, if the person answers yes to the questions then they would be referred for a neural cognitive evaluation by the subject-matter experts and then they determine what kind of treatment, if anything, needs to be done. Because, as you know, some of the mild or moderate do——

Senator MURRAY. But, Dr. Kussman, I've talked to a number of the doctors at the polytrauma centers who tell me that there isn't necessarily a set of questions you can ask and know. And, in fact, the soldier may not even remember that he was in the vicinity of a, of an explosion in certain cases.

Dr. KUSSMAN. That's what makes it so challenging, but we need to have a least some mechanism for asking the right kinds of questions.

Senator MURRAY. Yeah, that's why I was asking, if it would be helpful for the Pentagon to track battlefield exposures to IEDs, and then share that information with the VA.

Dr. KUSSMAN. If there's a mechanism for them to identify everybody who was near an IED, particularly ones that have been in contact with more than one IED. That would be very helpful, yes.

Senator MURRAY. Well, Secretary Nicholson, would you be willing to write a letter to Secretary Gates and ask him if they would begin to track that information and share it with you so that we can make sure we don't lose these men and women?

Secretary NICHOLSON. Yes, I would be willing to write him a letter. He serves on the taskforce, the inter-Cabinet taskforce that I

chair on OIF/OEF heroes. And, discuss that it was brought up in this hearing and ask him to consider it. Yes, I would.

[The information follows:]

Secretary Nicholson sent a letter to Secretary Gates dated May 14, 2007 encouraging the tracking of all soldiers at or near the site of an improvised explosive device (IED) incident so that soldiers could be closely monitored for subsequent health changes. In addition, the VA Deputy Secretary Gordon H. Mansfield and DOD Deputy Secretary Gordon England have already held discussions and as a result the topic will be brought before the DOD/VA Joint Executive Council and the DOD/VA Health Executive Council (HEC). The next HEC is scheduled to meet on May 24, 2007.

Senator MURRAY. Okay, I would appreciate that. I think it would be helpful. I've talked to too many of these young kids who, not many of them are young any more, are a year and a half after they separate, all of a sudden their family recognizes they are not tracking correctly, they can't remember things, whatever their issue is. And, if we can get them in sooner than a year and a half later, it would be great. I think if the Pentagon were able to share that information with the VA, we would be in a much better place to find them before they're lost for a year and a half of their lives. So, I would appreciate if you would be willing to do that.

Secretary Nicholson, I also wanted to ask you, I saw in Salon.com yesterday a report on a focus group that the VA conducted at Walter Reed with Iraq and Afghani troops and their families way back in 2004. And, the focus group found that injured soldiers at Walter Reed were frustrated, confused, sometimes angry with the bureaucratic problems at Walter Reed. Were you ever briefed on that focus group report from 2004 about Walter Reed?

Secretary NICHOLSON. No, I was not, Senator. And, I asked Dr. Kussman about it this morning. And so, I'll ask him to respond.

Dr. KUSSMAN. Yes, Senator, I certainly read that report as well. As you know——

Senator MURRAY. Read it yesterday, or read it——

Dr. KUSSMAN. No, I meant I read the——

Senator MURRAY. Article.

Dr. KUSSMAN [continuing]. The Salon.com article. I'm aware of the report. That report was generated about 9 months into our seamless transition activities related to OIF/OEF. And, it was directed by the Chief of Staff at that time, this was before Senator——

Senator MURRAY. Right.

Dr. KUSSMAN. I mean, Secretary Nicholson came. And, the effort here was for us to look at what our benefits counselors and social workers were doing, whether we were getting the information across to these veterans. We learned there were about six veterans and some members of families that came, obviously a small sample, but the effort here was to learn what we were doing well and not doing well.

And, we did learn a lot of things. Several things came out of it about improving information, improving communication, when we should interact with the veterans. This taskforce was a multidisciplinary with that there were representatives from DOD there on the committee. The report went to all the members of the Committee, but it was geared to look at what the VA was doing over

at Walter Reed, and determining whether we were accomplishing our mission.

Senator MURRAY. Yeah, it's just, it's troubling that, that long ago there was a report somewhere that these issues were festering over there. And, it was not shared with anybody at the VA at the time?

Dr. KUSSMAN. Oh no, it was. We knew about it. Again, most of that had to do with our questions related to, and again small numbers, but related to whether the VA was doing its mission.

Senator MURRAY. Was there follow-up then, after that?

Dr. KUSSMAN. There was a very thorough action plan that was established after that to address the issues of communication, timing of visiting, repeating visits. And, that was part of the reason we set up our seamless transition office. Because prior to that, it had been a task force that was established and we needed more effort.

Senator MURRAY. But, was that focus group information shared with the DOD?

Dr. KUSSMAN. As I said, there were members from the DOD on the committee, but it wasn't directed to what DOD was doing.

Senator MURRAY. So, the DOD was aware of that report.

Dr. KUSSMAN. There were DOD members on the committee.

Senator MURRAY. Was it shared with the White House?

Dr. KUSSMAN. No, I don't believe it was shared with the White House.

Senator MURRAY. But, the DOD was aware of it, as well.

Dr. KUSSMAN. There were members on the committee.

Senator MURRAY. Okay. It's just troubling that it all came to light years later. Okay well, let me ask a few parochial questions in my few remaining minutes and I will turn it over to Senator Allard.

Secretary Nicholson, while you're here today, I wanted to ask you about the Wenatchee VA clinic. You know, it was supposed to open this spring, it was pushed to August, and now we're told it's going to be September. Can I have your assurance that our Wenatchee VA clinic is going to be open, and that you're doing everything in your power not to have another delay for these folks who have been waiting for this for years?

Secretary NICHOLSON. I'm going to have to defer to Dr. Kussman, or get back to you in writing.

Can you respond?

Dr. KUSSMAN. I have to apologize. I don't have the specifics, but I can assure you that it's on the list and we'll do everything we can.

Senator MURRAY. It's been on the list forever.

Dr. KUSSMAN. Well, we'll look into it and get back to you.

[The information follows:]

The lease for 13,000 sq ft of space at 2530 Chester Kimm Road, Wenatchee, Washington, was awarded November 16, 2006.

—The design phase for the new clinic was completed on March 20, 2007.

—Negotiations regarding tenant improvements concluded March 28, 2007.

—The Notice to Proceed was issued April 2, 2007.

—Construction commenced on April 3, 2007.

—Under the 100 day agreement, construction must be completed by August 22, 2007.

—Activation of the clinic is projected for September 17, 2007 and is still on target.

—The VISN will continue to provide regular updates on the progress to congressional and other stakeholders.

The VISN office provides periodic updates on the status of the clinic with scheduled monthly reports.

Senator MURRAY. Okay. Well, they've waited a long time for this. And, there was a lot of expectation it was going to be open more than a year ago. Then we were told this spring, then it was August, now it's September. And, nobody believes us anymore, that this is going to open. So, I just want your assurance that you can make a call, Mr. Secretary, and find out where this is, and move it along?

Secretary NICHOLSON. Oh, yes, I'll do that, promptly.

Senator MURRAY. Okay, very good.

I have several other questions that I will submit for the record. I wanted to ask you about Walla Walla. I asked you about that before and haven't received any response back on that, Mr. Secretary. If you can get back to me on some of the mental healthcare issues on Walla Walla, I would really appreciate it.

[The information follows:]

The VAMCs in Walla Walla and Spokane will cooperatively manage inpatient mental healthcare for the Washington, Oregon and Idaho counties in their service areas. This will include residential rehabilitation care for substance abuse and PTSD provided mostly at the Jonathan M. Wainwright Memorial VAMC in Walla Walla and through community contracts in Spokane. Inpatient psychiatry will be provided at the Spokane VAMC in Spokane, Washington and through community facilities in Lewiston, ID and Yakima and Tri-Cities, Washington. Expanded outpatient mental health services will continue to be provided at the VAMCs, the existing and planned community based outpatient clinics, and in other locations as determined.

Senator MURRAY. Thank you very much. And, I will turn it to Senator Allard.

Senator ALLARD. Thank you. Mr. Secretary, another issue that has been brought to my attention last week—I think you were hanging around Colorado about that time—is that your agency had done some inspections on some nursing homes in Colorado. And, as you know this is a partnership between the Federal and State. I have visited one of those nursing homes, it's probably the one that passed. There's five of them altogether, I think, that we had there that were inspected. And, four of them were criticized in the report and I think they, the way they described it is that four nursing homes underperformed but only one of five had patient-related quality care issues. So, apparently the patients were getting pretty good care.

But I was curious to know what there was about that report that was so troubling. The one facility that I went to is the newer facility and I was most impressed, by it and with the staff as well as the facilities there. So I doubt if that's the one. The one there at Fitzsimmons. I doubt, that's probably the one that passed is my guess. But, I'm wondering what, on the other four, can you share with me about what was going on there that was of concern to the inspectors? I suppose Colorado has to take some strong initiative here to begin to brief these up. What it is that we can do to encourage and to move forward on that?

Secretary NICHOLSON. Yes, Senator Allard, as you know, we support the construction of those State VA nursing homes, two-thirds/one-third, and then we support the operation of it through a, per diem for veterans who are in there. We also have a contractual pre-

rogative and, you would say, duty also, to see that they're being maintained at the acceptable standards. So, in order to ensure ourselves we're doing that, we inspect them. And, our inspectors found those deficiencies in those Colorado VA nursing homes that are run by the State, that are the responsibility of the State.

As to the specifics of those, I will defer to Dr. Kussman to respond.

Dr. KUSSMAN. I'd have to get back to you, sir, with the specifics of all of them, but as the Secretary alluded to, we review these by policy every year, to go——

Senator ALLARD. Sure.

Dr. KUSSMAN. And to review the State homes because the veterans in there are our responsibility. We will then recommend to the State home what we think needs to be done. Generally, it could be patient safety, or some construction issues or whatever.

Senator ALLARD. Sure.

Dr. KUSSMAN. And, then we go back within 30 days to review that to see if they've done it. And, then the State is usually informed at the same time of that. Because, as the Secretary mentioned, they are State homes and they're responsible for fixing those things.

Ultimately, to protect the veterans, if the appropriate corrections aren't done, then we could refuse to send the per diem there and that usually gets everybody's attention.

Senator ALLARD. Yeah. Well, that's been my understanding, that you're going to do some follow-up inspections on these facilities and that's what needs to be done. I commend you for that. I just was curious as to whether there were things that were going to be easily corrected or whether we're looking at new facilities because some of those nursing homes are aging in time.

Dr. KUSSMAN. I don't want to prejudice the response because I don't know the specifics.

Senator ALLARD. Yeah.

Dr. KUSSMAN. But, generally they're relatively, not major construction issues, but how the patients are treated and other safety issues.

Senator ALLARD. What I'm going to do is have my staff get in touch with you. Is that appropriate? And, kind of share with us the nature of those. I don't know if we need to go into all the little specifics, but the nature of it and how easily correctable they might be. And, my understanding is that they, weren't affecting the healthcare of those patients that were in those facilities.

Okay.

Secretary NICHOLSON. We'd be happy to respond back to you with the detail of those inspections, Senator.

[The information follows:]

State veterans homes are owned, operated, and the responsibility of the State, in this case Colorado. VA provides oversight to assure safety and quality healthcare of the veteran residents in the homes through annual inspections and interim inspections as deemed necessary. The inspections review all aspects of healthcare, including direct observation of care and care practices, medical record review, resident interviews, physical plant, and sanitation inspections.

VA is aware of three press reports regarding State homes in Colorado. The following are the allegations in the press reports and the findings by VA and by State agencies addressing the allegations. The response addresses the issues noted in press release only and does not reflect the entire VA Annual Survey Report.

Failure to Report a Death of a Patient After a Fall

This report cited a 100 bed State home at Rifle, CO. Upon review of the allegation, it was found that the veteran did not fall. He had multiple medical problems and was admitted to a local hospital. This veteran died within 24 hours of admission from a massive intracranial hemorrhage. Massive intracranial hemorrhage is not necessarily associated with trauma to the head. A VA physician reviewer concluded that advanced directives were followed and the continuation of care and the decisions made were appropriate. The resident's wife was satisfied with the care he received.

42 Residents at State Veterans Home in Walsenburg Suffered Bed Sores

This report referenced a 120 bed nursing home at Walsenburg, CO. During the VA survey of September 2006, there were three residents in the facility with pressure areas. This VA annual survey found 42 incidents of pressure ulcers for the entire year. Not all were acquired in the State home. These were noted and treated. The facility has an appropriate mechanism for prevention, detection, and treatment. Pressure ulcers acquired in the facility are tracked and remain at 2 percent annual average, which is well below the national average. A focused review by VA on April 4, 2007, showed the facility at a rate of 1 percent acquired pressure ulcers.

Life-safety Issues and Accessibility Issues at a Home

A press article stated that twenty-five assisted-living "cottages" at the Homelake facility contain aging and defective electrical systems, asbestos and lead paint. They also lacked functioning emergency-response systems, according to State inspection reports. Most of those aging cottages lack "grab bars" in bathing areas, their front doors are not wheelchair accessible, and their narrow entrances and concrete stoops create tripping hazards for the elderly residents, according to the inspection reports.

These issues have been identified in VA annual survey reports for the past 3 years and increased emphasis has been placed on their resolution. VA indicators of compliance for State domiciliaries (standard 2c) State that—reasonable timetable (up to 5 years) is established for completion of corrective action for life safety deficiencies.

The major factor that limited the home's ability to correct these deficiencies was State funding. On March 1, 2007, the State provided additional information to VA to support a life safety determination for the project On March 23, 2007; the project was determined to be a life safety project, based on the additional documentation. The State has certified State matching funds (good until 2010) and the project will be ranked as a life safety project on the fiscal year 2008 Priority List. Depending on the fiscal year 2008 appropriations, the project may be funded in fiscal year 2008. Separate from this request, an allocation of $60,000 was made by the Department of Human Services so that work can begin immediately to correct the life safety deficiencies.

Senator ALLARD. Thank you.

You know, Madame Secretary, I think if we have any other questions we'll submit those for the record.

It's noon, I noticed. Mr. Secretary, I notice that we have pretty well ran them through the ringer this morning, so I thank you for allowing me a second round.

Senator REED [presiding]. Thank you, Senator Allard.

Mr. Secretary, gentlemen, thank you for your testimony.

Mr. Secretary, you have a final point?

Secretary NICHOLSON. Mr. Chairman, if I might.

Senator REED. Yes, sir.

Secretary NICHOLSON. As a matter of privilege I remain very proud of the people who work at the VA and how hard they work and how committed, dedicated they are to veterans. I received a couple of wonderful testimonials, unsolicited—under oath—they were unsolicited.

Senator REED. That's why we did it, Mr. Secretary. So, you could verify it under oath. These are unsolicited.

Secretary NICHOLSON. But, if I could, I received and I'd like to enter them into the record.

Senator REED. Without objection, they'll be entered into the record.

[The information follows:]

PREPARED STATEMENT FROM DISABLED AMERICAN VETERANS

The news media recently uncovered a serious situation at the Walter Reed Army Medical Center in Washington. I am sure you have been affected by stories of neglect, abuse and the consequent overflowing frustrations of our wounded American military heroes that brought their plight so much national focus.

Like many, Disabled American Veterans (DAV), with 1.3 million service-disabled veteran members, was appalled and demanded that the Department of Defense immediately correct these deplorable conditions at its premier medical treatment facility. A Nation at war cannot tolerate bureaucratic delays, substandard housing and less than compassionate treatment of its soldiers and marines who have sacrificed so much while serving their country.

While media reports of the Walter Reed scandal have cast a shadow on military and veterans' medicine, I want to reassure you that DAV is very proud of you and the Department of Veterans Affairs (VA) healthcare system. Problems arise from time to time in any system that provides for the needs of large populations, but, at its root, VA healthcare is a constant and shining emblem of how to reform a system for excellence. Over the past 2 or 3 years we have seen mounting evidence that VA is a source of dependable, safe and efficient healthcare for veterans. The system provides a wonderful resource for sick and disabled veterans, that in so many ways is unique to our experience. You offer veterans the best quality at the least cost, and the lowest error rates of any healthcare system to which you might be compared. Your medication safety program, electronic health record and prevention programs are the envy of American medicine. VA serves the Nation's veterans well, while supporting and developing new generations of healthcare professionals and advancing the standard of care through its renowned biomedical research and development programs.

We, the members of DAV, want you to know that we consider VA to be a national treasure. While we may have experienced a momentary controversy brought about because one military medical treatment facility let down our disabled service members, we hold the Veterans Health Administration—and the work each of you do every day for sick and disabled veterans—in the highest regard. On behalf of DAV, I salute you.

LETTER FROM TOM POULTER

NATIONAL HEADQUARTERS,
5413–B BACKLICK ROAD,
Springfield, VA, April 4, 2007.

Hon. R. JAMES NICHOLSON,
Secretary, Department of Veterans Affairs, 810 Vermont Avenue NW, Washington, DC 20420.

DEAR MR. SECRETARY: In representing the 40,000 Patriot members of the Military Order of the Purple Heart, it is my honor to write to you concerning the overall condition and service of the Department of Veterans Affairs. For the record, the MOPH is very grateful for the assistance and service provided by the Department of Veterans Affairs and offers our continuing support to your staff and employees who do so much for so many. The Veterans Administration is "World Class" in my opinion offering patient care that far surpasses that obtained in civilian hospitals. This has been confirmed by studies done by the New England Journal of Medicine. I have yet to have one of my members complain about any care received by the VA. And we all remember how it used to be after Vietnam and as late as the early 1990's.

As a Veteran Service Organization, the MOPH is extremely pleased with the reaction time for benefit adjudication by the VA. In addition, we remain assured that any disability claim is treated in a fair and unprejudiced manner and that the disability ratings are for the most part commensurate with the claim of the veteran. No one can predict when a war will break out in today's environment leading to unplanned increases in the number of claims the VA receives. However, even with the overwhelming number of new claims, the VA is treating each with courtesy and respect and doing their very best to make sure the veteran is given every benefit to which he is entitled.

Further, as the VA plans and works under the budget as supplied by the Congress, we find no major areas of neglect in the physical properties. They are all well maintained and sanitary as befits the healthcare system. This is highly commendable considering that the VA is always working under a continuing resolution from Congress. I am the fourth consecutive National Commander of MOPH to ask the Congressional Veterans Affairs Committee for assured funding of the VA as our number one priority.

The one issue that we can all agree on happens to be the personnel of the VA. The MOPH believes that the employees of the VA are some of the best trained and most responsible people found anywhere in the U.S. healthcare system. Their concern for the veteran is evident in every contact made and every service provided. We praise you and your staff for providing us with the finest employees of any healthcare system in the World. And for that you deserve our most sincere appreciation.

Mr. Secretary, you and your staff are doing an excellent job with the Department of Veterans Affairs. If you ever require anything of us, please do not hesitate to call. We are all in total support of your efforts.

With Highest Regards,

TOM POULTER,
National Commander.

LETTER FROM LINDA A. FOSS

17 ANCHORAGE RD,
Franklin, MA, March 11, 2007.

DEAR SECRETARY R. JAMES NICHOLSON: Due to the recent media coverage of the conditions at Waiter Reed, I feel I must get this letter to you.

My youngest sister, Luella Winne, had a right radical mastectomy with a transflap reconstruction at your Albany VA facility last April 17.

Being an R.N., B.S., with experience at several major medical facilities in Boston, I need to tell you that your facility destroyed all my preconceived expectations of a Veteran's hospital. I wish civilian facilities could be as efficient as yours.

On the day of surgery, we walked into your lobby to be greeted by many Senior veterans gathered and conversing. They greeted us with a smile and a tip of their caps. Luella responded with a "Stand tall soldier. I sensed a deep camaraderie, that my sister responded to, that I would never fully understand. I am so grateful she has that support in her life.

I would like to state the fact that every employee (from janitor to physician) appeared to enjoy being there—it was wonderful to see and feel.

From a professional point of view, I was acutely observant of your medical staff. They never missed a step, from checking her wristband for identification, to lending a kind ear during this very emotional time. I have nothing but praise for your O.R., ICU, 5th floor surgical unit and the oncology infusion unit. Because of my sister's vegan lifestyle, your , dieticians were involved, daily, in her menu planning, which included many trips to a local health food store to accommodate her unique dietary needs.

Due to the 10 hour surgery, Luella was directly admitted to your "state of the art" surgical ICU. Late that evening, the Nursing Supervisor came to me and offered mea room on the 9th floor so I could get some rest, I was amazed with the kindness I received that night. I would have napped in the waiting room, because my family's home was 90 minutes away.

Luella and I have returned several times for follow-up visits at the surgical clinic. Your clinic staff was responsive to all her needs with respect, kindness and compassion. The attention she received was not unique, as I observed their interaction with other Veterans as well.

Luella will continue her journey as a cancer survivor. She is still receiving chemotherapy, weekly now and her prognosis is excellent. The staff in the Infusion Unit is exceptional.

Your hospital is spotless. Much pride is visible in the manner in which Albany VA is maintained. So, I close knowing that Luella has such a wonderful gift in your facility. 1 have confidence that she could not have received better care anywhere else in my experience. Be proud of your staff, they are very special.

Thank you so very much,

LINDA A. FOSS,
R.N., B.S.

LETTER FROM VADM NORBERT R. RYAN, JR.

MILITARY OFFICERS ASSOCIATION OF AMERICA,
Alexandria, VA, February 12, 2007.

VICE ADMIRAL DANIEL L. COOPER (USN-Ret),
Under Secretary for Benefits, Department of Veterans Affairs, Washington, DC.

DEAR MR. SECRETARY: On behalf of the 360,000 members of the Military Officers Association of America, I'm writing to express MOAA's deep appreciation for your rapid response to ensure expedited consideration of disability benefit applications from all injured OIF/OEF Veterans.

Your action has taken a major step to provide dignity and help to thousands of heroes who, through no fault of their own, would find themselves at great risk without this kind of support from their nation. Their service in the combat zone deserves every bit of assistance we can give them. The action of your Regional offices will ensure they receive that help.

All of us at MOAA express our thanks and gratitude for your national brokering strategy.

Sincerely,

NORBERT R. RYAN,
President.

Secretary NICHOLSON. And, to just say that one was from the Military Order of the Purple Heart saying that, "The Veterans Administration is world-class," this is the President of this organization, "offering patient care that far surpasses that obtained in civilian hospitals. I have yet to have one of my members complain about any care received by the VA." And, it goes on.

And, another is from the Disabled American Veterans, from their National Commander saying that, "The VA healthcare is a constant and shining emblem of how to reform a system for excellence. The VA is a source of dependable, safe, and efficient healthcare for veterans. We consider the VA to be a national treasure. And, we hold the Veterans Health Administration, the work each of you do every day for sick and disabled veterans in the highest regard." That's signed by their National Commander. And, I appreciate the chance to put that in the record on behalf of our employees.

Thank you.

Senator REED. Thank you, Mr. Secretary.

Senator ALLARD. Mr. Chairman.

Senator REED. Senator Allard, please.

Senator ALLARD. If I might just follow-up on that. I don't think you were here when I made some of my remarks. But, you know, the American customer satisfaction index, they've rated better than the private sector now, they're on their seventh consecutive year. That's much better than their record was prior to 9/11. I think they're to be commended for that effort.

ADDITIONAL COMMITTEE QUESTIONS

Senator REED. Well, I think that's accurate. I can reflect on the Veterans Hospital at Davis Park in Providence, Rhode Island and the spirit and the dedication to the veterans and the commitment to excellence is evident every time I go there. So, I accept those accolades for the record.

But again, Mr. Secretary, thank you for your testimony. Gentlemen, thank you, and thank you for your continued efforts on behalf of veterans.

Secretary NICHOLSON. Thank you, Mr. Chairman.

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

QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

Question. The President's fiscal year 2008 Budget request recommends only a $4.5 million increase for Vets Centers. In South Dakota, there is a high demand for the counseling and readjustment services these centers provide. For instance, South Dakota is a prime example of how important Vets Centers are to large rural States. Many veterans in South Dakota have to travel great distances to their local VA in order to receive counseling treatment, unless they can receive it at a Vets Center closer to home. Furthermore, the Department of Defense is using our National Guard and Reserve members in greater numbers than ever before. In South Dakota, 87 percent of the Army National Guard, as well as 74 percent of the Air National Guard, has been mobilized in support of our efforts in Iraq and Afghanistan. Finally, recent reports indicate that servicemembers serving multiple deployments may be at greater risk for being diagnosed with PTSD.

In light of the above considerations, is it realistic to believe this small increase is sufficient to meet the growing demand for the services that our Vets Centers provide?

Answer. The $4.5 million increase for fiscal year 2008 represents the additional funding for only the first of two Vet Center program expansions approved by VA since 2006. In April 2006 VA approved of a plan to establish two new Vet Centers in Atlanta, Georgia, and Phoenix, Arizona, and to augment the staff at 11 existing Vet Centers. This brought the number of Vet Centers nationally to 209.

In February 2007, we announced our plan to again increase the number of Vet Centers nationally to 232. Over the next year and a half, the Department of Veterans Affairs (VA) will be establishing new Vet Centers in 23 communities and augmenting staff at 61 existing Vet Centers. Our Vet Center expansion plans include augmenting the staff at the Sioux Falls, SD, Vet Center by one position.

When taken together with the program's additional 100 OEF/OIF Global War on Terror (GWOT) Outreach Specialists hired in 2004 and 2005, these program expansions have increased program staffing by a total of 269 positions from pre-2004 staffing levels. Based on these increases, and without cost of living adjustments added, the fiscal year 2008 budget for the Vet Center program will be $125 million, which is a 25 percent increase over the program's fiscal year 2006 $100 million budget. We are committed to effectively serving the increasing number of returning combat veterans and will evaluate the need for additional Vet Center resources on an ongoing basis.

Question. Last month, the Sexual Assault Prevention and Response Office (SAPRO) within the Department of Defense released the Military Services Sexual Assault Annual report detailing sexual assault in the military. According to the report, sexual assault reports increased 24 percent from Calendar Year 2005. Furthermore, it is commonly known that sexual assault victims are prone to developing post-traumatic stress disorder (PTSD). In addition, a recent New York Times Magazine article suggested that some female soldiers serving in combat have been sexually assaulted during their tour of duty. As a result, this select group of servicemembers—combat veterans who suffered sexual assault—may be at a higher risk for PTSD or the prevalence of PTSD symptoms will be exacerbated since they have been exposed to multiple traumatic events.

What is the VA doing to address the unique service-related needs of these women? What PTSD programs are available to women within the VA who have suffered sexual assault?

Answer. Every VA facility in the country has a designated Women Veterans Program Manager and a Military Sexual Trauma (MST) Coordinator. These are advocates who help women access VA services and programs, State and Federal benefits, and community resources.

In fiscal year 2007, VA's Office of Mental Health Services (OMHS) established a MST Support Team to ensure that VA is in compliance with mandated monitoring of MST screening, treatment, and education/training efforts and to promote best practices in the field. The MST Support Team provides regular feedback to the MST Coordinators and VISN-level MST Points Of Contact (POC) on facility MST screening rates and treatment of sexual trauma. The Team has launched several initiatives to promote provider competence in evidence based care including the monthly MST Teleconference Training Series and a National MST Clinical Training Conference scheduled for September 2007.

All VA medical centers provide mental health services to women. Additionally, every Vet Center has specially trained sexual trauma counselors. Nationwide, there are four specifically designated Women's Stress Disorder Treatment Teams (WSDTTs) located in Albuquerque, NM; Boston, MA; Loma Linda, CA; and Madison, WI. They are outpatient mental health programs specializing in treatment of posttraumatic stress disorder and other mental health disorders related to trauma exposure. An increasing number of other VA facilities have specialized outpatient mental health services and clinics for women and/or focusing on sexual trauma that are not formally designated as WSDTTs.

In addition to the outpatient care available at every VA, thirteen programs currently offer residential or inpatient setting-based treatment for sexual trauma-specific PTSD and other related disorders; at least two additional programs are currently under development. Programs range from those solely dedicated to the treatment of sexual trauma; to those with a special track emphasizing the treatment of sexual trauma; to those with two or more staff members with expertise in sexual trauma who, in the context of a larger program not focused on sexual trauma, provide treatment targeting this issue. Although some of these programs treat men as well as women, each makes accommodations to ensure they provide treatment sensitive to women's needs (e.g., separate living arrangements; women's only groups).

VISN 1

VA Boston HCS/Jamaica Plain Campus, Boston, MA: Women Veterans' Therapeutic Transitional Residence Program.

VISN 2

VA Western New York HCS/Batavia Campus, Batavia, NY: Women Veterans' Residential Program.

VISN 5

VA Maryland HCS/Baltimore Division, Baltimore, MD: Dual Diagnosis PTSD/Substance Abuse PRRP.

VISN 8

Bay Pines VAMHCS, Bay Pines, FL: Center for Sexual Trauma Services.

VISN 10

Cincinnati VAMC, Cincinnati, OH: Residential PTSD Program.

VAMC Dayton, Dayton, OH: Sexual Health Clinic and Domiciliary Program.

VISN 12

Clement J. Zablocki VAMC, Milwaukee, WI: Rehabilitation and Transition Unit—Trauma Track.

North Chicago VAMC, North Chicago, IL: Stress Disorder Treatment Unit.

VISN 15

VA Eastern Kansas HCS/Topeka Division, Topeka, KS: Stress Disorder Treatment Program.

VISN 17

VA Central Texas Veterans HCS/Temple Division, Temple, TX.

VISN 20

VA Puget Sound HCS/Seattle Division, Seattle, WA: Evaluation and Brief Treatment PTSD Unit.

VISN 21

VA Palo Alto HCS/Menlo Park Division, Menlo Park, CA: Women's Trauma Recovery Program.

VISN 22

VA Long Beach Healthcare System, Long Beach, CA: "Renew".

Question. The St. Louis Regional Processing Center is responsible for processing education benefits claims for veterans in South Dakota. Since early last year, I have received multiple reports from local veterans and school officials that processing delays continue to plague the St. Louis facility making it difficult for veterans to receive their education benefits in a timely fashion.

Furthermore, South Dakota has been reassigned a new Education Liaison Representative five times since 1999, the most recent reassignment occurring in October 2006. The South Dakota State Approving Agency values a strong working relationship with their Education Liaison Representative as it helps facilitate the claims

process. However, the continued insistence on reassigning a new Education Liaison Representative to South Dakota disrupts working relationships and the State Approving Agency's ability to provide timely assistance to our veterans.

Can you please provide an update on the status of claims processing at the St. Louis Regional Processing Center? If there is a backlog of claims pending, what resources does the VA need in order to eliminate this backlog?

Answer. Education claims receipts have increased during this school year as a result of the implementation of the Reserve Educational Assistance Program (REAP) and an increase in participation in the educational benefit programs.

The education workload at the St. Louis Regional Processing Office has been significantly reduced from 29,639 pending claims in late January to 7,632 pending claims as of April 30, 2007. The St. Louis RPO has also significantly improved claims processing timeliness from 41 days for original claims and 22 days for supplemental claims in October 2006, to 26 days for original claims and 11 days for supplemental claims during the month of April 2007.

The additional education program staff hired in 2007 and the funding requested in the 2008 budget will allow us to continue to improve performance.

Question. In addition, do you have concerns that the continued reassignment of Education Liaison Representatives (ELRs) will negatively impact the ability of State Approving Agencies to assist veterans as they access their education benefits?

Answer. The Education Liaison Representative (ELR) for South Dakota changed a number of times as a result of employee retirements. In October 2006, Ms. Loretta Tollin was assigned as South Dakota's new ELR. This is a long-term, permanent assignment. We are confident that the State Approving Agency will find her highly attentive to South Dakota's requirements, and she will strengthen their ability to timely assist veterans in South Dakota.

Question. The Capital Asset Realignment for Enhanced Services (CARES) decision approved construction for two new Community Based Outpatient Clinics (CBOCs) in South Dakota. These facilities would be located in Watertown and Wagner. It is my understanding that business plans are to be submitted to the VA Central Office for each proposed facility during fiscal year 2007.

Can you please provide me with a detailed update on the status of the proposed facilities in Watertown and Wagner?

Answer. Proposals for both were submitted in the last request for submission of business plans for CBOCs and are currently under review.

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

Question. Mr. Secretary, what specific measures are the Department of Veterans Affairs taking to reduce the backlog of claims and when should we expect to see visible improvements?

Answer. VA faces many challenges in managing the disability claims workload and producing timely decisions. These challenges include:

—growth in disability claims received (up 38 percent since 2000)

—increasingly complex nature of the claims workload

—impact of expanded outreach efforts

We are devoting additional resources to claims processing. Increasing staffing levels is essential to reducing the pending inventory and providing the level of service expected by the veterans we serve and the American people.

We began aggressively hiring additional staff in fiscal year 2006, increasing our on-board strength by over 580 employees between January 2006 and January 2007. With a workforce that is sufficiently large and correctly balanced, VBA can successfully meet the needs of our veterans.

Our plan is to continue to accelerate hiring and fund additional training programs for new staff this fiscal year—adding over 400 employees by the end of June. If we are funded at the level we requested in our 2008 budget submission, we will continue to add staff in 2008.

Because it requires an average of 2 or 3 years for our decision-makers to become fully productive, increased staffing levels do not produce immediate production improvements. Performance improvements from increased staffing are more evident in the second and third years.

We have therefore also increased overtime funding this year and recruited retired claims processors to return to work as reemployed annuitants in order to increase decision output.

We have deployed new training tools and centralized training programs that support more timely, accurate, and consistent decisionmaking. New employees receive comprehensive training and a consistent foundation in claims processing principles

through a national centralized training program called "Challenge." We have implemented an 80-hour mandatory training requirement for all employees.

We have implemented a "brokering" strategy to help balance the inventory of claims across regional offices. Claims that are ready for decision are sent from offices with high inventories to other stations with capacity to process additional rating workload.

We also established two Development Centers to specialize in "brokering" cases from other offices to assist in developing the required evidence and preparing cases for decision.

Our goal for this year is to reduce average processing time to 160 days (currently 177 days)—and to 145 days in 2008.

Question. We have been told that VA hospitals are juggling the books to make it appear that the time to get an appointment is shorter than it is. Allegedly, appointments are being made, then cancelled and rescheduled to make it appear that the time from making the appointment to actually seeing a doctor is shorter than it is. Are you aware of this practice? Will you look into it and respond back to me?

Answer. It is possible that a VERY small number of patients could have been taken off the wait list and later rescheduled. If this was done, it is contrary to policy and official procedures and is likely a result of employee error.

If information is coming from the OIG, we are visiting the sites where they found issues to determine the extent of the problem and to implement corrections as appropriate.

Question. Efforts at electronic record transfer between the Department of Defense and the Department of Veterans Affairs date back to the 1980s. What progress is being made in developing the capability to transfer electronic records between the departments?

Answer. VA and DOD have achieved a significant level of success and are currently using interoperable electronic health records that are standards-based and bidirectional to share clinical data. Pursuant to the Joint Electronic Health Interoperability Plan (JEHRI), our long term strategy to achieve interoperability, and the guidance and leadership of the DOD/VA Joint Executive Council, VA and DOD are presently sharing almost all of the electronic health data that are available and clinically pertinent to the care of our beneficiaries from both departments.

VA receives these electronic data through successful one-way and bidirectional data exchange initiatives between existing legacy VA and DOD systems. These data exchanges support the care of separated and retired Service members who seek treatment and benefits from the VA and the care of shared patients who use both VA and DOD health systems to receive care.

Since beginning transfer of electronic medical records to VA, DOD has transferred data on almost 3.8 million unique separated service members to VA clinicians and claims staff treating patients and adjudication disability claims. Of these individuals, VA has provided care or benefits to more than 2.2 million veterans. These data include outpatient pharmacy (government and retail), laboratory results, radiology reports, consults, admission, disposition and transfer data, and ambulatory coding data. In 2006, DOD began transferring pre- and post-deployment health assessment data and post deployment health reassessment data on separated members and demobilized National Guard and Reserve members. Leveraging some of the technical capability to transfer records one-way, VA and DOD began the bidirectional sharing of electronic health records on shared patients. Data shared bidirectionally include outpatient pharmacy and allergy data, laboratory results, and radiology reports. This capability is now available at all VA sites of care and is currently installed at 25 DOD host locations. These 25 locations consist of 15 DOD medical centers, 18 DOD hospitals and over 190 DOD outpatient clinics and include Walter Reed Army Medical Center, Bethesda National Naval Center, and Landstuhl Regional Medical Center. VA is working closely with DOD to expand this capability and by June 2008, VA will have access to these data from all DOD locations. VA also is working with DOD to increase the types of data shared bidirectionally. Successful pilot projects demonstrated the capability to share narrative documents, such as discharge summaries and emergency department notes and this capability is now being used at four locations and will be expanded to others. Additional work scheduled for the remainder of fiscal year 2007 and 2008 will add data such as progress notes, problem lists, and history data to the set of information that is shared bidirectionally between DOD and VA facilities.

VA and DOD also have accomplished the ground-breaking ability to share bidirectional computable allergy and pharmacy data between next-generation systems and data repositories. This capability permits VA and DOD systems to conduct automatic drug-drug and drug-allergy interaction check to improve patient safety of those active dual consumers of VA and DOD healthcare who might receive prescrip-

tions and other treatment from both VA and DOD facilities. At present, we have implemented this capability at seven locations and are working on enterprise implementation schedules.

Whereas our earliest efforts focused on the sharing of outpatient data, VA and DOD also have made significant progress toward the sharing of inpatient data. Most recently, we began sharing significant amounts of inpatient data on our most critically wounded warriors. Previously, these data were only available to VA from DOD in paper format. We have successfully achieved the capability to support the automatic electronic bi-directional sharing of medical digital images and electronically scanned inpatient health records between DOD and VA. This effort has been successfully piloted, at least in one direction from DOD to VA, between the Walter Reed Army Medical Center and the four Level 1 VA Polytrauma Centers located in Tampa, Richmond, Palo Alto and Minneapolis. Clinicians at the Tampa and Richmond Polytrauma centers are routinely using it to view data on transferred patients. VA and DOD are finalizing a long-term strategy that will facilitate the expansion of this work across the enterprise systems of each department.

In addition to our joint work to share scanned documents and digital radiology images, VA and DOD have undertaken a groundbreaking challenge to collaborate on a common inpatient electronic health record. On January 24, 2007, the Secretaries of VA and DOD agreed to study the feasibility of a new common in-patient electronic health record system. During the initial phase of this work, expected to last between 6 and 12 months, VA and DOD are working to identify the requirements that will define the common VA/DOD inpatient electronic health record. The Departments are working to conduct the joint study and report findings as expeditiously as possible. At the conclusion of the study, we hope to begin work to develop the common solution.

Question. What challenges are created in treating Department of Defense patients in VA Polytrauma centers without the ability to transmit their records electronically?

Answer. As is commonly understood, much of the DOD inpatient data exists in paper format and is not available in electronic format. Without question, this creates some challenges. However, to ensure VA is fully supporting the most seriously ill and wounded service members who are being transferred to VA polytrauma facilities, VA social workers located in Military Treatment Facilities (MTF) ensure that all pertinent inpatient records are copied and transferred with the patient. Once the patient arrives at VA for care we are now able to support the automatic electronic transfer of inpatient data to VA clinicians who will treat these patients.

VA has successfully achieved the capability to electronically transfer DOD medical digital images and electronically scanned inpatient health records within VA. This effort has been successfully piloted between the Walter Reed Army Medical Center and three of the four Level 1 VA Polytrauma Rehabilitation Centers located in Tampa, Richmond, and Palo Alto. We are working now to add the fourth Polytrauma Rehabilitation Center at Minneapolis to this pilot project, and anticipate this will be accomplished soon. VA is also working to add this capability from Bethesda National Naval Medical Center and Brooke Army Medical Center to the four VA polytrauma centers. In the future, we hope to add the capability to provide this data bi-directionally in the event the patients return to DOD for further care.

VA and DOD also have established direct connectivity between the inpatient electronic data systems at Walter Reed Army Medical Center and Bethesda National Naval Medical Center and clinicians at the four Level 1 VA Polytrauma Rehabilitation Centers. These direct connections are secure and closely audited to ensure that only authorized personnel at the VA facilities access the electronic military data on the OEF/OIF service members who are coming to or who have transferred to the VA Polytrauma centers. VA and DOD are finalizing a long term strategy that will facilitate the expansion of this work across the enterprise in both departments.

Question. What is the status of the replacement of Department of Veterans Affairs' facilities that were destroyed by Hurricane Katrina?

Answer. The functions that were at VA medical center (VAMC) Gulfport, MS, will be replaced at VAMC Biloxi, MS. VAMC Gulfport was destroyed by the storm surge. Several buildings collapsed. The facility was shutdown completely and secured. Recent activities include structural analysis for cleanup operations, records recovery, site cleanup, asbestos abatement and building demolition. At VAMC Biloxi, there are several phases of the major project in various stages of design. The first of these phases could start construction in late 2007.

The existing hospital location of VAMC New Orleans, LA, was determined to be too costly to reactivate. VAMC New Orleans replacement is awaiting land acquisition. VA has reactivated portions of the existing facility, as well as leased spaces in other locations, in order to provide outpatient care in the interim.

Question. Have you revised the headcount of VA patients to account for the current and projected casualties from Iraq and Afghanistan? What headcount was used in formulating the current budget request?

Answer. From the 2007 President's budget, we have revised our estimates to include the current and projected casualties for Iraq and Afghanistan. As reflected in VA's budget submission for fiscal year 2008, we estimate that we will treat over 263,000 OEF/OIF veterans at a cost of approximately $752 million.

Question. In your opinion, how is the so called seamless transition between DOD and VA working?

Answer. Since its inception, the seamless transition program has achieved numerous accomplishments that result in great improvements toward the seamless transition of OEF/OIF service members into civilian life. The ability to register for VA healthcare and file for benefits prior to separation from active duty is the result of the seamless transition process.

VA/DOD Social Work Liaisons and VBA Benefit Counselors are now located at ten MTFs to assist injured and ill service members transfer healthcare needs to VA medical facilities closest to their home or most appropriate for their medical needs and to ensure that returning service members receive information and counseling about VA benefits and services. VHA staff has coordinated over 7,000 transfers of OEF/OIF service members and veterans from an MTF to a VA medical facility. Active duty Army Liaison Officers are assigned to each of the four VA Polytrauma Rehabilitation Centers to assist service members and their families from all branches of Service on issues such as pay, lodging, travel, movement of household goods, and non-medical attendant care orders. The Office of Seamless Transition established an OEF/OIF Polytrauma Call Center to assist our most seriously injured veterans and their families with clinical, administrative, and benefit inquiries. The Call Center which opened February 2006, is operational 24 hours a day, 7 days a week to answer clinical, administrative, and benefit inquiries from polytrauma patients and their families. In addition, the Call Center has made 2,702 outreach phone calls to seriously injured OEF/OIF veterans, contacting 807 veterans since February 2007. Through these outreach phone calls, we have been able to provide these veterans additional assistance with outstanding health or benefits concerns.

VA has implemented an automated tracking system to track service members and veterans transitioning from MTFs to VA facilities As part of this system, VHA implemented a 2007 performance measure to ensure that VHA assigns a case manager to seriously injured service members being referred from a DOD medical treatment facility to a VA treatment facility in a timely fashion. This performance measure monitors the percent of severely ill/injured service members and veterans who are contacted by their assigned VA case manager within 7 days of notification of transfer to the VA system. During the period October 2006 through March 31, 2007, 152 severely ill/injured patients were transferred from MTFs to VAMCs. Ninety-five percent (144) were contacted by their assigned VA case manager within 7 days of notification of transfer to VA.

VA is participating in DOD's Post Deployment Health Reassessment (PDHRA) program for returning deployed service members. Since its inception, over 83,956 Reserve and Guard members completed the PDHRA on-site screen resulting in over 20,397 referrals to VHA facilities and 10,401 referrals to Vet Centers.

To ensure that OEF/OIF combat veterans receive high quality healthcare and coordinated transition services and benefits as they transition from the DOD system to the VA, VA developed a robust outreach, education and awareness program. The signing of a Memorandum of Agreement (MOA) between the National Guard and VA, in May 2005, and the formation of VA/National Guard State coalitions in each of the 54 States and territories now provide the opportunity for VA to gain access to returning troops and families as well as join with community resources and organizations to enhance the integration of the delivery of VA services to new veterans and families. This is a major step in closer collaboration with the National Guard soldiers and airmen. A similar MOA is being developed with the U.S. Army Reserve Command and the U.S. Marine Corps at the national level. VA and the National Guard Bureau teamed up to train 54 National Guard Transition Assistance Advisors who assist VA in advising Guard members and their families about VA benefits and services.

Building on these accomplishments, VA continues to monitor and improve the delivery of healthcare services and benefits to severely injured OEF/OIF service members and veterans. Toward that end, VA is addressing future challenges, such as expanding our web-based tracking application and integrating it with VISTAweb and VA's Computerized Patient Record System (CPRS), and contacting all severely ill and injured veterans to assure their needs are being met.

QUESTIONS SUBMITTED BY SENATOR PATTY MURRAY

Question. Secretary Nicholson, at a hearing 2 months ago, I submitted some questions for the record and I still not received a response. As you know, we can't provide what our veterans need if we can get accurate and timely answers from the VA. I would ask that you please provide a written answer to the following questions by Monday, April 23, 2007.

Answer. Responses to these questions were forwarded to the Senate Veterans Affairs Committee on April 20, 2007, and are repeated below for the record.

Question. Mr. Secretary, turning to Walla Walla, Washington—As you know, in 2003 the VA CARES Commission tried to close the facility that 69,000 veterans rely on. I worked with the community and the VA, and I appreciate you committing to build a new facility in Walla Walla. The community and I have some questions about the care that will provided in that new facility—particularly mental healthcare, long-term care, and inpatient medical care.

Mental Healthcare

Question. As you know, mental healthcare is not available in the surrounding community.

Can you explain how veterans in Walla Walla will get mental healthcare under your proposal? Also, how will they get drug rehabilitation?

Answer. The VAMCs in Walla Walla and Spokane will cooperatively manage inpatient mental healthcare for the Washington, Oregon, and Idaho counties in their service areas. This will include residential rehabilitation care for substance abuse and PTSD provided mostly at the Jonathan M. Wainwright Memorial VAMC in Walla Walla and through community contracts in Spokane. Inpatient psychiatry will be provided at the Spokane VAMC in Spokane, Washington, and through community facilities in Lewiston, ID, and Yakima and Tri-Cities, Washington. Expanded outpatient mental health services will continue to be provided at the VAMCs, the existing and planned community based outpatient clinics, and in other locations as determined.

Long-Term Care

Question. There is very little long-term care available in the region. You've made a commitment to me that long-term care won't go away before a new facility is built.

Will you continue to provide long-term care at the Walla Walla facility as long as it's needed, and will you commit to working with the State to build a State nursing home?

Answer. Long-term care will be provided at the Walla Walla facility or the surrounding community as long as it's needed. In regards to working with the State to build a State nursing home, VISN 20's network director, has recently requested that Walla Walla's new director work with the director of the Washington State Department of Veterans Affairs to begin the process of establishing a nursing home. Applications for VA grants to assist in the construction of State nursing homes for fiscal year 2008 must be submitted by August 15, 2007.

Question. How should vets who need long-term care today get it?

There has been no change in the provision of long term care at the Walla Walla facility at this time.

Inpatient Care

*Question.*Can you assure me that veterans in Walla Walla will not lose access to inpatient care as this transformation moves forward?

Answer. Veterans with service-connected conditions will continue to receive acute inpatient care in community facilities close to their homes. Walla Walla facility staff will ensure that the quality and accessibility of care are maintained.

QUESTIONS SUBMITTED BY SENATOR JACK REED

Question. Secretary Nicholson, many of our troops have served multiple tours of duty in Iraq and Afghanistan, and have been deployed each time for months on end. I am growing increasingly worried about the strain that these multiple and increasingly dangerous deployments are having not only on the service members but also on their families.

The common consequences of combat—substance abuse, mental health disorders, and physical injuries—affect not just the service member but every member of his or her family as well. While the service member remains on active duty, their family members have access to counseling and psychiatric services through military

healthcare system. But once the service member transitions to the VA, there is no network in place to provide mental health assistance to their families.

I would expect that the percentage of Iraq and Afghanistan combat veterans with spouses and young children is significantly higher than in previous extended conflicts. Has the VA undertaken any assessment of the mental health needs of the family members of these veterans?

Answer. We agree that military families face a variety of stressors. Most families of deployed service members "rise to the occasion" and adapt successfully to this stressful experience. However, some service members who experience mental health disorders such as post-combat stress and PTSD may find reunification notably stressful (e.g., being startled by loud noises and disturbed by the chaos of a family with young active children). Thorough attention to service members and their family members' levels of stress and trauma is important for several reasons. First, increased stress in the family (especially tension and hostility) can trigger the veteran's PTSD symptoms. Second, family members who are hurt by the service member's behavior are often less supportive. This loss of social support is critical, as intimate relationships are a primary source of support for most people, and high levels of social support have been associated with decreased intensity of PTSD.

VA's authority to provide mental health counseling to family members is limited to counseling in connection with the treatment of certain veterans. As a result, we have not undertaken an assessment of the prevalence of the need for counseling.

Question. Psychiatric care and medications can be enormously expensive. Other than informal counseling through such services as Vet Centers, is the VA studying the possibility of extending mental health benefits to the families of Iraq and Afghanistan veterans—and if so, what statutory changes need to be made in order for this to occur?

Answer. Currently, the law permits VA to provide such counseling, training, and mental health services for family members as are necessary in connection with the care of a veteran receiving treatment for a service-connected disability (38 USC 1782). Family members of veterans receiving care for nonservice-connected disabilities can receive such services only if those services were initiated during the veterans' hospitalization, and continuation of the family services on an outpatient basis is essential to permit the discharge of the veteran from the hospital.

Question. Do you see this as an emerging problem, and what do you think the VA could or should do to screen and treat the spouses and children of combat veterans for mental health problems?

Answer. Many VA facilities offer mental health services such as family psychoeducation and spouse education/support groups. Broadening the scope of VA's mental health services to spouses and children of combat veterans would have to be deliberated further.

Question. Secretary Nicholson, we know that on any given night more than 25 percent of homeless persons—nearly 200,000 people—are veterans. Already, some of these men and women are veterans of the current conflicts in Iraq and Afghanistan—although most of them are veterans from Vietnam, the first Gulf War, and peacetime service. In 2005, VA's own CHALENG Community Homelessness Assessment report identified a need for 25,000 new permanent housing beds and 12,000 new transitional housing beds to help these homeless veterans.

VA has effective programs that can meet these needs—the HUD–VASH supportive housing program that combines HUD Section 8 vouchers and VA supportive services for long-term homeless veterans with mental health and/or substance abuse problems, and the Grant and Per Diem program that funds transitional housing to help homeless veterans get jobs and return to independent living. However, HUD–VASH has not been funded since the 1990's, and Grant and Per Diem funding is not keeping pace with the need for housing. Do you agree that these programs are effective, and if so, do you believe that this Committee should provide the VA with increased resources for these programs—so that the VA can ensure that no veteran becomes or stays homeless?

Answer. The number of transitional housing beds for homeless veterans has risen dramatically during the past 5 years, more than doubling the number of operational beds to more than 8,000 today. In addition we have already approved an additional 2,500 to 3,000 with the last three rounds of funding including the approximate 800 to 1,000 new beds to be created under a Notice of Funding Availability published on May 4, 2007.

After this round of funding is awarded, VA will have in operation or awaiting opening between 12,500 and 13,500 transitional housing beds. In addition we are in the processes of awarding funding to more than double the number of Special Needs grants to organizations that serve veterans with additional healthcare challenges.

VA has submitted a budget for 2008 that proposes to increase funding to further expand the capacity to offer services under the GPD program. Although funding amounts are still pending, it is expected that under the GPD Program for 2008, VA will be able to add to its current transitional housing bed capacity.

The HUD–VASH Program has approximately 1000 housing units in operation at the present time. There is still significant need for additional permanent housing for veterans and VA will continue to work with HUD and the Congress to meet that long identified unmet need.

VA remains committed working collaboratively with communities across the country to expand its capacity to serve homeless veterans with housing and other programs that will address the problems of homeless veterans.

QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

Question. Mr. Secretary, I would like to compliment you again on the VA's successes in the area of electronic records. The VA's system is second to none, including the Department of Defense. It is a priority of this committee to see that our injured veterans receive world class care. We hear too often that the so called "seamless transition" is not seamless. A great many records are being lost between the time a soldier leaves the Department of Defense and arrives at the VA. The Department of Defense and the VA cannot electronically share medical records. I know you have several pilot test sites working on this problem. Why are the Department of Defense and VA not able to bridge this electronic gap? We are funding a working group that we hoped would fix this problem. I would like to see the Department of Defense adopt your electronic architecture to facilitate transferring records to the VA. Will you tell us where we are today and what are you doing to address the problem of sharing electronic healthcare records with the Department of Defense?

Answer. VA and DOD have achieved a significant level of success and are currently using interoperable electronic health records that are standards-based and bidirectional to share clinical data. Pursuant to the Joint Electronic Health Interoperability Plan (JEHRI), our long term strategy to achieve interoperability, and the guidance and leadership of the DOD/VA Joint Executive Council, VA and DOD are presently sharing almost all of the electronic health data that are available and clinically pertinent to the care of our beneficiaries from both departments.

VA receives these electronic data through successful one-way and bidirectional data exchange initiatives between existing legacy VA and DOD systems. These data exchanges support the care of separated and retired service members who seek treatment and benefits from the VA and the care of shared patients who use both VA and DOD health systems to receive care.

Since beginning transfer of electronic medical records to VA, DOD has transferred data on almost 3.8 million unique separated service members to VA clinicians and claims staff treating patients and adjudication disability claims. Of these individuals, VA has provided care or benefits to more than 2.2 million veterans. These data include outpatient pharmacy (government and retail), laboratory results, radiology reports, consults, admission, disposition and transfer data, and ambulatory coding data. In 2006, DOD began transferring pre- and post-deployment health assessment data and post deployment health reassessment data on separated members and demobilized National Guard and Reserve members. Leveraging some of the technical capability to transfer records one-way, VA and DOD began the bidirectional sharing of electronic health records on shared patients. Data shared bidirectionally include outpatient pharmacy and allergy data, laboratory results and radiology reports. This capability is now available at all VA sites of care and is currently installed at 25 DOD host locations. These 25 locations consist of 15 DOD Medical Centers, 18 DOD Hospitals and over 190 DOD outpatient clinics and include Walter Reed Army Medical Center, Bethesda National Naval Center and Landstuhl Regional Medical Center. VA is working closely with DOD to expand this capability and by June 2008, VA will have access to these data from all DOD locations. VA also is working with DOD to increase the types of data shared bidirectionally. Successful pilot projects demonstrated the capability to share narrative documents, such as discharge summaries and emergency department notes and this capability is now being used at four locations and will be expanded to others. Additional work scheduled for the remainder of fiscal year 2007 and 2008 will add data such as progress notes, problem lists and history data to the set of information that is shared bidirectionally between DOD and VA facilities.

VA and DOD also have accomplished the ground-breaking ability to share bidirectional computable allergy and pharmacy data between next-generation systems and data repositories. This capability permits VA and DOD systems to conduct

automatic drug-drug and drug-allergy interaction check to improve patient safety of those active dual consumers of VA and DOD healthcare who might receive prescriptions and other treatment from both VA and DOD facilities. At present, we have implemented this capability at seven locations and are working on enterprise implementation schedules.

Whereas our earliest efforts focused on the sharing of outpatient data, VA and DOD also have made significant progress toward the sharing of inpatient data. Most recently, we began sharing significant amounts of inpatient data on our most critically wounded warriors. Previously, these data were only available to VA from DOD in paper format. We have successfully achieved the capability to support the automatic electronic bi-directional sharing of medical digital images and electronically scanned inpatient health records between DOD and VA. This effort has been successfully piloted, at least in one direction from DOD to VA, between the Walter Reed Army Medical Center and the four Level 1 VA Polytrauma Centers located in Tampa, Richmond, Palo Alto and Minneapolis. Clinicians at the Tampa and Richmond Polytrauma centers are routinely using it to view data on transferred patients. VA and DOD are finalizing a long term strategy that will facilitate the expansion of this work across the enterprise systems of each department.

In addition to our joint work to share scanned documents and digital radiology images, VA and DOD have undertaken a groundbreaking challenge to collaborate on a common inpatient electronic health record. On January 24, 2007, the Secretaries of VA and DOD agreed to study the feasibility of a new common in-patient electronic health record system. During the initial phase of this work, expected to last between 6 and 12 months, VA and DOD are working to identify the requirements that will define the common VA/DOD inpatient electronic health record. The Departments are working to conduct the joint study and report findings as expeditiously as possible. At the conclusion of the study, we hope to begin work to develop the common solution.

Question. Mr. Secretary, you now have over $1.2 billion invested in Information Technology each year. A critical part of this will go toward upgrading VA's electronic medical records and VA's benefit processing systems.

What IT governance structure have you put in place to ensure that these critical priorities are aggressively and successfully pursued? Who is the one person you designated to be directly responsible for these technical programs to ensure they will be completely successful?

Answer. Over the last 18 months we have dramatically transformed the VA IT Management System. Significant parts of this transformation have been put in place in the last 6 months. Specifically:

—October 31, 2006, VA established a single IT leadership authority under the VA Chief Information Officer (CIO). This assigned the responsibility and accountability for all IT activities in VA to the Assistant Secretary for Information and Technology, the VA CIO. This ensured that there was a single focus for all Information Technology efforts at VA.

—On February 27, 2007, VA consolidated all IT staff and resources into a single organization; accordingly, consolidating the authority and responsibility for all IT efforts at VA. In addition, I directed that this new organization to implement success based processes for all IT efforts at a department level; therefore, ensuring that these critical priorities are successfully pursued.

—Finally, on March 12, 2007, the new IT Governance Plan was approved. The plan is intended to be an integral component to the VA Governance Framework and will serve as a mechanism to ensure compliance with all Federal IT mandates. It is a vehicle that enables VA to centralize its IT decision making. VA will be able to better align IT strategy to business strategy, maintain and develop the Enterprise Architecture, enhance Information Protection/Data Security, manage IT investments, and reconcile disputes regarding IT. IT Governance is the responsibility of the VA Executive Board, the Strategic Management Council (SMC) and other executive managers. While the VA CIO has full IT decision authority on all IT related activities and issues, the VA business units have recourse to the SMC chaired by the Deputy Secretary and intimately to the Executive Board chaired by myself. This will ensure that IT efforts are focused on delivering services to our veterans and that critical priorities are aggressively pursued.

Our new OI&T structure, our IT Governance Plan and the implementation of "core best business IT practices" puts in place a robust VA IT Management System under the single IT leadership authority of the VA CIO. It provides the necessary oversight, safeguards, check and balances to ensure we achieve our IT objectives.

Question. Who is the one person you designated to be directly responsible for these technical programs to ensure they will be completely successful?

Answer. The Honorable Robert T. Howard, the Assistant Secretary for the Office of Information and Technology, and the Department's Chief Information Officer is designated to be directly responsible for technical programs and to ensure they will be completely successful.

Question. VA's claims processing backlog is currently over 400,000. And, you predict over 800,000 new claims annually. Yet, despite immense resources allocated for VA IT infrastructure, VBA continues to use old systems that require staff to re-enter information by hand. In the last 2 years the Veterans Benefit Administration has not been a priority in the Information Technology budget. I understand there are competing issues, but this is a critical mission of the VA.

How do you plan to make electronic claims processing a priority for the VA and identify opportunities for improved accuracy and automation in claims handling in fiscal year 2008?

Answer. Every year, more than 42 million disability compensation and pension payments are made to veterans and beneficiaries through the Benefits Delivery Network (BDN). BDN has been operational since the late 1960s, and the hardware and software that make up the system are obsolete. Each year the maintenance of obsolete technology becomes more expensive and more risky.

We are focusing our efforts on completing VETSNET, the replacement system for BDN. There are many reasons why the completion of the VETSNET system is important. VETSNET will ensure continuity of benefit payments to veterans and beneficiaries, and there are other advantages as well. The system makes veterans' claims information available on-line, which allows work on a claim to take place across regional office jurisdictions to better balance workload and provide improved customer service. Further, VA will be able to readily make software modifications to support improved work processes, legislative mandates, and security enhancements. It will also be possible to incorporate and enhance decision-support and "expert system" applications.

In addition to completing VETSNET, VA is conducting a pilot program to incorporate imaging technology into our disability compensation processing. Our pilot program involves claims from recently separated veterans filed through our Benefits Delivery at Discharge Program (BDD). We are receiving the veterans' service medical records electronically and are maintaining electronic claims folders for all claims filed under this pilot program. However, because of the magnitude of the paper records we store, the extent to which we can "paperlessly" process claims from veterans of all periods of service has yet to be determined.

VBA has been exploring the use of electronic, rules-based claims processing for certain aspects of compensation and pension claims adjudication. Electronic, rules-based claims processing technology reduces variances among VA's regional offices, increases decision accuracy, and increases employee productivity.

VA is also using imaging to process adjustments to pension awards, and to manage workload. Paperless claims processing offers many benefits, such as increasing workload efficiencies, eliminating the need for storage of folders, and increasing customer satisfaction through the instant availability of imaged information. Through the use of our imaging system (Virtual VA) and the associated electronic claims folder, employees nationwide have the ability to instantly access claims information (service medical records, other medical documents, personnel records, and claims applications). Web-based imaging programs allow users to navigate and search for information faster than turning pages.

Question. What have you done to improve the accuracy and longer than average processing times for the Houston Regional Office?

Answer. As of January 31, 2007, the accuracy rate for benefit entitlement at the Houston Regional Office was 86 percent. In an effort to achieve the fiscal year 2007 accuracy goal of 90 percent, the Houston RO continues to take aggressive measures to improve the accuracy of claims processing. As of March 2007, Houston increased from six to eleven the number of senior Veteran Service Center (VSC) employees responsible for reviewing quality and evaluating training needs. These eleven senior VSC employees are dedicated solely to improving the accuracy of Houston RO claims decisions.

From the end of fiscal year 2005 through April 2007, the Houston RO has improved the average processing time of disability claims by 12 days, from 217 to 205 days. To assist Houston management with the development of a comprehensive plan for improvement, VBA sent a team to Houston to review critical elements of the station's performance and operations. The team recommended strengthening the workload management plan and providing additional training for claims processors.

The Houston RO has been given authority to hire additional claims processors in conjunction with the current national hiring initiative. The Houston RO had 286 FTE in its Veterans' Service Center at the beginning of fiscal year 2007 and is au-

thorized to increase to 293 FTE. Four experienced claims processors are also transferring to Houston from other regional offices in the near future. The Houston RO also hired three retired decision makers whose sole responsibility is to process claims pending over 1 year or from claimants over the age of 70.

VBA continues to use an aggressive brokering strategy to decrease the inventory of claims across the Nation. Cases are sent from stations with high inventories to other stations with the capacity to take on additional work. This strategy allows the organization to address simultaneously the local and national inventory by maximizing resources where they exist. During fiscal year 2006, the Houston RO brokered nearly 5,000 rating claims, and the office continues to broker rating workload this fiscal year.

Question. I am searching for new and innovative ways we can help you solve this problem. One method your Under Secretary for Benefits, Admiral Cooper, has instituted is "brokering", or the practice of moving cases from Regional Offices with larger workloads to regional offices with a lesser load.

Can you tell us which regional offices have the highest workload per claims examiner and how this "brokering" has affected that office?

Answer. At the end of April 2007, the regional offices with the highest workload per full time employee (FTE) were Detroit and Chicago. To assist these stations in reducing the number of pending claims and improving timeliness, VBA brokered cases from these offices to stations with additional capacity. During the first and second quarters of fiscal year 2007, the Detroit RO brokered 3,249 claims and the Chicago RO brokered 2,913.

Brokering plans are developed on a monthly basis. Stations are selected for brokering based on the percentage gap between their current inventory of pending claims and their established end-of-year inventory target. Stations with the greatest percentage gap are asked to send ready-to-rate cases to other stations for rating decisions. The stations participating in brokering changes over time as stations are able to bring the pending inventory in line with established targets.

Can you supply the subcommittee with a list of all Regional Offices and the associated workload per claims examiner?

Answer. See attached spreadsheet.

DISABILITY RATING CLAIMS

	March 2007 Decisionmakers	May 2007 Pending	Pending per Decisionmaker
USA	5,409	403,268	
Albuquerque	51	3,875	76
Anchorage	18	1,368	76
Atlanta	157	17,175	109
Baltimore	63	5,680	90
Boise	32	1,522	48
Boston	51	4,803	94
Buffalo	60	5,353	89
Chicago	116	14,093	121
Cleveland	182	13,998	77
Columbia	136	6,959	51
Denver	106	7,911	75
Des Moines	35	4,393	126
Detroit	97	13,456	139
Fargo	25	1,241	50
Fort Harrison	24	1,887	79
Hartford	32	2,581	81
Honolulu	32	3,067	96
Houston	193	19,878	103
Huntington	73	4,266	58
Indianapolis	80	8,758	109
Jackson	74	6,555	89
Lincoln	58	2,839	49
Little Rock	65	3,909	60
Los Angeles	115	10,178	89
Louisville	76	6,833	90
Manchester	17	1,491	88
Milwaukee [1]	177	5,888	33
Montgomery	115	11,484	100
Muskogee	140	6,329	45

DISABILITY RATING CLAIMS—Continued

	March 2007 Decisionmakers	May 2007 Pending	Pending per Decisionmaker
Nashville	144	8,833	61
New Orleans	82	7,431	91
New York	80	10,421	130
Newark	47	4,425	94
Oakland	128	14,276	112
Philadelphia [1]	255	7,106	28
Phoenix	108	8,095	75
Pittsburgh	73	6,668	91
Portland	71	6,962	98
Providence	27	1,369	51
Reno	44	4,302	98
Roanoke	131	14,950	114
Salt Lake City	92	4,060	44
San Diego	139	7,966	57
San Juan	62	3,690	60
Seattle	139	9,487	68
Sioux Falls	20	1,026	51
St. Louis	142	8,755	62
St. Paul [1]	197	4,753	24
St. Petersburg	370	24,446	66
Togus	54	2,470	46
Waco	263	18,415	70
Washington, DC	15	1,234	82
White River Junction	10	868	87
Wichita	39	3,724	95
Wilmington	14	742	53
Winston-Salem	263	19,024	72

[1] Pension Maintenance Center.

Question. We have discussed hiring more personnel, emphasizing IT solutions and now "brokering". We have to come up with something to relieve the pressure on the claims process and ensure our veterans have their claims processed in a timely manner. Can you offer any additional areas where we in Congress can help you with this problem?

Answer. In addition to enhanced technology and management practices, increasing staffing levels is key to reducing the pending inventory and providing the level of service expected by the American people and that our veterans deserve. We very much appreciate the support of Congress in providing the resources that are allowing us to aggressively add more decisionmakers in our regional offices. We increased our on-board strength by over 580 employees between January 2006 and January 2007. Our plan is to continue to accelerate hiring and fund additional training programs for new staff this fiscal year, adding 400 additional employees by the end of June.

The Veterans Disability Benefits Commission is charged with assessing and recommending improvements to the laws and benefit programs for disabled veterans. We look forward to learning the Commission's findings and recommendations for revising and simplifying our laws and regulations and improving the delivery of benefits and services.

Question. Mr. Secretary, your agency reports a $5 billion backlog in facility maintenance. Every VA facility reported their maintenance condition which you relayed to Congress. Yet, the Facilities Condition Assessment you delivered to Congress was not in any priority order. I am concerned about working our way through this list giving the most critical problems the top priority. Facility directors often hold back maintenance funds till the end of the year in case they need additional funds for medical services.

How will you ensure that your facility directors spend all of the NRM funds as budgeted and appropriated and are incentivized to address the non-recurring maintenance projects?

Answer. VHA is currently working to alter the historical trends of NRM obligations and to normalize the obligation of NRM funds throughout the fiscal year. Annually VISN's submit an NRM obligation plan and a report is provided to the VA Deputy Secretary indicating the variance of actual and planned NRM Obligations.

Question. Mr. Secretary, as you know, this committee is interested in ensuring that our returning soldiers receive treatment for mental health problems as well as physical health needs.

What is the VA doing to expand access to mental healthcare for returning OEF/OIF vets at our new Mental Health Centers of Excellence?

Answer. Like other Centers of Excellence (COEs) within the Office of Mental Health Services, the new COEs in Mental Health and PTSD in Canandaigua, San Diego and Waco were established to support programs in research, education, and clinical care. In following this mission, their structure and processes are similar, in many ways, to the Mental Illness Research Education and Clinical Centers.

The COE in Canandaigua has a focus on the secondary prevention of adverse consequences of serious mental illnesses, particularly on suicide prevention. It has appointed Dr. Kerry Knox as its director, initial support has been provided, and Dr. Knox is currently leading the development of the program plan. While this is in progress, the COE is serving as a center for technical assistance and program leadership for VA national efforts at suicide prevention.

The COE in San Diego has a focus on understanding the processes of stress and resilience as well as vulnerability and recovery from PTSD and other stress related conditions throughout the adult lifespan. This includes pre- and post-deployment studies that are being conducted in collaboration with the Marine base and Camp Pendleton. It has appointed Dr. James Lohr as its director. He has led the development of a program plan that has been peer reviewed, approved, and fully funded. The Center is currently in the process of implementing its program plan. Its clinical activities include enhanced staffing for evaluations of returning veterans for deployment-related mental health conditions.

The COE at Waco has a focus on deployment and stress-related mental health conditions, and the transition between DOD and VA care. Its proximity and the ongoing relationships of its staff with the Army installation at Fort Hood is a major resource. It is currently in the process of finalizing the recruitment of its director who will lead the development of its program plan. Meanwhile, the Center has implemented its activities by initiated specific clinical projects. In one, Dr. Kathryn Kotrla is leading a partnership with the State of Texas in developing a web-based directory of mental health resources for returning veterans and their families and in training providers and others on its use. In another, the Center is working in partnership with the Office of Research and Development, and the National Center for PTSD to support a clinical trial of a care management strategy for primary care treatment of PTSD.

QUESTIONS SUBMITTED BY SENATOR WAYNE ALLARD

Question. Many of my colleagues from States similar to Colorado face a challenge with bringing veteran's healthcare to rural communities. I hear from many veterans that live far from VA health centers with these concerns. Community Based Outpatient Clinics have helped to alleviate some of the geographical obstacle problems that many rural veterans have, and Colorado has opened many new clinics in the past few years.

The VA announced earlier this year it was to place a clinic in either eastern Colorado or western Kansas, and I was told by VISN 19 in Denver to expect a final decision on the placement of this clinic by the end of this month. Do you have an update on that decision?

Answer. The lease for a community outreach clinic was awarded to the City of Burlington, Colorado on April 30. Congressional notifications were made on May 1, 2007. The location for the clinic is the Medical Arts Building, 1177 Rose Avenue, Burlington, CO 80807 It is anticipated that the clinic renovations will be completed and the clinic should open around October 1, 2007.

Question. Are there other solutions that the VA is attempting to address this problem of rural healthcare with?

Answer. Beyond establishing CBOCs, VHA employs other means to provide healthcare to veterans residing in rural areas. The strategic direction for providing services to veterans residing in rural areas is to provide non-institutional care and to bring care into veterans' homes. Examples of this are telehealth, mail order pharmacies, and home based primary care. We are setting the industry standards for using advanced technology with our telehealth healthcare delivery programs. With this advanced technology, we are providing services directly to veterans in their homes and expanding specialized care, such as specialized mental heath services, in our Community-Based Outpatient Clinics (CBOCs) through telemedicine capabilities.

When a veteran needs to come to a facility, VHA has established outreach clinics which are part time clinics that operate under a "hub" CBOC. These allow for access in more rural areas that do not have the demand for services that a more urban area would have. Additionally, VA operates Vet Centers often located in rural areas that provide mental health services.

What about the challenges associated with Veterans that are in places deemed "geographically inaccessible" by the VA?

Response: VHA acknowledges that those veterans who live in highly rural areas have greater access challenges than veterans who live in urban and rural areas. To address this challenge, VHA has strengthened telehealth healthcare delivery programs. This includes implementation of a national care coordination home telehealth program (CCHT). CCHT assists in monitoring and treatment of common diseases/conditions of patients in their own homes. VA is leading the industry in telehealth application and research. VHA will further expand this program in efforts to address the access challenges of our veterans who reside in highly rural areas.

QUESTIONS SUBMITTED BY SENATOR MITCH MCCONNELL

Question. I am deeply concerned about the details that have come to light regarding the quality of care provided at Walter Reed Army Medical Center. While not directly involving the Department of Veterans Affairs (VA), the news about Walter Reed carries with it important implications for the VA. I know you agree that both our brave soldiers and our veterans deserve the best possible care and that the situation at Walter Reed is unacceptable. In your response to a letter I sent you on March 6, 2007, regarding the quality of care provided to our veterans, you stated that you had "directed that all facilities for which [you are] responsible be inspected by management to assure that they are up to par."

What criteria were used to make these evaluations?

What were the findings of this review overall?

Answer. Each VISN and facility was asked to provide a description of substandard cleanliness conditions (e.g. unsanitary conditions, peeling paint, and exposed wall and ceiling structures). Many facilities went above and beyond our expectations in reporting their issues. Specifically, a majority of the items reported were of a routine and recurring nature and items that you would expect to see at any medical center on a daily or weekly basis.

The Environment of Care (EOC) report identified 90 percent of the items as routine wear and tear for and included items such as paint repair, wall repair, and ceiling and floor tiles. Exterior items needing repair included sidewalks and doors, bathrooms, and light fixtures.

Nearly one-half of all items identified were addressed by March 30, with 85 percent of the items expected to be corrected by September 30, 2007. The remaining items represent larger "wear and tear" and infrastructure issues typical for healthcare facilities. Corrective actions have already begun on these with some being part of longer term existing projects and the remaining added to the facility's non-recurring maintenance (NRM) or major projects list.

VHA has had extensive oversight processes in place to assess and identify Environment of Care issues. Environment of Care walking rounds are conducted on a weekly basis in a specific area in facilities. The EOC rounds are led by the Associate Director and cover each area of the facility at least twice annually. Any findings noted on EOC rounds are tracked by facility leadership through to resolution. The Networks have also been directed to establish a VISN Environment of Care Team that will conduct unannounced visits at each facility at least once annually.

Question. I am particularly concerned about the nearly 360,000 veterans in the Commonwealth of Kentucky. I want to ensure they are receiving top quality healthcare from our State's VA facilities. Please provide a detailed description of the results of your findings for each Kentucky VA facility that includes both the criteria and your analysis of whether each facility meets acceptable standards for those criteria.

Answer. Each VISN and facility was asked to provide a description of substandard cleanliness conditions (e.g. unsanitary conditions, peeling paint, and exposed wall and ceiling structures). Additionally, they were asked to provide a plan for correction including timelines and the reason why the condition was not immediately correctable.

The findings within VISN 9 for Kentucky were limited to only one facility, the Lexington VA Medical Center. The findings were related to the need to replace carpet in three areas (primary care, medicine, and surgery administrative areas) and furniture in five areas (ambulatory/primary care, surgical care, intensive care unit,

and emergency department waiting rooms, and a mental health unit group room.) All furniture and carpet issues were due to normal wear and tear. The plan for correction should be completed by July 30, 2007

Question. I was encouraged to see that the VA's Fiscal Year 2008 Budget Submission included the new medical facility in Louisville, Kentucky among the top-five priority major construction projects for the Veterans Health Administration.

Please explain the current status of this project, as well as your outlook for completion of this facility.

Is the March 23, 2007 announcement that the VA had completed its advertisement and evaluation process for selecting an architectural and engineering (A/E) team to provide full design services for the construction of the replacement medical facility an indication of the Department's commitment to complete this important project in a timely manner?

What deadline has the VA established for finalizing a contract with the selected A/E team?

If a deadline has not been established, when do you expect to finalize a contract?

When do you expect the site selection board to recommend its "preferred site?"

Answer. As a result of the Capital Asset Realignment for Enhanced Services (CARES) process, a decision was made to plan for the construction of a new VA medical center in Louisville. At the present time, no funding is available for the acquisition of a site for this project. The site selection process, including conducting the necessary environmental impact studies will take about 1 year and will be timed to coincide with the ability to be considered for fiscal year 2009 funding consideration. This process is expected begin this summer.

In the meantime, the Department has selected an architect engineering firm as the designer for the project. The firm's initial work will include supporting the VA in evaluating sites identified through the search process and developing a space program for the project. Once a site has been selected, the firm will proceed into design. It is anticipated there will be individual contract actions with the firm for the start-up studies.

This project is one of several large project requirements identified in the CARES process and will be considered along with others for funding as future budget requests are developed. Site acquisition and design funding will be a consideration for funding in fiscal year 2009.

Question. I commend the Department, under your direction, for working to address the growing need for specialized care for veterans returning from Operation Enduring Freedom and Operation Iraqi Freedom who are suffering from polytraumatic injuries. I am particularly encouraged by your recent action to expand this specialized care through 21 Polytrauma Network Sites (PNS) nationwide.

(a) What is the timeline for these PNS facilities to become operational?

(b) What services will PNS facilities, such as the Lexington VA Medical Center in Lexington, Kentucky, provide veterans recovering from polytraumatic injuries that are not available at other VA medical centers?

(c) In what ways will these new sites help reduce the strain endured by family members of severely wounded veterans?

Answer. (a) All 21 Polytrauma Network Sites (PNS) are operational. (b) The PNS have dedicated interdisciplinary teams consisting of a physiatrist, rehabilitation nurse, psychologist, speech-language pathologist, physical therapist, occupational therapist, social worker, blind rehabilitation outpatient specialist, and certified prosthetist. The teams have received training in conditions associated with polytraumatic injuries including brain injury, amputation, visual impairment, pain management, and PTSD. They have also received training in the special needs of families and caregivers.

(c) The role of the PNS is to manage the post-acute complications of polytrauma and to coordinate life-long rehabilitation services for patients with polytrauma within their VISN. As part of the Polytrauma System of Care (PSC), PNS are responsible for identifying VA and non-VA services available across the VISN to support the needs of patients and families with polytrauma.

Case management has a crucial role in ensuring lifelong coordination of services for patients with polytrauma and TBI, and is an integral part of the system at each polytrauma care site. The PSC uses a proactive case management model, which requires maintaining routine contacts with veterans and their families to coordinate services and to address emerging needs. As an individual moves from one level of care to another, the case manager at the referring facility is responsible for a "warm hand off" of care to the case manager at the receiving facility closer to the veteran's home. Every combat injured veteran with TBI is assigned a case manager at the facility closest to his home. The assigned case manager handles the continuum of

care and care coordination, acts as the POC for emerging medical, psychosocial, or rehabilitation problems, and provides patient and family advocacy.

A Polytrauma Telehealth Network (PTN) links facilities in the Polytrauma System of Care and supports care coordination and case management. The PTN provides state-of-the-art multipoint videoconferencing capabilities. It ensures that polytrauma and TBI expertise are available throughout the system of care and that care is provided at a location and time that is most accessible to the patient. Clinical activities performed using the PTN include remote consultations, evaluations, and even treatment, and education for providers and families

Question. The VA's 2004 Capital Asset Realignment for Enhanced Services (CARES) study recommended seven Community Based Outpatient Clinics (CBOCs) for VISN 15, which includes Daviess, Hopkins, and Graves Counties in Kentucky. Although the VA's budget request includes over 35 CARES major construction projects—several of which are CBOCs—none of the fiscal year 2008 CARES projects is located in VISN 15. More troubling, within the VA's Fiscal Year 2008 Five-Year Capital Plan, eight potential major construction projects for VISN 15 are identified, nearly all of which are to be located within Missouri, yet none of Kentucky's CBOCs in VISN 15 is included in that plan.

(a) Given that none of the three Kentucky CBOCs is registered on the VA's Five-Year Capital Plan, when can these communities expect to utilize the facilities they were promised?

(b) What options are the VA considering to ensure that veterans living in western Kentucky have access to quality healthcare close to home?

Answer. (a) There were three Community Based Outpatient Clinics (CBOCs) identified in the CARES study for Western Kentucky that are located in the VISN 15 service area. The Hopkins County CBOC, co-located at the Western Kentucky Veterans Center in Hanson, Kentucky, opened in August 2005. VHA is currently evaluating options, including CBOCs, to improve access in Kentucky.

(b) Veterans in Western Kentucky currently have access to three VA clinics in VISN 15. They may obtain care at the CBOC in Paducah, the Hopkins County CBOC, or the Evansville Outpatient Clinic. VHA is currently evaluating options, including CBOCs, to improve access in Kentucky.

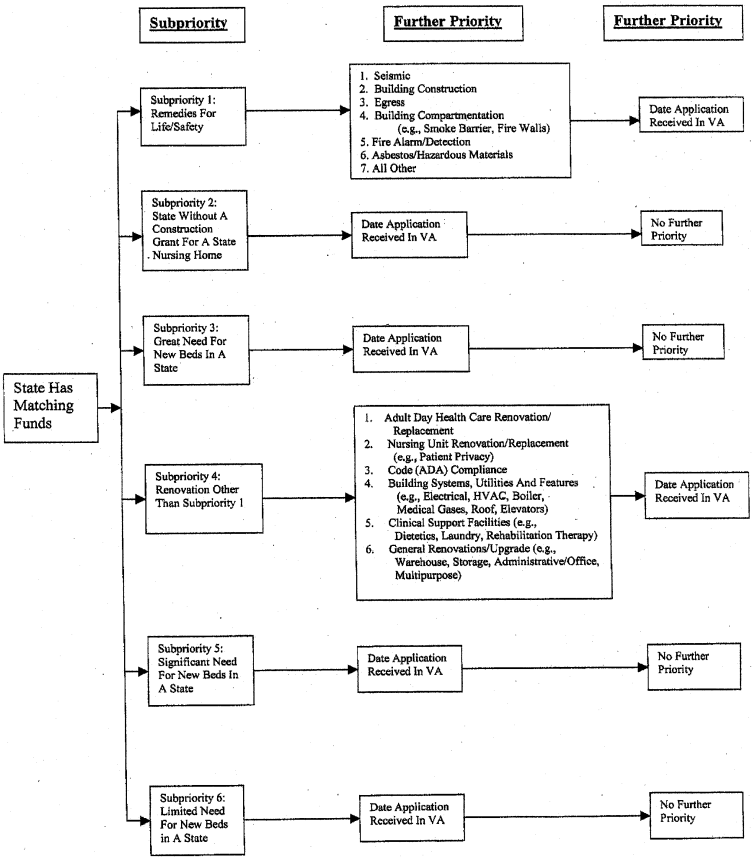
QUESTIONS SUBMITTED BY SENATOR ROBERT F. BENNETT

Question. Regarding the construction of a planned 120 bed Utah State Veterans' Nursing Home in Ogden, Utah, about which my office has been in contact with the Department of Veterans Affairs, I am concerned about the prioritization of the facility. The nearest comparable facility located in Salt Lake City, Utah, continues to place an increasing number of veterans on a waiting list to which many of the veterans will not live to see an end. I would like to greater understand the process used in determining the order of construction of nursing homes in various States. For example, is a formula used that would continually place the needs of States with comparatively smaller populations of veterans behind more populous States? I would appreciate an in-depth overview of the decision-making process regarding construction of these facilities, with particular attention to the planned Utah State Veterans' Nursing Home in Ogden.

Answer. Projects submitted to VA for consideration under the State Home Construction Grant program are prioritized using criteria set forth in the law, as implemented by VA regulations in 38 CFR Part 59. In prioritizing projects, the law gives the highest ranking to those projects that are to correct life safety deficiencies at existing State Homes. The next highest priority is given to construction of new capacity in States that have a great need for nursing home beds. Title 38 CFR Part 59.40 identifies the maximum number of nursing home and domiciliary care beds for veterans by State. The limits are currently based on projected demand for such beds for veterans that are 65 and older projected to the year 2009. VA may participate in a construction grant to build new beds (up to 65 percent of allowable costs) in those States up to the maximum bed limits. There is a 2-hour travel time exception that may be approved by VA's Secretary. The annual fiscal year priority list is developed in accordance with the priorities set forth in the law, as implemented in title 38 CFR 59.50. A copy of the prioritization for priority group 1 and the first page of the fiscal year 2007 Priority List illustrate the development of the annual list. All initial applications and pending projects will be considered as of August 15, 2007, for ranking on the fiscal year 2008 Priority List. If a project is to be ranked in priority group 1, the State authorization for a project and the State 35 percent Certification of State Matching Funds for the project must be approved. Usually during September, the annual Priority List is approved by VA's Secretary. When

Congress appropriates VA's fiscal year 2008 State Home Construction Grant budget, VA will inform the States with the highest ranking projects that funds are available for their project in fiscal year 2008. Annually, VA utilizes nearly all appropriated funds. To receive a grant, a State informed of the availability of funds must meet all the requirements for a grant award during the fiscal year. The proposed Ogden home will continue to be ranked on the annual Priority List until it receives a grant, unless the State elects to withdraw the application for funding.

Example – Prioritization for Priority Group 1



Priority List of Pending State Home Construction Grant Applications for FY 2007

FY 2007 List Rank	FAI No.	State (Locality)	Description	Priority Group (PG) Ranking	Est. VA Grant Cost (000)
			Application Subject to 38 CFR 59.50(b) Priority Group 1		
1	06-044	CA (Greater LA Complex) ** P	520-Bed NHC/DOM (New)	1, 3	163,421
			Applications Subject to 38 CFR 59 Priority Group 1		
2	32-002	NV (Boulder City)	L/S Dietary Facility Corrections	1, 1, 2	1,429
3	13-008	GA (Milledgeville) **	L/S NFPA Code Correction (Sprinkler Russell Building)	1, 1, 2	991
4	20-004	KS (Ft. Dodge)	L/S Back-Up Generators	1, 1, 2	401
5	13-012	GA (Milledgeville)	L/S NFPA Code Correction (Sprinkler Russell Bldg), Phase 2	1, 1, 2	939
6	13-013	GA (Milledgeville)	L/S NFPA Code Correction (Sprinkler Vinson Bldg., Phase 2	1, 1, 2	536
7	27-037	MN (Minneapolis)	L/S Campus Emergency Electrical Egress & Back-Up Generator Upgrade	1, 1, 2	1,597
8	06-059	CA (Yountville)	L/S Member Services Building Fire Safety Improvements & Renovation	1, 1, 2	13,831
9	20-006	KS (Ft. Dodge)	L/S Fire Safety Facility Renovations, Install Overhead Sprinkler System 3 Buildings, Tornado Shelter, etc.	1, 1, 3	810
10	50-008	VT (Bennington) **	L/S Code Improvements, Mold & Asbestos Removal, Phase 1	1, 1, 4	1,394
11	13-010	GA (Milledgeville) **	L/S NFPA Code Correction (Sprinkler Vinson Bldg.	1, 1, 4	955
12	44-010	RI (Bristol) **	L/S Fire Safety Improvements	1, 1, 4	732
13	20-005	KS (Winfield)	L/S Back-Up Generator, Install Sprinklers in DOM, etc.	1, 1, 4	940
14	34-026	NJ (Paramus)	L/S Replace Fire Alarm System	1, 1, 5	307
15	17-037	IL (Quincy)	L/S Replace Fire Alarm System	1, 1, 5	260
16	18-002	IN (Lafayette)	L/S Replace Fire Alarm System, Install Sprinkler Sys. etc.	1, 1, 5	1,066
17	40-024	OK (Sulphur)	L/S General Renovations - Hazardous Materials	1, 1, 6	12,675
18	01-006	AL (Alexander City)	L/S Moisture Remediation, Phase 2	1, 1, 6	1,363
19	17-036	IL (Quincy)	L/S Mold Remediation	1, 1, 6	1,336
20	47-008	TN (Murfreesboro) **	L/S Moisture Remediation - 35 Bathrooms	1, 1, 7	748
21	33-006	NH (Tilton) **	L/S Facility Upgrades-Backup Generator, Fire Alarm, A/C etc.	1, 1, 7	1,914
22	37-008	NC (Salisbury)	L/S Potable Water, Steam/Chilled Water and Camera Sys.	1, 1, 7	1,006
23	17-041	IL (Manteno)	L/S Emergency Generator Replacement	1, 1, 7	455
24	06-044	CA (Greater LA Complex) ** P	520-Bed NHC/DOM (New)	1, 3	163,421
25	12-007	FL (St. Augustine)	120-Bed NHC (New)	1, 3	11,637
26	06-052	CA (Redding)	150-Bed NHC/DOM (New)	1, 3	17,572
27	06-053	CA (Fresno)	300-Bed NHC/DOM (New)	1, 3	25,864
28	55-025	WI (Union Grove)	Adult Day Health Care Renovation	1, 4, 1	586
29	27-018	MN (Minneapolis)	Adult Day Health Care Renovation	1, 4, 1	1,914
30	27-019	MN (Luverne)	Dementia Unit Renovation	1, 4, 2	568
31	27-021	MN (Silver Bay)	Nursing Care Space Renovation	1, 4, 2	499
32	08-014	CO (Homelake)	Upgrade Resident Support and Activity Areas	1, 4, 2	3,394
33	12-014	FL (Lake City)	Facility Renovation, Phase 2	1, 4, 2	2,043
34	13-009	GA (Milledgeville)	Renovation and Upgrade Wheeler Building	1, 4, 2	269
35	04-004	AZ (Phoenix)	Renovation, Phase 2	1, 4, 2	1,040

1 of 5

SUBCOMMITTEE RECESS

Senator REED. This hearing is recessed.

[Whereupon, at 12:03 p.m., Thursday, April 12, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

MILITARY CONSTRUCTION AND VETERANS AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2008

THURSDAY, APRIL 19, 2007

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

The subcommittee met at 10:01 a.m., in room SD–138, Dirksen Senate Office Building, Hon. Jack Reed presiding.

Present: Senators Reed, Nelson, Hutchison, and Allard.

DEPARTMENT OF DEFENSE

DEPARTMENT OF THE ARMY

STATEMENT OF HON. KEITH E. EASTIN, ASSISTANT SECRETARY OF THE ARMY, INSTALLATIONS AND ENVIRONMENT

ACCOMPANIED BY:

LIEUTENANT GENERAL ROBERT WILSON, ASSISTANT CHIEF OF STAFF FOR INSTALLATION, UNITED STATES ARMY

MAJOR GENERAL DAVID P. BURFORD, ASSISTANT TO THE DIRECTOR, ARMY NATIONAL GUARD

BRIGADIER GENERAL RICHARD J. SHERLOCK, DEPUTY CHIEF, ARMY RESERVE

STATEMENT OF SENATOR JACK REED

Senator REED. Good morning. Let me call the hearing to order and recognize my colleagues who are here, particularly the ranking member, Senator Hutchison. Her leadership over the last several years in this committee has put us in excellent position to consider the proposals that we're considering today, with respect to the Army and to the Navy.

I'm very pleased to welcome Secretary Eastin, Generals Wilson, Burford, and Sherlock to testify today before the subcommittee. I thank you for appearing and also thank you for your service to the country. Thank you very much.

The purpose of today's hearing is to receive testimony regarding this year's President's budget request for military construction for the Army, the Army National Guard, and the U.S. Army Reserve. This year's request shows significant change from previous years. The Army request has nearly doubled from $2 billion to $4 billion. Much of this is to accommodate the Army's Grow the Force Initiative.

The Reserve component request, on the other hand, are both seeing a significant decrease in infrastructure funding, all this at a time when the Reserve Forces are fully engaged with its Active Duty counterparts in Iraq, Afghanistan, and throughout the world. And, I intend to address this further during the questioning period.

Again, let me thank you for appearing before our committee. I look forward to the testimony and let me recognize the ranking member, Senator Hutchison.

Senator.

STATEMENT OF SENATOR KAY BAILEY HUTCHISON

Senator HUTCHISON. Thank you, Mr. Chairman. I am pleased to be able to talk to two of the Services that are going to experience the most growth in the next few years. And, it's a growth that I certainly support. In addition to this growth, the marines are also preparing to undertake a massive move, relocating 8,000 marines from Japan to Guam. This will be enabled through military construction and with the help of our Japanese partners. I will say that the Japanese have been very good partners in this regard, and we appreciate that very much. The Navy is currently tasked with overseeing all of these efforts on Guam to ensure that the move is done in a joint way.

The Army's initiative to grow by 65,000 Active Duty soldiers, 8,200 National Guard soldiers and 1,000 Reservists over the next 5 years—has caused, of course, an increase in Army military construction. Many of the soldiers that are coming back from overseas or are part of the increase will be stationed at Fort Bliss and Fort Hood, in my home State of Texas. I believe the increase in end-strength is absolutely the right thing to do. And, I think it is important that our military installations be able to plan appropriately for the increase in end-strength and the move from overseas.

At the end of BRAC and the global re-stationing, 90 percent of the U.S. Army will be based in the United States. This will provide more operational freedom of action, better training, and better family support for the Army than would be possible otherwise. I am pleased the Department of Defense and the Army have stayed on course for the restructuring, re-stationing, as well as increasing the end-strength of the Army. Along with BRAC, it will produce a stronger, more deployable, and more efficient Army, in which the vast, but constantly stretched, resources of our Army can be used in the most efficient manner.

The new San Antonio Military Medical Center at Fort Sam Houston, developed through the BRAC process, will serve as an excellent example of how consolidation can benefit the Army and the larger Department of Defense and Veterans' community through the synergies and expertise developed.

The Navy and Marine Corps increase will be used, in part, to support the growth of the Marine Corps by 22,000 Active Duty Marines over the next 4 years. The Navy and Marine Corps request will also support several other initiatives, including the Home Port Ashore Program, which gets sailors off ships and into barracks. This program will provide great quality of life improvements for our sailors and will be fully funded in 2008. I'm very pleased with this initiative of the Navy.

I'm somewhat concerned about the downward trend in military construction for our Guard and Reserve components. These brave citizen-soldiers are making huge contributions in the global war on terror, and yet, their facilities are often in the worst shape. The overall funding level is down 19 percent from last year's request and 18 percent from the fiscal year 2007 enacted level.

I understand there is funding for Guard and Reserve in the BRAC account, but I'm also interested in seeing that we keep up with the normal military construction funding to improve these facilities.

I thank you for all the work that you are doing in the military construction area and certainly, in the main, you will have the support of this committee. Thank you.

Senator REED. Thank you very much, Senator Hutchison. And, all of those statements of my colleagues were made part of the record, but if Senator Nelson, Senator Allard, you'd make brief opening comments.

Senator Nelson.

Senator NELSON. I'll wait until——

Senator REED. Senator Allard.

Senator ALLARD. Mr. Chairman, I do have some comments and I'll, I'll put them in the record——

Senator REED. Thank you.

Senator ALLARD [continuing]. So we can proceed with the hearing. Thank you.

Senator REED. Thank you very much.

Mr. Secretary.

STATEMENT OF KEITH E. EASTIN

Mr. EASTIN. Good morning. Thank you, Mr. Chairman, Senator Hutchison, and other members. I have a written statement. I ask that you would include it in the record.

Senator REED. All written statements will be made part of the record. You can summarize. In fact, we prefer you summarize.

Mr. EASTIN. I will try to be short. We have a lot to do today and I know my colleagues in the Navy are following right behind.

I have with us today, Lieutenant General Robert Wilson, who is the Commander of the Installation Management Command, Major General Dave Burford, who is here representing the Army National Guard, and Brigadier General Rich Sherlock, who will be talking to you about the Reserves.

The Army has a very ambitious program, as you can see, not only monetarily, but ambitiously in terms of its operations. We are converting from a division-centric force to a brigade-centric force. We're calling that transformation. We're in the middle of a BRAC operation that will be moving some 50,000 people—civilians and military—around the country. We'll be moving some soldiers back from Germany and from Korea, another 45,000 or 50,000 there. And then, to top it all off, we decided to grow the active Army about 65,000, of which, give or take 37,000 will hit in the early years. So, we have a lot people moving around and where people move they have to have places to reside, raise their families, train, deploy from, and keep their equipment. So, with each of these moves comes a rather hefty military construction requirement.

PREPARED STATEMENT

So, but what we have in the BRAC, in the BRAC moves, we are doing 13 closures of installations, 53 realignments of various installations and operations, closing 387 Guard and Reserve centers, but at the same time, building 125 new centers for them to take place. All in all, in the BRAC world alone, we have 1,300 discrete moves that are required by the BRAC Commission. So, it's an ambitious program and one that, that we hope you will support financially because it's required to keep our all-volunteer Army alive, keep their families well situated, and keep the fight progressing.

With that, I'll pass this over to General Wilson, and he can make a statement.

[The statement follows:]

PREPARED STATEMENT OF KEITH E. EASTIN, ROBERT WILSON, DAVID P. BURFORD AND RICHARD J. SHERLOCK

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 2008. We have a robust budget that is crucial to the success of the Army's new initiatives and sustains vital, ongoing programs of critical importance to the Army. We appreciate the opportunity to report on them to you. We would like to start by thanking you for your unwavering 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 they could not perform their missions so successfully without your steadfast support.

OVERVIEW

TRANSFORMING INSTALLATIONS WHILE THE ARMY IS AT WAR

Installations are the home of combat power—a critical component of the Nation's force capabilities. Your Army is working hard to ensure that we 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. 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 that we can successfully carry out our assigned roles, missions, and tasks that safeguard our security at home and abroad.

Army infrastructure must enable the force to fulfill its strategic roles and missions to generate and sustain combat power. As we transform our operational forces, so too must we transform the institutional Army and our installation infrastructure to ensure this combat power remains relevant and ready. We will accomplish these efforts by the combined stationing efforts of Base Realignment and Closure (BRAC) 2005, Global Defense Posture Realignment (GDPR), Army Modular Force Transformation, and the President's "Grow the Force" initiative.

STATIONING

The stationing initiative is a massive undertaking, requiring the synchronization of base realignments and closures, military construction and renovation, unit activations and deactivations, and the flow of forces to and from current global commitments. Our decisions to synchronize activities associated with stationing and realigning our global basing posture continue to be guided by the following key criteria:

—Meeting operational requirements
—Providing economic benefits
—Using existing infrastructure to reduce cost and excess capacity
—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

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 "Flagships of Army Readiness".

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) housing privatization, 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 forge greater 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 we use 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, (4) develop rapidly deployable capabilities, and lastly, the United States and its allies and partners will work from a different paradigm than in the past: GDPR will relocate approximately 45,500 soldiers and their families from Europe and Korea to the United States over the next 5 to 6 years. 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 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, 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 transforming to be better prepared to meet the challenges of the new security environment characterized by continuous full-spectrum operations against adaptive enemies in complex environments.

The fiscal year 2008 budget includes projects to ensure that our facilities continue to meet the demands of force structure, weapons systems, and doctrinal requirements. As of fiscal year 2006, we have funded 93 percent of the military construction requirements for the Stryker Brigade Combat Teams, including Army National Guard requirements in Pennsylvania. Remaining construction funding for both the Active Army and Army National Guard will be requested in future budget requests.

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 $414 million for fiscal year 2008 to provide permanent facilities in support of the BCTs. The remaining Army Modular Force requirements will be addressed in future budget requests.

GROW THE ARMY

The President's recent Grow the Force initiative announced on January 10, 2007, will increase the Army by 74,000 soldiers over the next 5 years. Part of this year's request, $2.363 billion, supports this 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, and for Army Family Housing. Details for these projects will be provided separately.

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 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 15 year of its campaign to modernize barracks to provide 134,500 single enlisted permanent party soldiers with quality living environments. The new complexes meet DOD "1+1" or equivalent standard by providing 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.

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 United States 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, utilities privatization, and build-to-lease family housing in Europe and Korea 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 will be addressed, as well as incentives for good performance. Work of a repetitive nature coupled with a continuous building program will provide the building blocks for gaining efficiencies in time and cost.

MILITARY CONSTRUCTION

Military Construction Appropriation	Authorization Request	Authorization of Appropriations Request	Appropriation Request
Military Construction Army (MCA)	$3,385,329,000	$4,039,197,000	$4,039,197,000
Military Construction Army National Guard (MCNG)	N/A	404,291,000	404,291,000
Military Construction Army Reserve (MCAR)	N/A	119,684,000	119,684,000
Army Family Housing Construction (AFHC)	419,400,000	419,400,000	419,400,000
Army Family Housing Operations (AFHO)	742,920,000	742,920,000	742,920,000
BRAC 95 (BCA)	73,716,000	73,716,000	73,716,000
BRAC 2005 (BCA)	4,015,746,000	4,015,746,000	4,015,746,000
GWOT MCA	738,850,000	738,850,000	738,850,000
TOTAL	9,375,961,000	10,553,804,000	10,553,804,000

The Army's fiscal year 2008 budget request includes $10.6 billion for Military Construction appropriations and associated new authorizations, Army Family Housing, and BRAC.

MILITARY CONSTRUCTION, ARMY (MCA)

The Active Army fiscal year 2008 Military Construction budget request is $3,385,329,000 for authorization and $4,039,197,000 for authorization of appropriations and appropriation, including $1,608,129,000 for Grow the Army. This year's projects support the infrastructure necessary to ensure continued Soldier readiness and family well-being.

Soldiers as our Centerpiece Projects.—The well-being of our soldiers, civilians, and families is inextricably linked to the Army's readiness. We are requesting $590 million of our MCA budget for projects to improve Soldier well-being in significant ways.

The Army continues to modernize and construct barracks to provide enlisted single soldiers with quality living environments. This year's budget request includes 14 barracks projects to provide improved housing for 3,703 soldiers and new barracks in support of major stationing moves as we recast the footprint of the Army. With the approval of $1,392 million for new barracks in this budget, 82 percent of our requirement will be funded at the "1+1" or equivalent standard.

We are requesting the third increment of funding, $47.4 million, for the previously approved, incrementally funded, multiple-phased barracks complex at Fort Bragg, North Carolina. In addition, we are requesting the second increment of funding, $102 million, for the brigade complex at Fort Lewis, Washington. We will award the complex as a single contract to gain cost efficiencies, expedite construction, and pro-

vide uniformity in like facility types. The budget also includes a $175 million for two training barracks complexes at Fort Benning, Georgia, and another at Fort Bragg, North Carolina, which will house 2,580 training soldiers.

Overseas Construction.—Included in this budget request is $382 million in support of high-priority overseas projects. In Germany, we continue our consolidation of units to Grafenwoehr as part of our Efficient Basing—Grafenwoehr initiative. This allows us to close numerous installations as forces relocate to the United States and within Europe reducing base support requirements and enhancing Soldier training. In Korea, we are again 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 United States and Republic of Korea Ministry of Defense. Our request for funds in Italy is GDPR related and relocates forces from Germany to Vicenza to create a full Airborne BCT as part of the Army's transformation to a modular force. The Airborne BCT complex also includes new barracks to house 513 soldiers. Additional locations in Germany will close as construction is completed.

Mission and Training Projects.—Projects in our fiscal year 2008 budget will provide maintenance facilities, brigade complexes and headquarters, 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. The budget request also includes two overseas Forward Operating Site base camps for $74 million that will provide a brigade (minus)-sized operational facility to support rotational training, allow for increased U.S. partnership training, and promote new military to military relationships.

We will also construct a battle command training center and simulations training facility, urban operations terrain, urban assault course, 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 $177 million for these high-priority projects. We are also requesting funding of $22.3 million for two defense access roads.

Army Modular Force Projects.—Our budget continues support of the transformation of the Army to a modern, strategically responsive force and contains $315 million for three brigade complexes and other facilities. The new barracks will house 1,156 soldiers in support of the Army Modular Force.

SOUTHCOM Headquarters Project.—Our budget supports a new consolidated headquarters building with other support facilities. Our budget request contains $237 million for the new facilities that will replace multiple leased facilities scattered throughout the Miami, Florida, metropolitan area. The new consolidated building will support over 2,800 Active, Reserve and civilian personnel whose mission is to achieve U.S. strategic objectives within their area of responsibility which spans 32 countries.

Global War on Terrorism Projects.—The budget request also includes $738.8 million for 33 critical construction projects in Iraq and Afghanistan to support Operations Iraqi Freedom and Enduring Freedom including $19.4 million for planning and design. These funds will provide force protection, airfield facilities, operational facilities, support facilities, fuel handling and storage, and roads.

Other Support Programs.—The fiscal year 2008 budget includes $481 million for planning and design of future projects, including $383 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 2008 budget requests $23 million for oversight of approximately $800 million 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 2008 Military Construction request for $404,291,000 for appropriation and authorization of appropriations, including $77 million for Grow the Army, is focused on Current Readiness, Transformation, other support, and unspecified programs.

Current Readiness.—In fiscal year 2008, the Army National Guard is requesting $36.9 million for four projects to support current readiness. These funds will provide the facilities our soldiers require as they train, mobilize, and deploy. Included are one logistics building and three Readiness Centers.

Army Modular Force.—The Army National Guard is also requesting $237.8 million for 28 projects in support of new missions. There are 13 projects for the Stryker

Brigade Combat Team initiative, four for the Army Division Redesign Study, eight range projects to support the Army Range and Training Land Strategy, and three Aviation Transformation projects to provide facilities for modernized aircraft and change unit structure.

Other Support Programs.—The fiscal year 2008 Army National Guard budget also contains $43.8 million for planning and design (including $17 million for Grow the Army) of future projects and $8.7 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 2008 Military Construction request for $119,684,000 (for appropriation and authorization of appropriations) is for Current Readiness, other support, and unspecified programs.

Current Readiness.—In fiscal year 2008, the Army Reserve will invest $73.2 million to build five new Army Reserve Centers, $17 million for a combined maintenance facility, and $8.5 million to construct a regional medical training facility—for a total facility investment of $98.7 million. Construction of the five Reserve Centers will support over 1,700 Army Reserve soldiers and civilian personnel. In addition, the Army Reserve will invest $7.0 million to construct a training range and a training range support facility, which will be available for joint use by all Army components and military services.

Other Unspecified Programs.—The fiscal year 2008 Army Reserve budget request includes $10.9 million for planning and design for future year projects and $3.0 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 2008 family housing request is $419,400,000 for authorization, authorization of appropriation, and appropriation, including $266 million for Grow the Army. It continues the successful Whole Neighborhood Revitalization initiative approved by Congress in fiscal year 1992 and our RCI program.

The fiscal year 2008 new construction program provides a Whole Neighborhood replacement project at Ansbach, Germany, in support of 138 families for $52.0 million using traditional military construction.

The Construction Improvements Program is an integral part of our housing revitalization and privatization programs. In fiscal year 2008, we are requesting $266.0 million in support of Grow the Army, as well as $99.4 million for direct equity investment in support of the privatization of 3,998 homes at Fort Wainwright, Alaska, Fort Sill, Oklahoma, and Fort Jackson, South Carolina.

In fiscal year 2008, we are also requesting $2.0 million for planning and design for future family housing construction projects critically needed for our soldiers.

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 86,000 homes—99 percent of the on-post family housing inventory in the United States. To date, the Army has privatized 35 locations, with almost 75,000 homes. Initial construction and renovation at these 35 installations is estimated at $9.8 billion over a 3 to 10 year development period, of which the Army has contributed about $0.8 billion. Although most projects are in the early phases of their initial development, since 2001 our partners have constructed 8,613 new homes, and renovated 8,415 homes. The fiscal year 2008 budget request of $99.4 million will allow the Army to expand the portfolio of privatized family housing to three additional installations.

ARMY FAMILY HOUSING OPERATIONS (AFHO)

The Army's fiscal year 2008 Family Housing Operations request is $742,920,000 (for appropriation and authorization of appropriations), which is approximately 64 percent of the total family housing budget. 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 ($139 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 ($145 million).—The utilities account includes the costs of delivering heat, air conditioning, electricity, water, and wastewater support for family housing units. While the overall size of the utilities account is decreasing with the reduction in supported inventory, per-unit costs have increased due to general inflation and the increased costs of fuel.

Maintenance and Repair ($216 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 ($206 million).—The leasing program provides another way of adequately housing our military families. The fiscal year 2008 budget includes funding for 11,836 housing units, including 3,680 existing Section 2835 ("build-to-lease"—formerly known as 801 leases) project requirements, 1,907 temporary domestic leases in the United States, and 6,249 foreign units.

Privatization ($37 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 $4,015,746,000 for BRAC 2005 which is critical to the success of the Army's new initiatives, and $73,716,000 for legacy BRAC to sustain vital, ongoing programs. All BRAC activity takes place within the context of achieving the Army's goals of winning the Global War on Terrorism, transforming from a division-structured, forward-deployed force to one comprised of agile BCTs stationed on U.S. soil and Growing the Army in a manner that maintains the Army's ability to win decisively any time, any where.

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 8 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 5 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-five percent of all required construction projects are planned for award by the end of fiscal year 2009, and 100 percent by the end of fiscal year 2010. This will enable the major movement of units and personnel in fiscal years 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 $788 million. In fiscal year 2007, the Army plans to award and start construction on 75 projects: 23 projects to support GDPR; 27 Reserve Component projects in 14 States, and 25 other Active Component projects estimated to cost over $3.3 billion, including planning and design for fiscal year 2008 and 2009 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 Revised Continuing Appropriations Resolution, 2007 (Public Law 110–5) does not allow us to accomplish our fiscal year 2007 BRAC construction and threatens to derail our carefully integrated implementation plan. The Appropriation provides less than half of the total BRAC funds requested, creating a shortfall of approximately $2 billion for the Army. 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 the resulting impact will cascade through our re-stationing, transformation, and growth plans for years to come.

BRAC 2005 FISCAL YEAR 2008 BUDGET

The Army's fiscal year 2008 budget request of $4,015,746,000 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 89 military construction projects, plus planning and design for fiscal year 2009 and 2010 projects. This is estimated to cost $3,241,521,000 and includes: 16 additional GDPR projects, 31 Army National Guard and Army Reserve projects, and an additional 42 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 2008 budget request also funds projects supporting Reserve Component transformation in 19 States. This is a healthy start to addressing BRAC 2005 recommendations impacting the Army Reserve and Army National Guard.

The BRAC budget request will also fund furnishings for 86 BRAC projects awarded in fiscal years 2006 and 2007 as the buildings reach completion and occupancy. The request also funds movement of personnel, ammunition, and equipment associated with 25 BRAC Commission Recommendations.

The Army will continue to procure investment type equipment in fiscal year 2008 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 86 previously awarded BRAC projects, which will be impacted if fiscal year 2007 funding is not fully restored.

In fiscal year 2008, the Army will initiate environmental closure and cleanup actions at 14 BRAC properties. These activities will continue efforts previously ongo-

ing under the Army Installation restoration program and will ultimately support future property transfer actions. The budget request for environmental programs is $86,756,000, 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 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 $11.7 billion in savings through 2007—nearly $1 billion in recurring, annual savings from prior BRAC rounds.

The Army is requesting $73.7 million in fiscal year 2008 for prior BRAC rounds ($3.4 million to fund caretaking operations of remaining properties and $70.3 million for environmental restoration) to address environmental restoration efforts at 147 sites at 14 prior BRAC installations. To date, the Army has spent $2.7 billion on BRAC environmental restoration for installations impacted by the previous four BRAC rounds. We disposed of 235,361 acres (89 percent of the total acreage disposal requirement of 258,607 acres), with 23,246 acres remaining.

OPERATION AND MAINTENANCE

The Army's fiscal year 2008 Operation and Maintenance budget includes $2.740 billion in funding for Sustainment, Restoration, and Modernization (S/RM) and $8.133 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 2008 Military Construction and BRAC budget requests are balanced programs that support our soldiers and their families, the Global War on Terrorism, 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:

—138 homes replaced or renovated
—3,998 additional homes privatized
—Approximately 42,600 government-owned and leased homes operated and sustained at the end of fiscal year 2008
—Portfolio management of 78,426 privatized homes
—33 projects in support of Operations Iraqi Freedom and Enduring Freedom
—9,461 soldiers get new barracks

—$254 million in Training Ranges
—$6.1 billion invested in Soldier/Family Readiness
—$2,363 million to Grow the Army
Base Realignment and Closure:
—Statutory compliance by 2011 for BRAC
—89 Military Construction projects
—Planning & Design for fiscal year 2009–2010 Projects
—Remaining NEPA for BRAC 2005 actions
—Continued Environmental Restoration of 23,246 acres
Army National Guard:
—Improved Readiness Centers and an Armed Forces Reserve Center
—Completion of eight range projects
—Continued support of our Stryker Brigade Combat Team
—Three Aviation Transformation projects
—Three maintenance facilities
Army Reserve:
—Medical personnel get new training facility
—New combined maintenance facility
—New live fire training range facility
—1,743 soldiers get new Reserve Centers
—Center of gravity for Army Reserve families
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 86 percent of the OSD requirement, with plans to achieve 90 percent of the requirement through efficiencies.

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.

STATEMENT OF ROBERT WILSON

General WILSON. Mr. Chairman, Senator Hutchison, distinguished members of the subcommittee, on behalf of the senior leaders in the Army and over 1 million soldiers that comprise our Army, thank you for the opportunity to discuss the Army's fiscal year 2008 military construction budget request, specifically, our $2.3 billion request for resources to grow the Army. I would also like to extend our heartfelt gratitude for the subcommittee's support for our soldiers, civilians, and families over the years. Our brave men and women could not perform their mission so superbly without your steadfast support. Thank you.

As we increase our commitments in Iraq and Afghanistan, we face challenges that exceed the level of demand and vision in the recent Quadrennial Review Defense Strategy. Today, over 248,000 soldiers are deployed, fighting the long war on terrorism or forward-stationed, deterring the Nation's adversaries. Over the last 4 years, we have maintained up to 21 brigade combat teams deployed in Afghanistan or Iraq. And, the recent decision to grow the Army, as has been referred to, of 74,000—65,000 in the Active Army, 8,200 in the National Guard, and 1,000 in the Army Reserve—addresses our need to increase capacity and build strategic and operational depth to sustain our increased and enduring levels of force deployment.

Army growth will focus our brigade combat teams with the essential combat support and combat service support units and include Active and Reserve component rebalancing efforts to mitigate

the high-demand, low-density capability shortfalls. We plan to grow six new brigade combat teams in the Active component, expanding our rotational pool to 76 brigade combat teams and approximately 225 support organizations in the operational force of the Army. Through this growth, we plan to provide a continuous supply of 20 to 21 brigade combat teams to meet our global commitments.

For the Active Army, the fiscal year 2008 budget request contains $2 billion for 53 Grow-the-Force projects at 20 United States installations, as well as $278 million to support Army family housing at four installations. These projects will build the infrastructure needed to grow the combat support and combat service support units to address our current critical shortfalls. These shortfalls include examples, military police units, explosive ordinance disposal companies, and engineer battalion headquarters and companies.

By the end of the year, we will make decisions on where to station the additional brigade combat teams using a BRAC best military value process, while using existing available facilities and capacity for near term stationing unit until the permanent facilities are built.

The Army is conducting a detailed installation-level assessment to inform permanent stationing decisions for the new BCTs. A programmatic environmental impact statement is scheduled for completion in November 2007.

We ask for the timely passage of the fiscal year 2007 supplemental request and for your full support for our fiscal year 2008 budget request. Delays or reductions or diversions of this request will jeopardize the execution of our carefully synchronized stationing plan and limits our ability to provide the necessary strategic depth, improve readiness, and meet global commitments, while providing our soldiers and families the quality of life they deserve.

We look forward to working with the subcommittee to ensure the Army has the infrastructure necessary to meet our global demands, grow the Army, and sustain the all-volunteer force. Our soldiers and their families deserve nothing less.

Thank you again for your continued support. I look forward to your questions.

FISCAL YEAR 2008 BUDGET EXECUTION

Senator REED. Thank you, General Wilson.

Let me begin the questioning. Secretary Eastin, you've already noted that this a significant increase in the request—doubling, basically—for the Army, and then there's additional $8 billion in BRAC funding, which is projected to come online, which raises the obvious question—are you capable of executing and spending all this money in an efficient fashion, going forward?

MILCON PROCESS

Mr. EASTIN. We believe we are. The Army Military Construction Project process has been going through a transformation where we believe that our construction will be much more efficient in terms of uniform designs, one design for barracks around the country, modified instead of redesigning it for each and every installation,

some modular construction, and manufactured buildings that are hauled to the site. So, basically we get down to our problems being site prep in themselves, which is kind of standard.

But, the Corps of Engineers has been tasked to speed up the process. We have not been sitting around on our hands, this has all been very carefully planned out. You know, we get some hiccups when supplementals don't come and some projects start late, but currently—and I've checked this as of last night—all of our BRAC moves and construction is on schedule. Don't ask me next month, but right now it is and I believe we will not have any difficulty, on the assumption that we get a supplemental or, as I think has been widely indicated to the hill, we are down about, a little more than $2 billion in the BRAC account that did not survive and I believe is included in the supplemental. So, as soon as we can get that, it's going to assure our ability to do this.

Senator REED. What's the impact on construction cost? You've got a big ramp-up focused in some key installations. Do you anticipate construction costs to be beyond the estimate?

Mr. EASTIN. We've taken most of that into account. Of course, that's mostly what's happened in the gulf States due to demand created by Katrina, has impacted some of this. But I believe that currently those impacts are known and have been programmed for within our MILCON request.

GROW THE FORCE STATIONING

Senator REED. You've, we've talked about the Global Defense Posture Review and, in that regard, planning to return 50,000 from overseas to the United States, then simultaneously you have a Grow-the-Force initiative of increasing the absolute size of the Army. Will the Grow-the-Force initiative alter your plans to redeploy troops back into the United States?

General WILSON. Mr. Chairman, as of right now we're staying on plan for the GDPR and BRAC, as is, by BRAC law. We, our initial Grow-the-Force decisions and recommendations we have made in 2007 with the $400 million in supplemental and the $2.3 billion in 2008, we have looked at combat support, combat service support shortfalls, generally, as those forces, within CONUS. So, we haven't impacted on that now, we are continuing to assess the impact of where to place the brigade combat teams and we're looking at all available space for that. But, right now, we have not made any decisions and the senior leadership of the Army has not made any decisions to do otherwise.

Senator REED. So, you're still looking at the issue. There's a possibility, remote, that you might have to delay some of the redeployments because of facilities, is that fair?

General WILSON. I would put it like this, Mr. Chairman. With the extension of time in overseas, the 15 months and things, it's going to have some adjustments on the redeployment of some of the 1st Armored Division units back to the United States. And, we're still assessing that. As you know, we have a new Chief of Staff of the Army and he has not been fully read in and made the decisions on where to go in the future.

Senator REED. Thank you, General Wilson.

RESERVE COMPONENT FISCAL YEAR 2008 PROGRAM

As I alluded to, and as Senator Hutchison alluded to, the regular Army MILCON budget has seen a robust growth, but Reserve and National Guard requests have actually shrunk a bit.

And so, I'm going to ask General Burford and General Sherlock, I understand the Guard requested 25 projects and the Army Reserve requested only eight projects nationwide. Do you think that these are adequate to accomplish your mission? And to not only maintain your infrastructure, but to significantly upgrade it, given the role of both the Guard and the Reserve in combat operations? General Burford?

General BURFORD. Sir, we do. If you look at the bare numbers on the requests in the Army National Guard from fiscal year 2005 to 2008, you could draw the conclusion that there is a downward spiral. But, if you look at the other funding that comes through to the Guard, you'd also notice in fiscal year 2006 the hurricane supplemental was more than the request itself. Likewise, there are monies in the BRAC that flow through in 2008 that will create a project envelope, we think, which meets the Army's needs and the directions they've given us to modularize and transform our force.

Senator REED. General Sherlock, your comments?

General SHERLOCK. Sir, we think our 2008 military construction request is adequate. With the reduction of the program as a result of the reprioritization of Army construction programs based on BRAC and GDPR, our request for 2008 will support our readiness force.

Senator REED. Let me go back to, General Wilson, to the Grow-the-Force initiative. You know, even with these huge appropriations, there's always a need to find money. And, the question is, and I'll raise it as, are some of these National Guard and Reserve projects being used as bill-payers for the Grow-the-Force initiative?

General WILSON. The answer is no, Mr. Chairman, it's not. We, when we did our assessment for the POM and up through the BRAC year of 2011, that was all before the Grow-the-Force decision. And, we still have those. And some of those are unfunded until the remainder of the BRAC bill is funded. We are looking at rebalancing and total operational and support requirements in the Grow-the-Force decisions.

MILITARY CONSTRUCTION IN ITALY

Senator REED. In my final remaining time, General Wilson, just a status report on Vicenza. Last year the Army request included $223 million, the total of $275 million request for Dal Molin, and this year's budget request is for $173 million. That's nearly $400 million in 2 years and, does the funding for this year's project complete the Vicenza request?

General WILSON. Yes it does, Mr. Chairman.

Senator REED. And are your plans to relocate the 173rd Airborne on track with respect to Italy?

General WILSON. We're still waiting for the signed document from the minister of defense, although we have verbal information that he's going to sign that. And, as soon as that's done, and of

course, resources are there, we're going to then relocate the four units from Germany to Dal Molin.

Senator REED. Right. There still seems to be some question through the ministry of defense and the Government of Italy, at least, questions and concerns is that fair to say, in terms of the redeployment? Secretary Eastin, you might want to comment.

Mr. EASTIN. We are in daily contact with them, and have been assured by some of the highest levels in the Italian Government that this will not be a problem. And, in fact, we are planning to get into the ground with construction, probably late August, early September. We've been told there are ongoing meetings there, and I think we're probably within 10 days of having a signed document.

Senator REED. Thank you very much, Mr. Secretary.

Senator Hutchison.

GDPR/BRAC EXECUTION AND TIMELINE

Senator HUTCHISON. Thank you, Mr. Chairman. I just want to put a fine point on the first question that was asked by the Chairman, and that is—in the supplemental, we do have the rest of the BRAC funding, which was a commitment made to me, on the floor of the Senate, by the chairman of the Appropriations Committee, and that commitment is being met.

And, if you get that funding, is the answer that you gave to the chairman that you will be able to stay on time to finish the BRAC requirements for the Army by 2011?

Mr. EASTIN. As I tried to indicate somewhat cutely—don't talk to me next month, but right now, we are, and we believe we can if we get funding here in the next couple of months, or so.

But, we have a lot—as I indicated before—we have 1,300 separate moves, and they're all integrated, it's like a pile of pick-up sticks, if you pull one of them out, a lot of them move around. And, when you pull out the factor of trying to get some design work done this year for a project next year, or try to get a project going that was designed last year. And we had planned funding in the January-February timeframe, and it's not there, it complicates things. But, right now, we're on track.

Senator HUTCHISON. Well, thank you, we certainly intend to try to keep on track from now forward. I think that the chairman and I agree on that.

And, I would like to have you report to us if you are getting off-track, in any significant way. I realize that month to month you may have fluctuations, but we would need to know that.

Mr. EASTIN. Yeah, my office tracks these things every couple of weeks, we get updates on them, and I will be happy to do that. I know you have a proper oversight responsibility in this, and we're looking for a lot of money, so we'll be happy to share that with you.

Senator HUTCHISON. General Wilson, another fine point I want to put on the chairman's question. When Under Secretary Grone was at our previous hearing, he committed that the re-stationing would stay on track. Now, that initiative was started by this subcommittee, Senator Feinstein and after visits to foreign bases, particularly in Germany, and after reviewing the military construction requests, which indicated that having so many small bases was not efficient. We worked with the Department of Defense and the ini-

tiative was made there to do the re-stationing back to America for training purposes and efficiency.

Are you saying to this committee, also, that that re-stationing is going to stay on track?

General WILSON. Senator, they're continuing overseas with their relocation plans, and turning over bases, and consolidating bases, based on the BRAC GDPR decision and law. I'm also saying, we are assessing—the senior leadership of the Army—is assessing where to place units for Grow the Army, and they haven't restricted anything, but they have not reopened any changes to the re-stationing plan.

Senator HUTCHISON. Well, if there is any beginning initiative to change what you have announced, I would want to be notified, and I'm sure the whole committee would, because the whole strategy of bringing people home for training, and for efficiency, I think, is the right one, and adding the Grow-the-Force, plus the re-stationing, does mean that 90 percent of our Army will be housed in America. And I think that's a good thing.

So, I hope there is no backtracking of that, and I know there has been pressure from some of the mayors of German towns and that sort of thing, but we think it is in the best interest of America to have the big bases that you are keeping there, because they are efficient and important, but that we continue working on closing the others, and re-stationing back here.

General WILSON. I clearly understand.

GROW THE ARMY INITIATIVE

Senator HUTCHISON. General Wilson, there is $18 million in the emergency supplemental for facilities at Fort Hood, as part of the Army's Grow-the-Force initiative. I don't know if you're familiar with this, but Fort Hood, actually, in BRAC, lost troop strength, because of movements out of Fort Hood, and it is one of our largest Army bases in America. And, I certainly know that they operate more efficiently at the higher level, the 50,000 to 55,000 level. Is there a plan to put some of the additional 65,000 in the Grow-the-Force initiative at Fort Hood?

General WILSON. Senator, we've decided—we're putting 176 soldiers, four explosive ordinance detachment (EOD) companies there, that decision was made at $18 million for projects and construction for 2007. That was combat support and service support units that we talked about earlier that we needed high-demand low-density units.

We're putting four EOD companies there, in 2008 we're building, putting another $46 million into unit operation facilities, and in barracks, another $45 million to facilitate that growth. The other decisions have yet to be made on the brigade combat team.

Senator HUTCHISON. Approximately how many soldiers would be involved at this point in your projections in growth at Fort Hood?

General WILSON. The only decisions that have been made thus far in 2007 and 2008 with the Grow-the-Force dollars, have been those 176 soldiers from the four EOD companies.

Senator HUTCHISON. But in the future, as you're looking for spaces, I would assume Fort Hood would be on the list?

General WILSON. Absolutely. And as you recall, we're moving one of our brigades there temporarily now, to build it, in order to meet operational requirements overseas.

Senator HUTCHISON. Fort Bliss is already slated to receive a large number of the troops coming back from Germany. Is it slated for any of the Grow-the-Force troop structure increase?

General WILSON. Yes, Senator, it is. In 2007, three EOD companies, 132 personnel, one MP company, 171 personnel, and engineer company, 191 personnel, and an EOD battalion headquarters of 36 people. That's about $12 million, $13 million, $2.5 million and $5 million in construction.

In 2008, we're placing another $84 million of construction there for the Army Evaluation Task Force.

Senator HUTCHISON. Thank you.

General WILSON. So, those decisions have been made in the combat support, combat service support arena.

Senator HUTCHISON. I'm sorry, my time is up, but I have one more question which I'll submit. Is that okay?

SOUTHCOM HEADQUARTERS

Quickly, one of the things that we've tried to do in this committee is, where possible, not invest in expensive real estate for bases. I'm talking about, now, the U.S. Southern Command, SOUTHCOM, in Miami, and I think that the Army did a great thing at Ellington Field, moving out of expensive real estate in Houston, to a bigger area that would be more efficient.

I was going to ask you, did you consider for the SOUTHCOM headquarters MacDill AFB in Tampa, or Homestead Air Reserve Base in South Miami, Dade County, as alternatives to the more expensive location in Miami?

General WILSON. Senator, I know that the two, that the SOUTHCOM Commander, Admiral Stavridis was most interested in was either Homestead, or in Miami. And, his recommendation was Miami, for several operational reasons. And that is the location, of course, they submitted that we supported for, to take those 8 of the 9 leased facilities, and can consolidate them into that one new structure.

Mr. EASTIN. Senator, if I may, the land was contributed to the Army on a 50-year lease by the State, so there is no land cost there, this is pure MILCON. I think the land cost was about $200 for some sort of deed transfer or something like that. But, I mean, they wanted to keep us in Miami, we wanted to be in Miami, there's a lot of other related operations there. And to consolidate them under this plan worked well for SOUTHCOM, and I think was quite cost-effective.

Senator HUTCHISON. I may have another question on that, but my time is up. Thank you very much.

Senator REED. Thank you very much, Senator Hutchison, Senator Nelson?

NATIONAL GUARD FACILITIES

Senator NELSON. Thank you, Mr. Chairman. And, good morning and thank you for your service to our country.

I recognize that the budget is stretched thin, and we are going to have to make the best judgments we can about where we build, how we build and how we structure our force.

I've not been a fan of the BRAC, because I've always felt that what we've made decisions on is the economics, rather than need first. And I would prefer to see needs established first as the driver for where the facilities are, or where the facilities aren't, rather than as just a matter of reducing costs.

In that connection, I'd like to ask some questions, though, about BRAC and the Grow-the-Force initiative as it relates to National Guard facilities. It's my understanding that the Army is inserting both BRAC projects into the Army National Guard's MILCON projects, as well as Grow-the-Force projects, and that this has resulted in delayed funding for projects identified as critical by the adjutant generals and the Governors to the out-years of fiscal year 2012 and fiscal year 2013.

ROLE OF GOVERNORS/TAGS

I've been told that this all happened without the consultation of the Governors, and/or the adjutant generals. And, as a former Governor who spent a great deal of time working with my adjutant general, and had need of the use—unfortunately the need and use of our National Guard in Nebraska, I just wonder if this is accurate.

And I guess I would ask you first, Secretary Eastin.

Mr. EASTIN. I don't believe that is accurate, and Major General Burford can discuss this a little bit more, but it is our goal to work with each of the States. The Guard itself is a very important part of our force, both here and out at the point of the spear. So, we are not trying to short-change any of these, or to sidestep any of the State authorities. I think they play an important part in this, and will continue to do so.

Senator NELSON. General Burford, when I talk about consultation, I'm not talking about you tell them what's happened, I'm talking about true consultation, before a decision is made.

General BURFORD. Sir, we have a specific process our Guard has to go through in order to site and execute projects. Of course, you're aware that the Governor has the statutory authority to position his or her Guard Units.

As you might imagine, with 54 States and territories the list of wants and needs is greater than the ability to satisfy that.

We also have to look forward to what the Army sees the Guard providing as a force in the future, and even in this year's list, you might look at the 30-odd projects and see 13 occurring in one State simply to support the Stryker brigade combat team development. We have to be responsive to the direction and the path that we're aimed toward. Occasionally that will cause us to change and alter what we thought were our long-range plans because, as you know, we're under a 6-year FYDP planning requirement, which is different from the other components. It makes it very challenging.

Senator NELSON. Well, I understand that, but can you tell me that this was discussed with the Governors, and/or the adjutant generals before any of the decisions were made?

General BURFORD. Sir, I think the process was probably evolving too rapidly for the Governors and their staffs to discuss adequately. It happened very quickly. The Army National Guard and the National Guard Bureau discussed it to the best of their ability in the time allowed.

ARMY NATIONAL GUARD MILCON BUDGET PROCESS

Senator NELSON. Well, about 15 years, for 15 years, the Installation Restoration Program has been in place to ensure fairness in military construction during funding distributed through the States for the Army National Guard, Congress had oversight in establishing the IRP, and the Governors and adjutant generals approved it. It appears that, if this hasn't been disregarded, it certainly wasn't given the full spirit or application that was intended for the last 15 years.

General BURFORD. I think you're referring to the IRP, the Infrastructure Requirements Plan. Yes, sir, it was. Those projects were given a score based on need, on the age of the facility they might replace, any safety or health consequences, and the priority the adjutant general may have placed on that project. That gives us a list of at least 108, to which the Army National Guard adds up to 5 annually. Those have to be folded into the transformation necessity of the future, and how quickly we're asked to get to that position, as well as the limitations of the BRAC calendar, as laid out for us to meet.

It's a dynamic process that changes every year. Some of the projects that we have come in on forms called 1390, sometimes those are incomplete. Sometimes the completion is not accomplished until after the need to evaluate those, and rank order those projects. It's very challenging.

Senator NELSON. Well, I understand that, but I guess, my whole question is, there doesn't really seem to be a significant level of consultation with the Governors, because I don't have any Governor telling me that they were consulted to any significant degree about any of these decisions. And, that's my concern. That's been my concern with the BRAC, among other things, it's my concern with force structure changes and the decisions that are going to be made in bringing back troops from across the board, all over the world. That there isn't the full discussion going on with the governors. It's a decision made in the Pentagon that's passed down, and it's already a fait accompli by the time they're even made aware of it.

General BURFORD. Point taken, sir. I can't personally speak for who got told what and when and when the decision points were, but I would tell you that the process happened very, very quickly, and answers were required before consultations could be fully executed with all of the States involved.

Senator NELSON. Well, would it be possible for somebody to find out for me when that contact was made and who it was made with, and by whom?

Mr. EASTIN. I will, we'll chase that down and get it up to you or your staff.

Senator NELSON. Sure.

Mr. EASTIN. Thank you.

[The information follows:]

ROLE OF THE GOVERNORS AND ADJUTANTS GENERAL

As the statutory channel of communications with the States, the National Guard Bureau is in regular and ongoing communication with the Adjutants Generals (TAGs) and Governors regarding the requirements and concerns of the States and territories. The National Guard Bureau channels those requirements into the Department of Defense processes for prioritizing military construction projects and other spending needs. Requirements emerging from BRAC are considered in this process as well and may be prioritized more highly than other requirements. However, because Department of Defense (DOD) policy prohibits the release of budget materials during the internal DOD budget deliberations, the TAGs and Governors are not formally involved in the actual budget formulation process. Nonetheless, I can assure you that their ongoing input on their needs and requirements was weighed very carefully in the formulation of the budget request. Unfortunately, this limitation and the extremely short timeframe did not afford the opportunity to advise States of the impact on their projects before the official notification that came with the publishing of the fiscal year 2007 President's Budget in February 2007.

Senator NELSON. I would appreciate it. Don't mean to be argumentative, I just want to make sure that this is being handled in the way that we expect it to be handled, and the way the Governors expect it to be handled, handled with the reliance on the Guard as an operational force, as opposed to a supplemental force today, I think it's probably more critical than it, perhaps, it's ever been.

General BURFORD. And we would agree, sir. We fight tooth and nail for what we think is our ability to station and fund a force that's adequate for the future, as well as today. In the budget proposal for fiscal year 2008 you'll find that the National Guard has put in a wedge for growing the Army. So, we're trying to look ahead to what the needs are before it becomes an emergency.

FISCAL YEAR 2008 MILITARY CONSTRUCTION, NATIONAL GUARD BUDGET

Senator NELSON. Now, it's my understanding the MILCON budget for the Guard has been reduced by about $400 million, and I know my time's up—is that accurate?

General BURFORD. You said reduced by $400 million?

Senator NELSON. I think by $400 million. This has, this for the repositioning of the troops coming in from Europe.

General BURFORD. Not to my knowledge, sir. The Guard part has not been reduced.

Senator NELSON. All right, what we'll do is we'll flesh this out a bit more, submit a question for the record and get a response back.

General BURFORD. Absolutely.

[The information follows:]

NATIONAL GUARD MILCON BUDGET

The Army National Guard Military Construction budget was not reduced by $400 million.

STATEMENT ON BEHALF OF THE ADJUTANTS GENERAL ASSOCIATION

Problems

MILCON for the National Guard has been historically under funded. We need $1.5 billion per year in the Army National Guard (ARNG) and $250 million per year in the Air National Guard (ANG) for a period of not less than 20 consecutive years

to buy down the backlog to recapitalize (revitalization and requirements dollars) to sustain an operational reserve force across the Nation.

DOD Base Realignment and Closure (BRAC) has been severely under funded. The Department of Defense (DOD) is moving State priority projects from the Future Years Defense Program (FYDP)to pay for the BRAC program.

Transformation of the National Guard for missions required for the Global War on Terrorism, Global Defense Posture Realignment (GDPR), Army Modular Force Transformation, Grow the Army, Total Force Initiative (TFI), and other initiatives, require additional facilities. Any construction required by DOD initiatives must not deter from established programs identified in Problem 1, above.

Discussion

Historically, MILCON for the National Guard has been severely under-funded. The result is that our facilities are not meeting the recommended quality (C–2) requirements as outlined in the DOD regulations. Further, we have not met the requirements to build the mission-critical facilities we need to provide an operational reserve force to meet the Guard mission.

The DOD is attempting to significantly alter and reduce the MILCON program for the Guard in order to cover implementation of BRAC and other initiatives. The ANG was decremented by $300 million in the fiscal year 10–13 FYDP. The ARNG was decremented by $1.5 billion in the fiscal year 2008–13 FYDP.

In comparing the programs, the ARNG was decremented 9.8 percent at the same time that others in the Army were increased 26.2 percent and the Army Reserves were increased by 10.1 percent.

By law, the Governors and Adjutants General identify and prioritize projects for the Future Years Defense Program (FYDP) to meet State and DOD mission requirements. This process is necessary to ensure that National Guard and State considerations are included in military facility preservation and modernization efforts.

We are opposed to significant changes in the MILCON process to recover money for other programs and initiatives.

DOD is unilaterally determining which projects will be deleted from the FYDP or moved to out years and inserting projects, which are not the most mission-essential as determined by the States.

States not previously impacted by BRAC stand to lose vital projects that will set back modernization efforts for years. States impacted by BRAC may lose projects of higher priority in their States than BRAC-directed projects.

The BRAC process must proceed as directed by law, however its implementation should not come at the expense of mission-essential facilities in the National Guard. Further, we are concerned that DOD, by their actions, may be usurping the intent of the law (32 USC 104) that "each State . . . fix the location of the units and headquarters of its National Guard."

Recommendations

Fund the Military Construction Program for the National Guard at $1.5 billion per year for the ARNG and $250 million per year for the ANG for 20 consecutive years to recapitalize, revitalize and sustain facilities.

The Adjutants General are very supportive of the DOD initiatives and programs, but those programs should come with their own funding.

We request that Congress direct DOD to find alternate ways to execute their BRAC program and other initiatives without diverting MILCON funds from Guard mission-essential facilities.

Submitted on behalf of the Adjutants General Association of the United States. Information was supplied specifically by the Infrastructure/Facilities/Information Technologies Committee.

Senator NELSON. Thank you very much, I appreciate it.

Senator REED. Thank you very much, Senator Nelson, I think there will be several questions for the record, which we'll get to you as promptly as possible, and ask you to reply as promptly as possible.

Senator Allard.

Senator ALLARD. Thank you, Mr. Chairman. I'd ask unanimous consent that along with my opening remarks here in the committee, that we submit for the record, a memorandum dated April 13, 2007, to the Colorado Gubernatorial and Congressional Delegations, and its accompanying information page.

PIÑON CANYON MANEUVER SITE (PCMS)

Secretary Eastin, in February, Under Secretary Krieg granted a waiver on the land acquisition moratorium regarding the expansion of Piñon Canyon. This waiver now allows the Army to interact with the community on these issues. But, in the past, you were prevented from doing so.

Now, this is an important step, and involving those that would be affected firsthand by this potential expansion. Despite the progress, a great deal of concern still exists within the community about this potential expansion, particularly on the need for this site, and the importance of Piñon Canyon.

Now, the report issues by the Army in compliance with fiscal year 2007 Defense Authorization Act, stated the Army reached the decision to expand Piñon Canyon primarily as a result of your strategic shift, and plan for transformation, which includes a change to more modular brigade combat teams. Additionally, the increase in new soldiers, as a result of BRAC, contributes to the need for the expansion.

Due to the shift to modularity, each brigade combat team requires about 95,000 acres more of training land, more land than it did before. Now, here's the question—is it fair to conclude that primary reason for expansion of the Piñon Canyon maneuver site is to better suit the Army's transformation plan for the 21st Century, as well as the addition of another brigade combat team at Fort Carson?

PIÑON CANYON

Mr. EASTIN. Yes, Senator, as I think we've discussed before—especially with Stryker brigades and other heavy equipment—they travel a lot faster, a lot wider, they maneuver in groups that basically eat up a lot more land, and some of the old training facilities are insufficient for that. I think, overall in the Army, we have identified needs of about 5 million new acres. We're not, of course, looking for all of that at Piñon Canyon.

But, this is operationally driven, and it is close, Piñon Canyon is not adjacent to, but within driving distance of Fort Carson, which is a major installation, and we wanted to continue it to be a major installation. So, we've identified land around the country, that is necessary to improve our training ranges, and our training capabilities in Piñon Canyon was one of those, that's why we're increasing the size, or are proposing to.

Senator ALLARD. Now, would you speak to the uniqueness to the Piñon Canyon, and its importance to the Army? I've been told that Piñon Canyon resembles the mountainous terrain of Afghanistan, could you elaborate, perhaps, a little more on its uniqueness?

Mr. EASTIN. This is probably not in my lane, I have had the pleasure of being out in Piñon Canyon, I have not had the pleasure of being in Afghanistan, and I would hesitate to condemn the good citizens of southeast Colorado, as being part of Afghanistan, but——

Senator ALLARD. General Wilson, do you want to comment?

General WILSON. Yes, Senator, thank you. I had the pleasure of commanding Fort Carson for almost 2½ years, I had a great oppor-

tunity to spend time in Piñon Canyon, and it's got a full range of environmental conditions there, terrain—high terrain, like you would see in Afghanistan. It's got open terrain, so you can train full-spectrum operations there, and you can train people from the Special Forces like 10th Special Forces Group, as well as armored and light infantry units, and aviation units. So, it's an exceptionally good training area, that tracks well with our modular force conversion, which is a required, it's a bigger footprint and larger terrain areas, and a larger footprint that's going to Fort Carson.

Senator ALLARD. And that's—that sets it apart from your other training areas.

General WILSON. We have other training areas like that that have the space, but not necessarily the range of geographic locations like we just discussed, yes, sir.

Senator ALLARD. Thank you. I appreciate you responding to that.

ADDITIONAL ACREAGE

Now, back to you, Secretary Eastin, there's about—when we get done with the total plan, I'm understanding about 724,000 acres—you're immediately trying to acquire 418,000 acres more for the expansion. Do you visualize any plans to go beyond the 418,000 targeted acres now for expansion?

Mr. EASTIN. We have no current plans at all to go beyond that. We've got 235,000 acres now, we would be adding 418,000 acres. I need to stress that this is going to be a very long-term proposition. The first 250,000 that we're proposing to acquire, we've only put in our POM (program objective memorandum) enough money to go through 2013, so——

Senator ALLARD. Two hundred and fifty thousand acres—

Mr. EASTIN. By 2013, so——

Senator ALLARD. And then there's 168,000, you just don't have any idea?

Mr. EASTIN. Not yet.

Senator ALLARD. That probably is based, a little bit, on willing sellers, right?

Mr. EASTIN. Yes, exactly.

Senator ALLARD. Your recent information memo stated that an environmental impact analysis would be conducted during the NEPA environmental process, I appreciate your effort in doing that. I don't think we picked up when that analysis—when you would anticipate it to be complete?

Mr. EASTIN. Well, to answer your question straight up, probably about 18 months from now.

Senator ALLARD. I see.

Mr. EASTIN. But we have to do some planning to figure out what exact acres we want. We will be discussing this with the community down there, which acres we want and where we would prefer them. And then you have to do an environmental impact statement to determine what alternatives there might be locally for moving in one particular place or another place, and how that impacts both the environment, air quality, historic sites, that sort of thing.

Senator ALLARD. Now, in the terms of economic impacts, would the Army—are they willing, or are they looking at a permanent

party station in the area, as a commitment to bringing infrastructure dollars to the region?

Mr. EASTIN. At the moment, we are not looking for anything significant in the way of permanent party there. Very few people are needed on the land to maintain it. But in terms of bringing a brigade down there or something, that is not currently planned.

Senator ALLARD. Okay, now there's forest land there that's been incorporated into the total area that you're looking at for purchasing. Has the Forest Service been approached at all, and how serious is your consideration in the use of some of the forest land?

Mr. EASTIN. I don't know—excuse me—I don't know if they've been approached, we've looked at their land, and it is not exactly where we would like it. We will include that in the environmental impact studies that we were performing to see if some of that can be used. I would prefer to, personally, use other Government land, and not take things out of private property if we can help it, but we still have to study on whether that land is appropriate for what we need to do down there.

Senator ALLARD. And, my understanding is you're—as you're trying to expand, your basis will be willing seller/willing buyer, is that correct?

Mr. EASTIN. That's our strong basis, I know that's been a concern of the community, and it's a concern here. We like to be good neighbors, and being good neighbors doesn't mean taking their land, so.

Senator ALLARD. Thank you for your comments.

Thank you, Mr. Chairman.

ADDITIONAL COMMITTEE QUESTIONS

Senator REED. Thank you, Senator Allard.

Gentlemen, thank you for your testimony and for your service to the Nation and the Army, and they'll be a few questions, I think, the panel will submit, and we'll ask for your prompt response. Thank you very much.

Mr. EASTIN. Thank you.

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

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

SPRING VALLEY FORMERLY UTILIZED DEFENSE SITE

Question. Mr. Eastin, it is my understanding that your office is the Executive Agent for Formerly Utilized Defense Sites (FUDS), with the U.S. Army Corps of Engineers' having Program Execution responsibility.

Please describe the work activities scheduled for the Spring Valley FUDS for fiscal year 2007.

Answer. This fiscal year's primary work activities include: removing munitions from a known disposal pit at an American University (AU)-owned property; removing arsenic-impacted soil from approximately 25 residential properties; digging test pits on another AU-owned property to determine whether it contains munitions or munitions debris; continuing the groundwater investigation which includes installing 10 new wells, and sampling wells and creeks; and conducting geophysical investigations on approximately 17 residential properties and clearing metallic anomalies on 7 previously investigated residential properties.

Question. I understand that the Army Corps of Engineers is projecting a project closeout for the Spring Valley site in 2011. Please describe in detail what work remains, including associated costs to complete and timeframe.

Answer. The following table describes remaining work and associated costs to closeout the Spring Valley Site in 2011:

[In millions of dollars]

Project Activities Remaining	Timeframe (fiscal year)	Amount
Glenbrook Road Munitions Recovery	2007	8.7
Glenbrook Road Test Pits	2007	2.4
AU Property Leases	2007	0.3
Arsenic Grids near AU Hughes Hall	2007	0.6
Residential Arsenic Soil Removals	2007–2009	9.7
Residential Geophysical Investigation	2007–2909	8.1
Groundwater Investigation [1]	2007–2009	1.6
Public and Stakeholder Outreach	2007–2011	1.5
Soil and other Media Sampling/Remediation	2007–2010	2.5
Property Impact Reimbursements	2007–2009	0.5
Remedial Investigation/Feasibility Study Report	2007–2011	1.5
AU Landscape Damage Reimbursements	2008	1.3
Ordnance Disposal	2008	2.4
AU Public Safety Building Remediation	2008	1.8
Dalecarlia Woods Geophysical Investigation	2009	0.9
Dalecarlia Woods Intrusive Investigation	2010	2.7
AU Trees Reimbursement	2010	0.8
Project Closeout	2011	2.0
Long Term Monitoring	2011–2050	0.8
Total Cost		50.1

Assumes no groundwater remediation is required.

Question. Is the Corps continuing to search for remaining munitions and contaminants? Is it likely that this clean-up effort could go on well beyond the projected closeout date of 2011 and the costs to complete the effort could increase dramatically?

Answer. The U.S. Army Corps of Engineers (USACE) is continuing to search for remaining munitions and Department of Defense (DOD)-related contaminants. If a significant amount of ordnance or DOD-related contamination is discovered beyond what is presently known, the projected 2011 close-out date could be extended.

Question. I understand that the Department established an $11 million annual baseline for the Spring Valley FUDS in 2002, based on known requirements and estimates that were valid at that time. Given new information from the Corps that indicates a high probability of buried hazardous material affecting the American University (AU) Public Safety Building, the AU Admissions Building, the AU President's residence, and an adjacent residence owned by AU, is there cause for the Department to develop a new large-scale review of the Spring Valley FUDS to determine the full extent of the contaminants and to re-baseline the annual funding level for the Spring Valley FUDS, accordingly?

Answer. The USACE believes that the current baseline funding with periodic plus-ups such as the $3.0 million provided for fiscal year 2007 and other funding in previous years will be adequate to complete the current known workload at the project area by 2011. This schedule is based on addressing Spring Valley in a timely manner without severely impacting other competing FUDS Military Munitions Response Program priorities.

Question. Does the Department have the ability supplement the $11 million for the Spring Valley FUD on an as-needed basis?

Answer. Supplements to annual funding projections for Spring Valley have been made on an as-needed basis through reallocation of dollars within the annual FUDS appropriation. This has resulted in the deferment of funding for cleanup of other FUDS properties.

Question. What is the Corps' full capability for this project in fiscal year 2008?

Answer. USACE has the capability to perform additional work in fiscal year 2008 at an additional cost of $7.9 million above the fiscal year 2008 baseline amount of $11 million. USACE would advance the execution of several of the work activities currently scheduled for fiscal year 2009 and fiscal year 2010. Again, this action would be at the expense of delaying cleanup activities scheduled for other FUDS properties if no additional program funding is appropriated.

Question. Please describe what authority the department has to provide compensation to individuals and organizations impacted or displaced by FUDS activities.

Answer. The USACE is authorized to reimburse property owners of properties which undergo investigation and remediation activities for the independently appraised values for landscape items which are damaged or destroyed. In some cases, the USACE relocates residents from their properties and covers the expense of temporary lodging or leasing of the property if the remediation activities render the dwelling temporarily uninhabitable.

Question. What compensation has been provided to the residents of Spring Valley neighborhood and American University for the major disruption this project has had upon their property and to the operations of the university?

Answer. Direct reimbursements have been made to compensate affected property owners for damaged and destroyed landscape items due to investigation and remediation activities and for temporary lodging or leasing of a property if required. Since 2000, we have spent approximately $6.8 million on damaged and destroyed landscape items, temporary leases, or easements on properties and relocations. AU has been reimbursed $572,000 for Child Development Center relocation and playground equipment, and for AU-owned property leases and damage reimbursements.

Question. When the Corps remediates a property or structure within a FUDS, is it required to restore the property or structure to its original stature?

Answer. The USACE performs restoration at properties which undergo remediation activities (backfilling, grading, new sod, etc.) and reimburses the property owner for the independently appraised value of any and all landscape items which are damaged or destroyed. On a rare occasion where there may be damage to a structure related to our investigation or remediation efforts, the structure would be restored to its original condition.

Question. In June 1995, the Corps issued a report, with concurrence from the Environmental Protection Agency, concluding that Spring Valley was safe after a two-year effort to clean up munitions, arsenic contaminated soil, and other contaminates that were discovered in 1993. I understand that the Corps reopened the Spring Valley case in 1998 at the insistence of the DC Department of Health and expanded the investigation to include every property located in the Spring Valley FUDS boundary. As we are all aware, this investigation revealed much more work was yet to be completed on the Spring Valley FUDS and the Corps is now in the second phase of clean up for this FUDS.

When the cleanup is determined to be complete for current ongoing tasks, how does the Corps intend to monitor affected sites?

Answer. The USACE plans on conducting long term monitoring of the site in consultation with regulatory agencies and partners.

Question. If, after the stated completion of the cleanup, additional munitions, chemicals, or other hazardous waste are detected in Spring Valley, will the Corps return to immediately undertake an additional comprehensive clean-up?

Answer. As the program executor for the FUDS program, the USACE would be able to respond appropriately to any future discoveries of ordnance or DOD-related contamination that poses an unacceptable risk to human health or the environment in the Spring Valley neighborhood.

QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

FORT HOOD

Question. General Wilson: You mentioned that 176 personnel are already slated to come to Fort Hood as part of the Army's "Grow the Force" initiative. Are these people going to be part of the permanent end-state population of Fort Hood? What do you project the end-state population to be at Fort Hood?

Answer. Yes, the previously mentioned 176 personnel, comprised of explosive ordnance detachment companies, will become part of the Fort Hood's permanent end-state population. Fort Hood's projected total population of 55,441 in fiscal year 2013 includes 40,799 military personnel, 5,188 U.S. direct hire civilians, and 9,454 others, such as other service and Department of Defense military and civilian personnel, private organizations, and contractors.

SOUTHCOM

Question. Mr. Eastin, Can you provide the committee with information that details why you chose not to locate this facility on land owned by the Federal Government? Specifically, what made MacDill AFB and Homestead ARB unacceptable?

Answer. MacDill AFB and Homestead ARB were considered mutually unacceptable due to the lack of proximity to international airports; 26 partner nation consulates; Coast Guard District 7 Headquarters; universities that collaborate on Latin American Studies (University of Miami, Florida International University, Florida Atlantic University); and Federal agency regional offices (Homeland Security, Justice, Drug Enforcement Agency, State, Treasury, and Federal Aviation Administration). Additionally, MacDill AFB and Homestead ARB are located within mandatory hurricane evacuation zones and lack sufficient land to accommodate a SOUTHCOM Headquarters facility.

MacDill AFB was also considered unacceptable because it is not located near housing communities in either Broward or Dade Counties, which would require moving assigned military and civilian personnel at government expense or cause them to seek employment elsewhere.

Homestead ARB was also considered unacceptable because of multiple quality of life considerations including housing, schools, and medical care. Although Homestead ARB has some facilities to permit co-use, there is a lack of nearby hotels to support exercises, contingencies, and conferences. Additionally, existing SOUTHCOM personnel would be required to relocate at their own expense or commute greater distances in highly congested traffic and incur a daily $6 toll fee.

QUESTIONS SUBMITTED BY SENATOR ROBERT F. BENNETT

DUGWAY PROVING GROUNDS

Question. I am concerned by what seems to me to be a perpetual lack of Army support for military construction projects at Dugway Proving Grounds in Utah. Dugway provides an essential service for the Army and the country, but from my perspective seems to be a very low priority. Of particular concern to me is the proposed Life Sciences Test Facility Addition. This project has been pushed back a number of times by the Army and is now scheduled for construction in 2012. Can you please provide me with a detailed explanation of the Army's decision making process with regards to this facility? Will this facility will stay on the FYDP for 2012 or do you anticipate further delays?

Answer. The Army is working to improve facilities and infrastructure at Dugway Proving Ground. The Army is currently completing construction of significant improvements to the runway and other features at the Dugway airfield. Over the last 6 years, approximately $60 million in military construction has or is being executed at Dugway Proving Ground, in addition to Army Family Housing and non-appropriated fund construction. The Joint Chemical and Biological Defense Program has also funded improvements to the old chemical lab along with other infrastructure to increase test capability at Dugway Proving Ground as part of the defense-wide program.

The Army Test and Evaluation Command submitted the Life Sciences Test Facility Annex as a high-priority project during the last military construction requirements data call and was able to retain the project in the Future Years Defense Program for fiscal year 2012. The Life Sciences Test Facility project is a Joint Chemical Biological Defense Program requirement, and the Office of the Special Assistant to the Secretary of Defense for Nuclear, Chemical and Biological Programs is working to establish a Defense-wide military construction program for the Chemical and Biological Defense Program.

Question. Additionally, I would like to get your assessment of the dining facility project at Dugway. As you know, the mission of Dugway requires that it be remotely located. The downside to the remote location is that personnel stationed there often feel isolated as it is not convenient to drive to the nearest town. The current dining facility is an antiquated building and does not serve the unique needs of the personnel at Dugway. The proposed new dining facility, which would double as a community center, would provide a welcome boost to morale and give personnel an acceptable option for dining and community events. When do you anticipate construction on this project will begin?

Answer. At this time, the dining facility project is scheduled to be programmed in the Army's fiscal year 2010–2015 Future Years Defense Plan.

DEPARTMENT OF THE NAVY

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

ACCOMPANIED BY:

MAJOR GENERAL JAMES F. FLOCK, ASSISTANT DEPUTY COMMANDANT FOR INSTALLATIONS AND LOGISTICS (FACILITIES)

REAR ADMIRAL MARK A. HANDLEY, NAVY, DIRECTOR OF ASHORE READINESS

Senator REED. Now, let me call forward the second panel.

Let me welcome our second panel, the Honorable B.J. Penn, Assistant Secretary of the Navy for Installations and Environment, Major General James F. Flock, Assistant Deputy Commandant for Installations and Logistics (Facilities), and Rear Admiral Mark A. Handley, the Navy's Director of Ashore Readiness.

And Secretary Penn, much like the Army's request, the Navy has requested an 80 percent increase in funding for military construction this year, and I hope to address this and other questions following your opening statement. Mr. Secretary, please go forward.

Mr. PENN. Mr. Chairman, members of the subcommittee, thank you for the opportunity to discuss the Department of the Navy's installations and environmental efforts. I am accompanied by Major General James F. Flock, and Rear Admiral Mark A. Handley.

Major General Flock has 32 years of distinguished service as a Naval Aviator in the United States Marine Corps. He now serves as the Deputy Commandant for Installations and Logistics. Major General Flock graduated with a Bachelor's Degree in Mechanical Engineering, and has a Bachelors of Arts in National Security and Strategic Studies. He has had extensive aviation assignments, flying the F–4 Phantom, and the F–18 Hornet aircraft, and has logged over 4,900 hours in tactical jet aircraft.

I personally met the General when he was in Okinawa when he was a wing commander, a few years ago.

Admiral Handley has 26 years of service in the United States Navy, he is the Deputy Commander of Naval Installations Command, and Director of Ashore Readiness, Office of the Chief of Naval Operations. Rear Admiral Handley has a Bachelor's Degree in Mechanical Engineering, and a Master's of Engineering in Construction.

Admiral Handley has served in a variety of facilities assignments in the United States Navy, and overseas, including deployment with the 1st Marine Expeditionary Force to Fallujah, Iraq for Operation Iraqi Freedom.

Both are highly-qualified subject matter experts.

I would like to briefly highlight a few topics that are discussed in more detail in my written statement.

Senator REED. Your written statement will be part of the record, Mr. Secretary.

Mr. PENN. Thank you, sir.

I am pleased to report a very substantial increase in investment for installations and environment programs in this budget. We are asking for a total of $11.5 billion in fiscal year 2008, an increase of $1.8 billion above last year's request.

I appreciate the efforts by the Congress to restore $3.1 billion for BRAC 2005 implementation in the fiscal year 2007 supplemental. The funds are critical to allow us to stay on track, and obtain the intended operational efficiencies, while minimizing further turbulence in the future of our personnel and communities affected by BRAC 2005.

We continue to finance our prior BRAC environmental clean-up and property disposal from the sale of other prior BRAC property. We have budgeted to spend the last of the $1.1 billion in land sale revenue in fiscal year 2008, while our cost to complete environmental cleanup on all remaining prior BRAC property has increased by $725 million since last year.

Most of the increase is due to the recognition last year of substantial low-level radioactive contamination at the former Hunters Point Naval Shipyard in San Francisco. The low-level radioactive material is buried underground, undetectable on the surface, and poses no risk to humans if left undisturbed.

We are working this issue with the city, the regulators and the congressional delegation.

I commend the Marine Corps for its commitment to eliminate by 2012, its barracks shortfall for their currently approved 175,000 personnel in-strength. The budget includes $282 million for 10 BRAC projects at seven Marine Corps base locations. The budget also includes about $950 million across the baseline and supplemental budgets for a mix of facilities to grow the Marine Corps permanent in-strength to 202,000 by 2011.

This initiative, which is separate from the current operations in Iraq and Afghanistan, will allow the Marine Corps to reduce the strain on individual marines by establishing a more stable deployment-to-dwell ratio, and enhance irregular warfare capabilities.

PREPARED STATEMENT

Both the Navy and Marine Corps are continuing family housing privatization efforts. Our investment of less than $600 million has attracted over $6.6 billion in private sector capital to eliminate inadequate homes for our sailors and marines with families.

The Navy is successfully applying privatization to improve housing for unaccompanied sailors, the Navy signed the first Department of Defense barracks privatization contract in December 2006, it's located in San Diego, and this project will provide 941 new two-bedroom, two-bathroom apartments and privatize an existing building. Construction will be completed in 2009.

The Navy is also in exclusive negotiation with the developer for a second barracks privatization project in Norfolk.

Thank you, Mr. Chairman.

[The statement follows:]

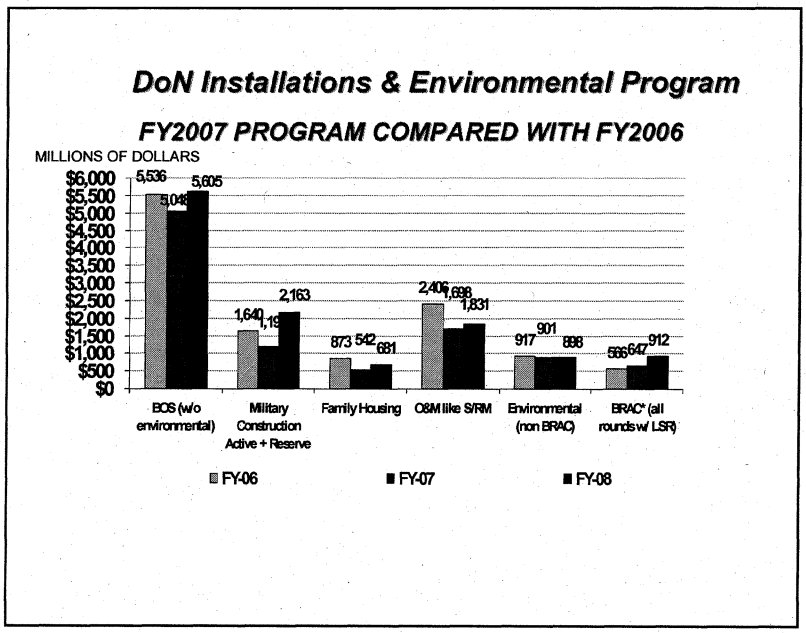
PREPARED STATEMENT OF B.J. PENN

Mr. Chairman and members of the committee, I am pleased to appear before you today to provide an overview of the Department of Navy's shore infrastructure.

THE NAVY'S INVESTMENT IN FACILITIES

The Department of Navy's (DoN) shore infrastructure is where we train and equip the world's finest Sailors and Marines, while developing the most sophisticated weapons and technologies. The DoN manages a shore infrastructure with a plant replacement value of $187 billion on 4.5 million acres. Our fiscal year 2008 shore infrastructure baseline budget totals $11.5 billion, representing about 8 percent of the DoN's fiscal year 2008 baseline request of $139 billion. There is an additional $410 million for facilities in the fiscal year 2007 global war on terror (GWOT) Supplemental, and $169 million in the fiscal year 2008 GWOT request. Together, that represents a $1.8 billion increase compared to the fiscal year 2007 request of $10.3 billion.

The Base Operating Support (BOS) request of $5.6 billion, excluding environmental, comprises the largest portion of the Navy'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; and custodial costs.



Our fiscal year 2008 request of $5.6 billion for BOS reflects a $558 million increase from the enacted fiscal year 2007 level. The Navy increase of $356 million and Marine Corps increase of $202 million will return capability levels to those executed in fiscal year 2005, restoring reductions taken during fiscal year 2007 that are unsustainable, particularly in the area of information technology and counter terrorism and security guards as we substitute civilian and contract personnel in place of military personnel.

The fiscal year 2008 military construction (active + reserve) baseline request of $2.2 billion is $992 million more than the enacted fiscal year 2007 level of $1.2 billion. The fiscal year 2008 request includes $59 million for Navy and Marine Corps reserve construction efforts. This level of funding supports traditional recapitalization projects for the existing infrastructure. It also provides facilities for 15 new Navy weapon systems, new facilities for the Marine Corps' plan to Grow the Force from the current 175,000 permanent end strength to 202,000 by 2011, and new bar-

racks to ensure that all unaccompanied enlisted Marines are suitably housed by 2012.

The fiscal year 2008 Family Housing baseline request of $670 million is $140 million less than the fiscal year 2007 enacted level of $810 million. Within this sum, there is $299 million for replacement family housing on Guam and Marine Corps privatization. Housing operations and maintenance funds decline to $371 million as government owned worldwide inventory of 26,335 homes in fiscal year 2007 falls by 15,481 homes to 10,854 homes in fiscal year 2008 due to privatization.

Sustainment, Restoration and Modernization (S/RM) includes military construction and operation and maintenance funds. Our fiscal year 2008 request of $1.83 billion represents only the amount of S/RM funded with Operations and Maintenance, and is $133 million above the enacted fiscal year 2007 level of $1.70 billion. Although fiscal year 2008 funding is 8 percent higher than fiscal year 2007, sustainment levels are lower because of inflation and an increase in modeled requirements.

Our fiscal year 2008 request of $898 million for environmental programs at active and reserve bases is comprised of operating and investment appropriations. This amount is about the same as the fiscal year 2007 request.

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

—Our fiscal year 2008 prior BRAC program of $179 million is $163 million below our fiscal year 2007 program of $342 million. The entire prior BRAC effort continues to be financed with revenue obtained from the sale of prior BRAC properties. We have not sought appropriated funds for prior BRAC since fiscal year 2005, however, the fiscal year 2008 program depletes the remainder of the land sale revenue received in previous years from disposing prior BRAC property.

—The fiscal year 2008 budget of $733 million to implement the BRAC 2005 recommendations is $434 million above the amount allocated by the Department of Defense (DOD) to the DoN following the reduction enacted in the House Joint Resolution 20.

Impact of House Joint Resolution 20

The Department of Defense has been proceeding with BRAC 2005 implementation through most of fiscal year 2007 under a series of Continuing Resolutions (CRs). The enactment of the House Joint Resolution 20 on 15 February provided an annual DOD BRAC 2005 appropriation, albeit at a substantial $3.1 billion reduction to the PB–07 $5.6 billion request. The DoN had received $66 million of the $690 million budget request under the CRs, with most of the funds provided in January. The duration of the CR, and the magnitude of the funding reduction, has severely complicated program execution.

The BRAC 2005 account is a DOD account. The Office of the Secretary of Defense has now allocated $297 million of the $2.5 billion appropriated by the Congress in fiscal year 2007 to the DoN, leaving us with a $398 million shortfall in fiscal year 2007. There is, however, no doubt that a 55 percent reduction from the President's fiscal year 2007 budget request will create substantial turmoil in all of the Services and Defense Agency implementation plans and schedules. Our BRAC 2005 design and construction projects represent 81 percent of the fiscal year 2007 (49 construction projects at 20 locations) and 69 percent of the fiscal year 2008 request (29 construction projects at 18 locations), so any reduction of funds in fiscal year 2007 will require that we defer numerous construction projects, causing a bow wave of construction projects into fiscal year 2008. This will require a wholesale review of fiscal year 2008 execution plans and schedules as we accommodate construction projects deferred from fiscal year 2007. Delaying closures and realignments also requires us to replace funds which had been taken as savings in the budget. Finally, it adds further uncertainty in the lives of our military, civilian, and contract employees as they ponder their future, and jeopardizes our ability to meet the September 2011 deadline to complete all closures and realignments.

The President submitted an amended fiscal year 2007 request on March 8, 2007 with accompanying offsets for $3.1 Billion in additional BRAC 2005 funds. I urge your support for the amended fiscal year 2007 budget submitted to the Congress.

Here are some of the highlights and additional details on these programs.

MILITARY CONSTRUCTION

Military Construction Projects

The DoN's fiscal year 2008 Military Construction program requests appropriations of $2.1 billion including $110 million for planning and design and $10 million for Unspecified Minor Construction. This fiscal year 2008 baseline request is $975 mil-

lion above, and nearly doubles, the fiscal year 2007 enacted level of $1.129 billion. The fiscal year 2008 authorization request is $1.8 billion. This level of construction funds presents what I believe will be a substantial, long-term commitment for naval facilities.

The active Navy program totals $1,126 million and includes:

—$486 million for 15 construction projects supporting the fielding of new weapons system platforms or research facilities for future weapon systems. All construction projects are scheduled to finish building and outfitting the facility just-in-time to coincide with the arrival of the new platform and its planned initial operating capability. The new platforms include: LPD–17, T6–A, LCS, SSN–774, E2–D, JPALS, FA–18E/F, MH–60, MUOS, EA–18G, T–AKE, and D5 LE. One example of these new platforms is a $101.8 million extension to Kilo wharf in Guam to support the arrival of the new T–AKE class Combat Logistics Force ships in fiscal year 2010 that provide underway replenishment to Navy ships at sea, replacing the current T–AE and T–AFS class ships;

—$175 million to continue funding for six previously approved incrementally funded construction projects. An example is a $16.6 million recruit training center infrastructure upgrade at Naval Training Center Great Lakes IL. This project is the final phase of the infrastructure improvement effort at Great Lakes. In accordance with Administration policy, there are no new incrementally funded construction projects in this budget request;

—$146 million for four other waterfront recapitalization projects not associated with new weapons systems. An example is a $91 million CVN maintenance pier replacement at Naval Base Kitsap, WA;

—$139 million for utilities infrastructure improvements to meet current mission and operational requirements at Naval Base Guam and Naval Support Activity Diego Garcia;

—$24 million for training projects at Naval Air Station Corpus Christi, TX and Naval Station Great Lakes, IL;

—$22 million in three infrastructure improvement projects at Camp Lemonier in Djibouti in support of CENTCOM's forward operating base.

The active Marine Corps program totals $1,037 million, including:

—$361 million for facilities to support the "Grow the Force" initiative, which I will discuss this in greater detail below;

—$282 million for ten bachelor quarters at seven locations including Marine Corps Base Camp Lejeune, NC, and Marine Corps Air Station Yuma, CA;

—$167 million for 11 operations and training facilities, including an Infantry Squad Defense Range at Marine Corps Base Camp Pendleton CA, and three facilities for the Marine Corps Special Operations Command units at Camp Pendleton. CA and Marine Corps Base Camp Lejeune, NC;

—$52 million for two training facilities, including student quarters for the basic school at Marine Corps Base Quantico, VA;

—$32 million for three other quality of life projects, including a fitness center at Marine Corps Base Camp Pendleton CA;

—$31 million for four maintenance projects including a jet engine test cell at Marine Corps Air Station New River NC;

—$13 million for infrastructure improvements including main gate improvements at the Blount Island Command, FL and Marine Corps Base Camp Pendleton, CA.

The Navy and Marine Corps Reserve Military Construction appropriation request is $59.2 million, $16 million more than the enacted fiscal year 2007 level of $43 million. There are three reserve centers at various locations and a Mobile Inshore Undersea Warfare Unit operation facility at Naval Station Everett WA.

Marine Corps Grow the Force

To meet the demands of the Long War and respond to inevitable world-wide crises that arise, the Marine Corps must be sufficiently manned in addition to being well trained and properly equipped. A key objective is to establish a 1:2 deployment-to-dwell ratio for all active component forces. This ratio relates how long our forces are deployed versus how long they are at home. The goal is for every 7 months a Marine is deployed, he will be back at his home station for 14 months. Marine operating forces are routinely falling short of this target. To fix this imbalance, the President announced in January a need to increase the Marine Corps permanent end strength from 175,000 to 202,000 by 2011, along with a larger increase for the Army. The Marine Corps growth will occur in stages, the first of which will build three new infantry battalions and elements of their supporting structure of about 5,000 Marines.

The fiscal year 2008 baseline budget includes $4.3 billion for pay and allowances for the first increment of Marines, military construction and base operating support for permanent barracks and operations centers, procurement of additional H–1 aircraft and increased aviation support, along with recruiting, training, equipment and ammunition to bring units to full operational capability. The funding for infrastructure and facilities to initially support this initiative are in three separate budget documents now before Congress:

—The fiscal year 2007 Supplemental includes $324 million for planning & design, and eight military construction projects;

—The fiscal year 2008 Global War on Terror includes $169 million for planning & design, ten military construction projects, and family housing privatization seed money for follow-on projects;

—The fiscal year 2008 baseline budget includes $458 million for planning & design, 20 military construction projects including two Wounded Warrior barracks, and additional family housing privatization seed money for follow-on projects.

Because Marines will begin to arrive before construction at many locations is complete, the Marine Corps is planning to lease, rent, or purchase temporary support facilities. Based on the composition of the additional units, we are determining the optimal permanent bed down locations for these units for future construction requirements.

FACILITIES MANAGEMENT

Facilities Sustainment, Restoration and Modernization (SRM)

The Department of Defense uses a Sustainment model to calculate life cycle facility maintenance and repair costs. These models use industry-wide standard costs for various types of building 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). Both the Navy and the Marine Corps have accepted more risk in facilities sustainment funding in fiscal year 2008 to fund higher priority requirements. With respect to the table, the Marine Corps moved additional funds to sustainment in fiscal year 2006 to restore reductions taken in fiscal year 2005. The Navy would require $240 million and the Marine Corps $64 million to fund sustainment to the DOD goal of 100 percent of model requirements in fiscal year 2008.

SUSTAINMENT

[In percent]

	Fiscal years		
	2006	2007	2008
USN Budget	95	95	83
USN Actual/Plan	79	95	.....
USMC Budget	95	93	89
USMC Actual/Plan	126	93	.....

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 "recap" metric to gauge investment levels. The "recap" metric is calculated by dividing the plant replacement value by the annual investment of funds and is expressed in years. The DOD goal is to attain a 67-year rate by fiscal year 2008. This is a relatively coarse metric, as demonstrated by the dramatic improvement in execution as a result of funds from the fiscal year 2006 Hurricane Supplemental, which substantially improved only those bases affected by the storm. The Navy recap rate also benefits from military construction included in BRAC 2005 implementation. We are working with the Office of the Secretary of Defense and the other Components to develop a recap model similar to the Sustainment model, planned for release in the next budget cycle.

RECAP YEARS

	Fiscal years		
	2006	2007	2008
USN Budget	105	83	63
USN Actual/Plan	45	67	.....
USMC Budget	101	112	103
USMC Actual/Plan	97	109	.....

Naval Safety

The DoN has embraced the Occupational Safety and Health Administration (OSHA) Voluntary Protection Program (VPP), which seeks to foster a cooperative relationship between management, labor, and OSHA as a means to improve workplace safety. The VPP focuses on four major tenets: increased leadership and employee involvement in safety; effective worksite hazard analysis; a focus on hazard prevention and control; and effective safety and health training for employees. The DON has achieved "Star" status, OSHA's highest level of achievement, at four sites representing over half of the VPP star sites in DOD. The Naval activities include three Naval shipyards, our largest industrial facilities. Statistical evidence for VPP's success is impressive. The average VPP worksite has a Days Away, Restricted or Transferred (DART) injury case rate of 52 percent below the average for its industry, which is consistent with what we have seen.

Joint basing

The Office of the Secretary of Defense released a draft Joint Base Initial Implementation guidance on 31 January 2007 for coordination by the Components. The Navy and Marine Corps have been working closely with the Components for over a year in developing a common framework and standards to establish joint bases. The DON supports the transfer of funding and real estate from the supported component to the supporting component for installation management functions, which will be the responsibility of the supporting component to provide at the joint base.

Encroachment Partnering

We are successfully applying the authority in the fiscal year 2003 National Defense Authorization Act to enter into agreements with state and local governments and eligible non-government organizations to address potential incompatible development near our installations and ranges, and to preserve nearby habitat to relieve current or anticipated environmental restrictions that might otherwise restrict military training, testing, or operations on the installation. Both the Navy and Marine Corps are using this authority to reduce or eliminate encroachment concerns. Through fiscal year 2006 Department of the Navy has protected nearly 16,000 acres near its installations under this program at a cost of $12.5 million while our partners have contributed $20.5 million. The DoN has also entered into several longer term agreements under which we and our partners will seek additional encroachment buffering opportunities. Examples include:

—An agreement with Beaufort County, South Carolina under which we will share costs to acquire interests in the vicinity of Marine Corps Air Station Beaufort.
—An agreement with Churchill County, Nevada under which we will share costs to acquire interests in the vicinity of Naval Air Station Fallon.

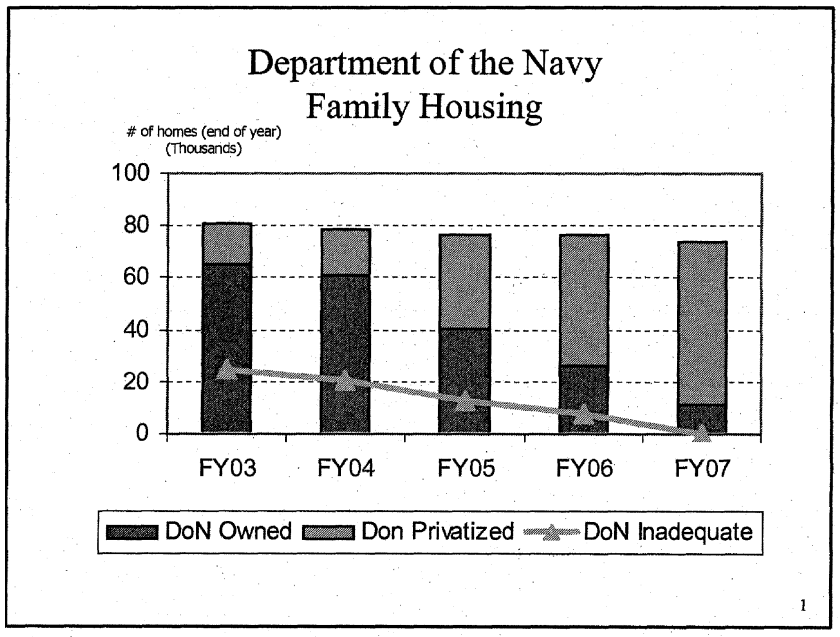
Energy

The DoN is pursuing ways to meet the requirements of Executive Order 13423 and the Energy Policy Act of 2005. Central to this plan is our continued development of geothermal power plants. Navy has partnered with the renewable energy industry on a 270 MW geothermal plant at Naval Air Warfare Station China Lake, CA; awarded a geothermal power plant contract for Naval Air Station Fallon, NV; and is evaluating a project at Naval Facilities Engineering Center El Centro, CA. Other on-base renewable projects include photovoltaic, wind, wave and ocean thermal energy conversion projects. I issued a new DoN policy last fall requiring all new buildings to be built to a LEED Silver level.

HOUSING

Our fiscal year 2008 budget continues to improve living conditions for Sailors, Marines, and their families. We have programmed the necessary funds and expect to have contracts in place by the end of fiscal year 2007 to eliminate all inadequate family housing. Renovation and new construction will be completed such that Sail-

ors and Marines are no longer occupying inadequate homes by fiscal year 2012. 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. We have programmed the necessary funding to eliminate over 99 percent of the inadequate permanent party unaccompanied bachelor quarters (BQs) housing spaces still served by "gang heads." As we near finishing privatizing existing military family housing, we are making tangible progress in applying that same privatization approach to meet our unaccompanied housing needs.



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.

PLANNED PRIVATIZATION AWARDS

Location	Homes
Fiscal Year 2007	
Southeast Region	5,501
Midwest (Phase 2)	326
San Diego (Phase 4) (Southwest Region)	3,254

PLANNED PRIVATIZATION AWARDS—Continued

Location	Homes
MCB Hawaii (Phase 2)	917
MCB Camp Lejeune/MCAS Cherry Point/Westover JARB	1,985
MCB Camp Pendleton/MCLB Albany	294
Fiscal Year 2007 Total	12,277
Fiscal Year 2008	
MCB Camp Lejeune	451
MCB Camp Pendleton	301
MCAGCC 29 Palms	279
Fiscal Year 2008 Baseline Subtotal	1,031
MCB Camp Pendleton	66
MCAGCC 29 Palms	6
Fiscal Year 2008 GWOT Subtotal	72
Fiscal Year 2008 Total	1,103
Total Fiscal Year 2007–2008	13,380

As of March 1, 2007, we have awarded 24 privatization projects for over 50,000 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 over $6 billion in private sector investment from $588 million of our funds, which represents a ratio of almost twelve private sector dollars for each taxpayer dollar.

During the remainder of fiscal year 2007 and in fiscal year 2008, we plan to award nine Navy and Marine Corps family housing privatization projects totaling over 13,000 homes. By the end of fiscal year 2007, the Navy and Marine Corps will have privatized 95 percent and over 99 percent, respectively, of their U.S. housing stock.

Our fiscal year 2008 and outyear family housing privatization projects are targeted at reducing family housing deficits by constructing additional housing for our families where the private sector cannot accommodate their needs. These authorities will ensure the availability of housing to address increased requirements associated with the Marine Corps' "Grow the Force" initiative, stand-up of the Marine Corps Special Operations Command, and address our remaining housing deficit.

Our fiscal year 2008 baseline family housing budget request includes $298 million for family housing construction and improvements. This amount includes $188 million for the Government investment in family housing privatization projects planned for fiscal year 2008 award. It also includes the replacement or revitalization of housing in Guam and Japan where privatization is not planned. Finally, the budget request includes $371 million for the operation, maintenance, and leasing of remaining Government-owned or controlled inventory. The latter represents a 66 percent decline since 1999 when the DoN began in earnest to privatize its inventory of government owned housing. In addition, our fiscal year 2008 family housing Global War on Terrorism request includes another $12 million for the Marine Corps in family housing improvements.

Unaccompanied Housing

Our baseline budget request of $323 million[1] for 11 unaccompanied housing projects continues the emphasis on improving living conditions for our unaccompanied Sailors and Marines. Marine Corps has an additional BQ for $41 million in the fiscal year 2007 GWOT Supplemental, and another BQ and dining hall in the fiscal year 2008 GWOT. There are three challenges:

—*Provide Homes Ashore for our Shipboard Sailors.*—Approximately 13,000 E1–E3 unaccompanied Sailors worldwide lived aboard ship even while in homeport. The fiscal year 2008 budget supports Navy's goal of providing ashore living accommodations for these Sailors. It includes one "homeport ashore" construction

[1] Excludes two Marine Corps Wounded Warrier barracks.

project for $47 million to complete Naval Base Kitsap Bremerton, WA (198 modules). We are requesting a second phase of funding for this project previously authorized in fiscal year 2005. The primary demographic are Sailors assigned to the nuclear carrier USS JOHN C. STENNIS, which is homeported in Bremerton. Efforts to build this barracks as a pilot BQ PPV proved uneconomical due to the large number of vacancies that would occur when STENNIS deployed.

In addition to the E1–E3 shipboard Sailors, there are approximately 6,000 unaccompanied E–4 Sailors with less than four years service who are assigned to sea duty. Although they are entitled to receive BAH, funding for housing allowances remains un-programmed. We will accommodate those Sailors within our existing unaccompanied housing capacity to ensure they do not return to live aboard ship upon promotion to E–4.

—*Ensure our Barracks Meet Today's Standards for Privacy.*—We are building new and modernizing existing barracks to increase privacy for our single Sailors and Marines. Reflecting the Commandant of the Marine Corps' priority to ensure single Marines are adequately housed, the fiscal year 2008 budget includes $282 million in MILCON funding (a 124 percent increase over fiscal year 2007 funding levels) for the construction of 3,750 permanent party and trainee spaces at seven Marine Corps installations. The Marine Corps has programmed the necessary funding from fiscal year 2008 through 11 to ensure Marines for their current approved 175,000 end strength are adequately housed by 2012. These barracks will be built to the 2 + 0 room configuration, as have all Marine Corps barracks since 1998.

We appreciate the Congress authorizing the Services to adopt private sector standards for the construction of military unaccompanied housing. We believe that we can provide market-style housing with improved amenities (such as increased common space for residents) at a cost equivalent to that associated with building smaller modules to rigid military specifications. In implementing this authority, we will ensure that Service-specific operational requirements are not compromised, such as the core Marine Corps' tenets for unit cohesion and teambuilding.

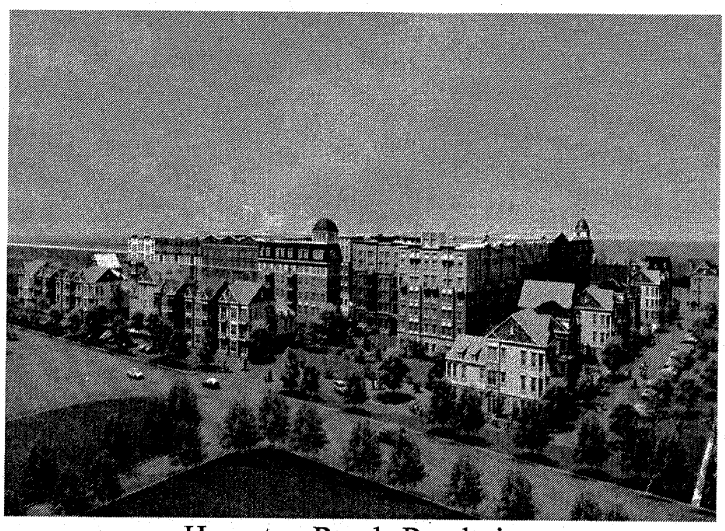
—*Eliminate Gang Heads.*—The Marine Corps had programmed all necessary funding, through fiscal year 2005, to eliminate inadequate unaccompanied housing with gang heads[2] for permanent party personnel. They will, however, continue to use these facilities on an interim base to address short-term housing requirements resulting from temporary end strength increases in recent supplemental appropriations. The Navy will achieve over 99 percent of this goal by fiscal year 2007.

Unaccompanied Housing Privatization

We 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 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 are in exclusive negotiations with a prospective private partner for a second pilot project at Hampton Roads, VA. This project is set for contract award this spring, after the required Congressional notices. This project will build more than 1,000 new two-bedroom/two-bathroom apartments and privatize over 700 existing unaccompanied housing modules for unaccompanied shipboard E1–E3 personnel.

[2] Gang heads remain acceptable for recruits and trainees.



Hampton Roads Rendering

We appreciate Congress extending the authorities and streamlining the notification process in last year's Authorization Act. We continue to pursue candidates for the third pilot, targeting the Mayport/Jacksonville, Florida area, and expect to have preliminary results this spring on a feasibility study. We will also look at other candidates including additional phases at San Diego and Hampton Roads.

Recognizing that these are long-term endeavors, we take seriously our responsibility to monitor the agreements to ensure that the Government's 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. Customer surveys show overall improvement in member satisfaction after housing is privatized.

BUILDUP ON GUAM

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

The relocation of III Marine Expeditionary Force personnel from Okinawa to Guam under U.S.-Japan Alliance Transformation and Realignment 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, which are essential for the Defense of Japan and for peace and security in the region. For the Marines, this development will balance the Marine Air Ground Task Force (MAGTF) lay down across the region with improved flexibility. The 8,000 Marines and their 9,000 dependents leaving Japan will reduce the footprint of U.S. forces in Okinawa. This will facilitate consolidation of U.S. bases on Okinawa to allow additional land returns in Japan, while reinvigorating Guam's economy through economic stimulus, infrastructure improvements, and external investments.

The Government of Japan will fund most of the infrastructure construction costs over the planned seven year time period to implement the realignment actions in mainland Japan, Okinawa, and Guam. On Guam, Japan will contribute $6.09 billion of cost sharing toward the estimated $10.27 billion development cost associated with the realignment of Marines from Okinawa to Guam. Japan's contribution consists of $2.8 billion in cash for operational facilities, barracks, and quality of life fa-

cilities, and $3.29 billion in equity investments and loans to special purpose entities that will provide housing and utilities for the Marines on Guam.

The Deputy Secretary of Defense directed the Navy to establish a Joint Guam Program Office (JGPO) to coordinate and manage the relocation of the Marines from Okinawa to Guam. There will be JGPO offices in Arlington, VA and in Guam, along with a liaison billet in Hawaii with USPACOM, and another in Japan with USFJ. The JGPO will work closely with the Office of Economic Adjustment and the Government of Guam to ensure this initiative is mutually beneficial to DOD and to the people of Guam.

JGPO will oversee National Environmental Policy Act (NEPA) studies that will provide the foundation for the Environmental Impact Statement (EIS) and parallel development of a Guam Master Plan. We have $10 million in fiscal year 2007 and are requesting $28M in multiple appropriations in the fiscal year 2008 baseline budget to continue these efforts. My office released the NEPA Notice of Intent in the Federal Register on March 7, 2007. The Draft EIS, Final EIS, and Record of Decision, including public comment periods could take up to 3 years to complete. The EIS will address the impact of relocating III MEF with the Air, Ground, and Combat Service Support elements from Okinawa to Guam. The housing, operational, quality of life, and services support infrastructure for the Marines will be identified during the planning process, and assessed through the environmental analysis. It will also assess the impacts of improving the Apra Harbor waterfront to construct a pier capable of berthing a transient aircraft carrier as well the infrastructure requirements needed to station a U.S. Army ballistic missile defense task force on Guam. We will ask for the necessary military construction funds beginning with the fiscal year 2010 budget submission.

ENVIRONMENT

Endangered Species Protection

For nearly a century, San Clemente Island, CA was ravaged by the destructive forces of invasive species, which severely degraded the island's entire ecosystem. Eleven endemic and/or native plants and animals neared extinction, and are now protected under the Endangered Species Act.

Today, the status of most of these species has been significantly enhanced because of the Navy's environmental stewardship. The Navy eradicated all non-native feral grazing animals in the early 1990s and removed exotic plants which were overwhelming native species. The island has been healing through natural processes and Navy protective measures and restoration efforts. In response to a request from the Navy, the U.S. Fish and Wildlife Service in October 2006 recommended de-listing the Island Night Lizard on San Clemente Island as a result of a 5-year review. The final decision is still pending.

Camp Pendleton uses its Integrated Natural Resources Management Plan (INRMP) to manage the ecosystem on this 125,000-acre installation, recognizing that the military mission as a central and integral element of the ecosystem. During the last 2 years, the INRMP demonstrated its benefit by excluding the base from Critical Habitat (CH) designations by the U.S. Fish and Wildlife Service (USFWS) for seven species. In each case, the Secretary of the Interior found that Camp Pendleton's INRMP provided a benefit to the species, and agreed to exclude all Base-managed lands from designation as critical habitat, per Section 4(a)(3) of the Endangered Species Act., and required no further restrictions on military training activities.

In 2006, the USFWS released 5-year status reviews for two species inhabiting Camp Pendleton: the least Bell's vireo and the California least tern. The USFWS recommended both birds be upgraded from "endangered" to "threatened" due in large measure to Camp Pendleton's management efforts, such as habitat enhancement, cowbird control, and focused predator management. A final decision is pending.

Navy Marine Mammals/Sonar R&D investments

The Navy recognizes the need to protect marine mammals from anthropogenic sound in the water. The Navy invests $10 million to $14 million per year for research into hearing and diving physiology, behavioral response to human-generated sound, mitigation options, and simulation tools. Approximately 33 universities, institutes, and technical companies are supported by Navy research grants. All the research is aimed a developing a broad, scientific understanding of marine mammals. The Navy recently expanded its research on the effects of mid-frequency sonar to include effects on fish.

MMPA National Defense Exemption

On 23 January 2007 the Department of Defense issued a National Defense Exemption (NDE) under the Marine Mammal Protection Act (MMPA) for all military readiness activities that employ mid-frequency active sonar or Improved Extended Echo Ranging Sonobuoys during major training exercise, within established DOD maritime ranges, or establish operating areas. A 6-month NDE had expired on December 30, 2006.

The Navy is working closely with the National Oceanic and Atmospheric Administration (NOAA), which has jurisdiction on MMPA enforcement, to address procedural issues, identify and implement mitigation and monitoring measures to minimize potential effects to marine mammals, and establish mutually acceptable threshold criteria. The Navy has also established an outreach workgroup with the many non-governmental organizations that have a vested interest in the protection of marine species. The Navy has begun the public NEPA process on its three most active ranges—Hawaii, Southern California, and East Coast, and is committed to completing environmental documentation for all ranges by the end of 2009.

Shipboard Programs

The Navy continues modernizing its vessels to comply with more stringent environmental regulations. The Navy completed its Afloat Pollution Prevention Equipment installations in September 2006 with 152 installations on Navy surface ships. The equipment reduces the need for hazardous material, and the generation of hazardous waste. The Navy continues to convert its shipboard air conditioning and refrigeration plants from Ozone Depleting Substances (ODS) to non-ODS refrigerants. As of March 1, 2007, we had completed 516 of 690 conversions of shipboard air condition systems and 600 of 614 conversions of shipboard refrigeration systems. Navy expects to complete its transition to non-ODSs by 2014.

The Navy has also completed 114 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 new PWPs reduce maintenance, improve reliability and throughput, and include a self-cleaning future, giving our sailors the best equipment to meet no-plastics discharge requirements while at sea.

Environmental Compliance by Shore Installations

The Navy continues to improve its shore installation compliance environmental standards. Solid waste diversion has climbed from 42 percent in fiscal year 2004 to 60 percent in fiscal year 2006 for combined municipal waste and construction and demolition debris, compared with an EPA national average diversion rate of 32 percent. Our hazardous waste disposal amounts are down to an all time low of 54,000 tons of hazardous waste, compared to 207,000 tons when DOD starting using this metric in 1992, this despite increased optempo to support the Global War On Terror. Domestically, 91 percent of Navy permits are in full compliance with Clean Water Act standards, and 97 percent meet all Safe Drinking Water Act standards, both increases from recent years.

The Marine Corps has made similar progress. For example, the number of new enforcement actions against the Marine Corps in fiscal year 2006 has declined by 25 percent compared to the average number in fiscal year 2001 through fiscal year 2005. This decrease occurred at a time of high operational tempo and more regulatory inspections.

Alternative Fuel Vehicles

The Navy has many initiatives to reduce its reliance on imported oil. Last year, Navy doubled biodiesel usage for non-tactical vehicles. Biodiesel fuels are now available at Navy Exchange fuel stations in Norfolk, VA; Crane, IA; and Charleston, SC. After successfully completing a pilot scale system, the Naval Facilities Engineering Services Center (NFESC) is building a full-scale biodiesel production facility at Naval Base Ventura County, Port Hueneme, CA. NFESC distributed 92 neighborhood electrics last year. These electric vehicles can be charged at any 110 volt outlet and are well-suited for use in ports, air stations, and large supply buildings.

Installation Restoration Program (IRP)

The DoN has completed cleanup or has remedies in place at 78 percent of our 3,700 contaminated sites. 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 10 years. Use of new technologies, land use controls, remedy optimizations, contract efficiencies, and a dedicated professional staff have contributed to these efficiencies. Our fiscal year 2008 request of $301 million consists of $271 million for IRP, and $41 million for program management, and $43 million for munitions response.

Munitions Response Program (MRP)

The DoN is proceeding with cleanup of Munitions and Explosives of Concern (MEC) and Munitions Constituents (MC) at all Navy and Marine Corps locations other than operational ranges. We plan to complete preliminary assessments this year at all 213 known sites on 56 active installations. Site inspections and sampling will be completed by 2010. We will not have credible cleanup cost estimates until these assessments are completed in 2010.

Navy continues clearing munitions from Vieques, PR. About 65 acres of beaches have been surface cleared of munitions on the eastern side of the island, and we are removing surface MEC and MC on 1,100 acres of the former bombing range Live Impact Area and the artillery range. A total of 290 acres, including the "Red" and "Blue" beaches have been cleared. Our revised cost to complete for Vieques is $255 million, with completion expected in 2020.

BRAC 2005

In developing the BRAC 2005 recommendations, the DoN sought to eliminate excess capacity, improve operational readiness, capitalize on joint basing opportunities with the other Components, maintain quality of service, and achieve cost savings. The BRAC 2005 Commission recommendations became legally binding on the DOD on November 9, 2005. In contrast to prior BRAC commissions, the BRAC 2005 recommendations have fewer closures and many more realignments, particularly realignments that involve more than one military Service or Defense Agency. The DoN has 6 "fence line" closures and 81 realignment recommendations involving 129 bases. Our remaining environmental cost to complete for fiscal year 2008 and beyond is $94 million.

Accomplishments

Given that all closures and realignments in BRAC 2005 must by law be completed by September 2011, we must move quickly to construct the necessary facilities to relocate units from their current location to their new location. We initiated BRAC 2005 implementation in fiscal year 2006 by awarding 12 BRAC construction projects at the "receiver" locations. The Department of Navy obligated 96 percent of the total fiscal year 2006 $252 million BRAC 2005 funds we received.

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

To date, the Navy has terminated leases at eleven reserve centers thereby returning these properties to their owners, and completed 14 surplus determinations, allowing us to proceed with disposal actions to non DOD recipients at these locations. We expect to complete the remaining two surplus determinations this spring. We also completed 23 Environmental Condition of Property Reports, providing copies to local communities and Federal agencies to support their redevelopment efforts. These environmental reports provide a comprehensive summary of all known environmental contamination, as well as the studies, analyses, and cleanup that have been done, are now underway, or remain to be done.

Navy has completed operational closure of 12 bases. We have received approval from OSD for 58 out of 64 business plans for which the DoN is the executive agent. These business plans, which average 40 pages in length, include extensive details on costs, savings, schedules, and support documents for each construction project. We continue efforts to gain OSD approval for the remaining business plans, which involve more complex moves and joint basing decisions.

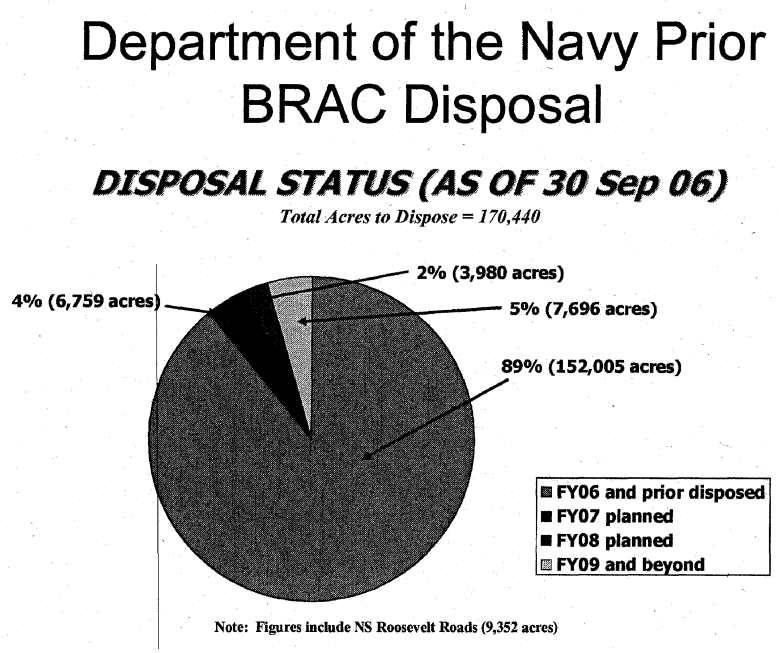
PRIOR BRAC CLEANUP AND PROPERTY DISPOSAL

The BRAC rounds of 1988, 1991, 1993, and 1995 were a major tool in reducing our domestic base structure and generating savings. The Department of Navy has achieved a steady state savings of approximately $2.7 billion per year since fiscal year 2002. All that remains is to complete the environmental cleanup and property disposal on portions of 17 of the original 91 bases.

Property Disposal

Last year we conveyed 906 acres in 12 separate real estate transactions at six prior BRAC bases. We also completed Findings of Suitability for Transfer (FOST) for 940 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)[3].



Land Sale Revenue

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 Department of Navy has received over $1.1 billion in revenues from the sale of prior BRAC property. Nearly all of this revenue has been generated since fiscal year 2003. In fiscal year 2006, we completed the sale of 3,719 acres at the former Marine Corps Air State El Toro, CA for $649.5 million. We also sold 167 acres at the former Naval Hospital Oakland, CA for $100.5 million. Beginning in fiscal year 2003, we have used these funds to accelerate environmental cleanup, and to finance the entire Department of the Navy prior BRAC effort including caretaker costs since fiscal year 2005.

We have put this land sale revenue to good use! We have issued Findings of Suitability to Transfer for over 4,500 acres which enabled us to continue our disposal efforts. A few of the significant disposals include the last parcels at Naval Shipyard Charleston, SC; Naval Air Station Key West, FL; San Pedro Housing Area for Naval Shipyard Long Beach, CA; and Naval Hospital Oakland, CA, as well as the first parcel at Hunter's Point Naval Shipyard. In addition, Navy accelerated cleanup on the majority of MCAS El Toro, a National Priorities List (NPL) site. We have also completed the cleanup of over half of Naval Station Treasure Island and determined it acceptable for transfer. Significant cleanup activities were undertaken at both Hunter's Point Naval Shipyard, as well as Alameda Naval Air Station, all of which are NPL sites, greatly improving the protection to human health and the environment.

Two significant property sales remain, both planned to begin in fiscal year 2009: approximately 176 acres at the former Naval Training Center Orlando, FL; and about 1,450 acres at the former Naval Station Roosevelt Roads, PR. We will spend the last portions of the $1.1 billion in land sale revenue in fiscal year 2009. Revenue projections for Orlando and Roosevelt Roads are unknown, but are expected to be well below that obtained from the sale of California property at El Toro and Tustin.

[3] 42 U.S.C. Section 9620(h).

In the absence of additional land sale revenue, we are evaluating the need to resume appropriated funds in future budgets.

Prior BRAC Environmental Cleanup

The DON has spent about $3.5 billion on environmental cleanup, environmental compliance, and program management costs at prior BRAC locations through fiscal year 2006. With our planned programs of $342 million in fiscal year 2007 and $179 million in fiscal year 2008, we expect the environmental cost to complete for fiscal year 2009 and beyond at $1.168 billion. This is an increase of $725 million since last year. Nearly all of this cost increase is due to the recent discovery of substantially more low level radioactive waste at the former Hunters Point Naval Shipyard in San Francisco, CA and some at the former Naval Air Station Alameda, CA.

Hunters Point Naval Shipyard

Hunters Point Shipyard represents one of the most unique prior BRAC challenges. Maritime use of Hunters Point began in the 1850's. The Navy purchased the property in 1939, and began to expand the shipyard and build facilities. Between 1939 and 1974, Hunters Point was one of the Navy's largest industrial shipyards and was home to the Naval Radiological Defense Laboratory (NRDL). The Navy used Hunters Point to decontaminate ships that had been used during atomic weapons testing under Operation Crossroads. NRDL conducted radiological research in numerous buildings on the base.

The Navy closed Hunters Point in 1974, and then leased most of the property in 1976 to a private ship repair company. The Environmental Protection Agency placed the shipyard on the National Priorities List in 1989. The Department of Defense listed the shipyard for closure as part of BRAC 1991.

The Navy has conducted expansive records and data search to identify all areas of potential contamination, as required under CERCLA. This included conducting a Historic Radiological Assessment and extensive sampling to identify potential contamination from past radiological activities. There are 78 installation restoration sites and 93 radiological sites, and Navy has spent about $400 million on cleanup efforts. While the base does not present a risk to human health, the additional data has revealed a much greater degree of contamination than previously known. The previous cost to complete was $110 million. The revised fiscal year 2008 cost to complete is $670 million, which excludes submerged lands. We will have an independent outside consultant review the situation and seek options that balance cleanup costs and health risks to humans and the environment. Land use controls must be part of the remedy for Hunters Point.

The City of San Francisco recently proposed building a new football stadium using a portion of Hunters Point. Such a proposal represents a very compatible reuse that could be effectively integrated into the cleanup program. While this appears to be an excellent opportunity for combining cleanup with transfer and redevelopment of Hunters Point, it will require significant financial resources in the near term that are not now budgeted.

HURRICANE SUPPLEMENTALS

Following the experience learned from Hurricane Ivan in 2004, the Navy was prepared to respond quickly to the Hurricane Katrina and lesser storms in 2005 that affected eight major Navy bases. With Supplemental funds provided by Congress, we have made the necessary repairs to get our facilities back to full mission capability. The funding allowed us to begin the cleanup as the long term reconstruction. We have awarded 37 percent of the $493 million in military construction and family housing construction projects to date, with plans to award the balance by the end of this fiscal year.

MEETING THE CONSTRUCTION EXECUTION CHALLENGE

The ambitious programs I have outlined, encompassing military and family housing construction, continuing recovery efforts in the Gulf Coast, BRAC-related construction, and support for the Global War on Terror represent an execution effort of over $4 billion in fiscal year 2008 compared to the fiscal year 2005 effort of $2.5 billion. The Grow the Force and barracks initiative by the Marine Corps, and the buildup on Guam initiative will add a sustained annual program of $2–3 billion through the FYDP.

The Naval Facilities Engineering Command (NAVFACENGCOM) has, with the exception of fiscal year 2006, obligated between 92 percent to 98 percent of all authorized and appropriated DoN construction projects (including congressional adds) in the first year funds became available. That obligation rate dropped to 74 percent

in fiscal year 2006, primarily due to pricing issues caused by material and labor shortages in the aftermath of hurricanes in 2004 and 2005.

NAVFACENGCOM has substantial additional contracting capacity, and will seek to aggregate related projects while preserving competition and small business interests. For example, NAVFACENGCOM sponsored an industry conference in January 2007 to explore opportunities for cost and scheduling efficiencies. This is an execution challenge that NAVFACENGCOM can do.

CONCLUSION

The Navy cannot meet the threats of tomorrow by simply maintaining today's readiness and capabilities of our physical plant. We must continue to transform and recapitalize for the future without jeopardizing our current readiness and the strides we have made—and continue to make—in managing our shore infrastructure. With our partners in industry, the acquisition community, and with the continuing support of the Congress, the Department of Navy will build and maintain installations that are properly sized, balanced—and priced for tomorrow.

Thank you for the opportunity to testify before this committee. I look forward to a productive dialogue with the Congress on the Department of the Navy's shore infrastructure.

Senator REED. Thank you very much, Mr. Secretary. And, thank you General Flock and Admiral Handley.

I have a series of questions. I think I'll run past my initial time, but I'll just take the first few minutes and then turn to my colleagues and expect, if not a second round, then I'll offer additional questions at the end.

CAMP LEMONIER IN DJIBOUTI

First, Mr. Secretary, I want to focus a bit on Camp Lemonier in Djibouti. There was a request in the supplemental for several projects that's being debated right now between the House and Senate, but one of the perceptions that we had with respect to the request and supplemental is that it looked like permanent construction that you were looking at, not emergency supplemental construction. And, then I noticed in the fiscal year 2008 budget request, there is three additional projects at Camp Lemonier.

The first question is, if this is a permanent establishment, why are we doing anything in the supplemental. Why aren't all requests in the 2008 budget or in regular budget orders, either you or the Admiral?

Mr. PENN. Admiral.

Admiral HANDLEY. Thank you, Mr. Chairman. In addressing the MILCON requirement for Djibouti, we do look at Djibouti as an expeditionary base and we do not see it as, necessarily, an enduring base, but we do look at a few factors. One of those are the operational requirements and those are the facilities that you see in the 2008 budget and those are the taxi-way projects and the operational facilities that we have there.

In the supplemental projects you see some utility projects, some water storage, some water production, electrical distribution, those projects are really based on a 5-year horizon that we looked at our best economic value by which we can provide that. Today, we ship water in at a very expensive rate. We think if we put in some water production and some water storage facilities, over a 5-year period, it turns out to be more economical for us.

Senator REED. Well, thank you, Admiral, but there's another factor, in terms of the operational aspects, and that is the new command that's being set up for Africa, with a new commander. And,

I wonder if anyone has, from that emerging leadership level, commented about Djibouti or is that a place where we're going to locate this command or was there any discussion to date, Secretary?

Mr. PENN. No, sir, they're looking at going farther south into South Africa for the location of the command.

And, just to add to what the Admiral said, all of our facilities in Djibouti are austere, for living for instance, we have the compressed living units, which are basically trailers.

Senator REED. So, at this juncture, your perception is that that is not going to be an enduring base at all.

Mr. PENN. Correct.

Senator REED. It's a temporary base.

Mr. PENN. Yes, sir.

Senator REED. And, this probably tracks with the, sort of the arrangement you have with the Government of Djibouti, which is the lease term. As I understand it, it's a 5-year lease for $30 million a year and two 5-year options. Is that accurate? That's, if you don't have that data initially, just get back to us.

Mr. PENN. Yes, sir, it is accurate.

Senator REED. And, the overall project cost to develop Camp Lemonier is in excess of $300 million. Is that a fair estimate at this juncture?

Mr. PENN. I think that's a fair estimate, yes, sir.

Senator REED. And again, this is not an enduring base. This is something that has a planning life, what's, 5 years, Admiral?

Admiral HANDLEY. Let me clarify, Mr. Chairman. We do see an enduring mission in that area. We have taken it as an expeditionary base. For those reasons, you don't see projects like barracks and gymnasiums and others. And, we really have focused on operational facilities and some of those utilities, and essentially the backbone structure in order to operate out of there.

Senator REED. And, a final question that, with respect to the Navy and the Marine Corps and the Combatant Commanders. Has Djibouti been identified as a, if not a permanent enduring base, one that will, we want to, sort of, stake out for a long, long time in terms of not just operational and logistical, but strategic reasons? General Flock, is that, does the Marine Corps have a comment on that?

General FLOCK. Mr. Senator, I think that you're going to see United States forces there for a while, as long as the GWOT continues.

Senator REED. Well, thank you.

GUAM

Let me turn to another request and that is, the Navy has, as we've noted, an 81 percent increase in MILCON, which is a very robust increase. Some of this, a lot of it is attributed to Grow-the-Force in the United States Marine Corps, which we're aware of. There's another $333 million for the move to Guam, which is a significant increase in the construction effort over the next 5 years for Guam. And, I'll ask the question I asked the Army, do you think in particular, with respect to Guam, that this huge infusion of construction monies can be adequately managed, both in terms of

spending efficiently, and also not producing a huge increase in construction costs?

Mr. PENN. Yes, sir. In fact, we have a, speaking of the management, the former IG is my program manager for this move and he's preparing for all sorts of investigations and so forth, so we are staying on top of that. It's going to be quite a growth for construction, as the Admiral can address, so we'll almost have to double our construction load for this.

Admiral HANDLEY. Mr. Chairman, if I could also expound, the projects that you see in the fiscal year 2008 submission are Navy requirements for existing forces that are there. It does a couple of things, but again, we're looking to focus on utilities backbones and infrastructure that are also for the current requirement, but we also are looking to the future and see a significant increase in construction in Guam and we're very concerned about the capacity of construction, so as a, if you'll call it a ramp on that construction, this is a very good transition to make sure that capacity stays there. But, each one of those projects provide a vital infrastructure or quality of life for those sailors that are on there today.

Senator REED. Thank you. Let me ask a final question before I yield to Senator Hutchison, but I do have additional questions later.

WHIDBEY ISLAND

Two projects were submitted in last year's Presidential budget request that should have been incremented projects. One project was an Air Force project at MacDill Air Force Base, the other was a Navy project at Whidbey Island, Washington State. Initial increments of these projects were funded in Congress's fiscal year 2007 joint funding resolution. The Air Force chose to request funding for the remaining increment in this budget, the fiscal year 2008 budget, however the Navy did not fund the remaining portion of the Whidbey Island. Can you tell us why you're not doing that, Mr. Secretary?

Mr. PENN. Yes, sir. At the time of the PB08 lock, not all four congressional committees had completed their bills and we really thought that there was a possibility of the full funding at that time, so we made a mistake. We erred in judgment for that.

Senator REED. Will you correct the mistake?

Mr. PENN. Yes, sir. We will start the construction and we will roll the balance of funding into the fiscal year 2009 budget request. And, the hangar really needs to be fixed up that was being built about a thousand years ago it seems, and I was in that hangar myself; it needs the work.

Senator REED. We might follow-up, just to get some more details on this issue——

Mr. PENN. We have a lot on it.

Senator REED [continuing]. But thank you, Mr. Secretary.

And, at this point, let me recognize Senator Hutchison.

Senator HUTCHISON. Thank you, Mr. Chairman.

FULLY FUNDING MILCON PROJECTS

Admiral Handley, the Navy has been directed by OMB to request several large MILCON projects all at once, rather than in the in-

crements, as has been done so many times in the past. Funding the large projects all at once ties up the money for the present years when it's going to take more than a year to build something. And, my question is, if you do make requests, such as has been suggested, can you execute those within a year?

Admiral HANDLEY. Ma'am, your question goes to execution, and we can clearly execute within a year when it goes down to project award. The outlays, obviously, will go over the entire construction period. And, we recognize the benefits of incrementation because it does allow you to phase the funding along with that. But, in this area we have followed OMB guidance and we have submitted fully-funded projects, which we have been required to do.

GUARD AND RESERVE MILCON

Senator HUTCHISON. Mr. Penn, we've talked about Guard and Reserve with the Army and the marines. My question to you is the same. Do you feel that your Guard or Reserve funding is enough for your future needs, or do you feel that the Guard and Reserve is being, sort of, held static to try to pay for the increases that you're going to need because of the Marine Corps increase in end-strength?

Mr. PENN. No, ma'am. I think the Department of Navy is doing extremely well. In fact, our Reserve MILCON in fiscal year 2008 is $20 million higher than enacted in 2007.

Senator HUTCHISON. And, you think, you feel that is adequate for keeping your facilities up to——

Mr. PENN. Yes ma'am, I do.

Senator HUTCHISON [continuing]. Standard? All right. Thank you very much.

Thank you, Mr. Chairman.

Senator REED. Senator Allard.

PRIVATIZATION OF HOUSING

Senator ALLARD. Mr. Chairman, I just have a brief question regarding your housing in Fort Carson on the Army side in Colorado. We've gone to privatization of the housing, it's worked very good. I mean, the facilities have allowed the fort to move ahead quickly to meet its expansion needs as well as being nice accommodations as far as the soldiers are concerned.

And, I noticed in your report, Mr. Secretary, that you had talked about your housing, at least, and I assume you have some privatization of housing, and kind of share with the committee how that is working as far as the Navy is concerned.

Mr. PENN. Sir, it's working extremely well. We have it at major locations, major installations throughout the country and, I think that if you have a young person going into this housing, they will be part of our permanent force, the housing is so nice; Corian countertops, energy efficient appliances, and in some of the major areas, San Diego and so forth, we have a very high cost of living, as you know, and we're putting folks into those new quarters and they're phenomenal. Everyone loves them. They will wait a longer period of time just to move into the housing. We have privatized housing in all of our major locations in Hawaii, and it's just fantastic. I can't say enough about it.

Senator ALLARD. That's all I have, Mr. Chairman. Thanks.

Senator REED. Well, thank you very much, Senator.

NEWPORT, RHODE ISLAND

Let me resume with a few questions of particular concern to me because they involve Newport, Rhode Island. And, I'm glad Admiral Handley is here because he served as a facilities engineer at the Naval War College, so he has great expertise.

Mr. Secretary, I understand that the Navy's preparing a master plan for the use and/or disposal of land at Newport, Rhode Island because of the changing missions for the base, particularly the old Newport Naval Hospital. Could you just confirm that this master planning is underway, give me an idea of when it might be complete, and also when the results will be given to my staff and myself?

Mr. PENN. Yes, sir. The master plan is underway. CNIC, Commander Naval Installation Command is preparing the master plan. We expect preliminary results in June, the final plan in September. We are having discussions with the Coast Guard, our sister service, about the facilities there and we will share the master plan with your office when completed.

NAVY PIERS

Senator REED. Thank you very much, Mr. Secretary. And, there's another issue here, we've talked about this previously, and that is the Navy piers. We understand there are two piers that are——

Mr. PENN. Yes, sir.

Senator REED [continuing]. Need significant reconstruction, perhaps prohibitively expensive in terms of repairing those two piers, but there's a possibility of a smaller pier being constructed, significantly smaller, that could serve the needs of the Navy and perhaps the Coast Guard, also. And, I know you're looking into this, and I appreciate that. Could we have some type of discussion prior to, let's say the middle of June, with respect to possible options to go forward that, because as far as the long-term utility of the base, some pier arrangement is, I think, very important and essential. And, if you could plan to visit with us before the middle of June, that would be very good.

Mr. PENN. Will do, sir.

Senator REED. Thank you very much.

BRIDGE REPLACEMENT

And, a final point is that, we have a vehicular bridge, which I think Admiral Handley's crossed over many times. In 2006 we appropriated $10.62 million to replace the bridge. Construction has not begun because the Navy insists it needs additional funding. The subcommittee attempted to add an additional $3.41 million in last year's bill, but because of the delay in passage of the bill, it never reached the President's desk for signature.

We're still committed to doing this, but the bridge is deteriorating and it's causing operational constraints. One issue is just the passage of emergency fire equipment to get cross-post in an expedi-

tious way and having been on the bridge many times, it's not the most convenient for emergency equipment.

I think we've got to solve this problem and I would suggest that construction begin as soon as possible. We've put a significant down payment to do that, to get that done. So, when can you start construction, given the fact we've already appropriated $10 million? And, is there a possibility of reprogramming to make it happen faster? Admiral.

Admiral HANDLEY. Sir, I obviously share your concern on that bridge having both myself and then fiancé at the time that I met in Newport, cross that bridge.

Senator REED. I think you've got a deal here.

Admiral HANDLEY. I was formerly also down at NAVFAC MIDLANT, responsible for the engineering and spoke several times with the designers responsible for finding solutions and we looked at a number of alternatives, including alternate locations to try and get it within the dollars. What it comes down to, is we need to have a complete and usable facility, obviously you can't get a bridge that goes three-quarters of the way across. And so, we will make sure that your staff has what the current estimate is as we go another year into this.

But, we'll need to get the full amount in order to execute this. We don't currently have the ability to reprogram it; I think you and your staff know we have been faced with significant escalation in the MILCON program just from the cost of construction, cost of concrete, steel, and some of the impacts in the gulf coast with the volume of construction. So, we'll make sure that, that figure goes into your staff, but I think we're going to have to look at, when we get the additional funds for it, we'll be ready to execute a design-build contract to get that bridge replaced.

We have looked at the current load capacity on it, and I think you know we've restricted the load to, I think, 12 tons and does not allow for fire engines to go across, which from a safety perspective is absolutely a necessity. But, we're committed to replacing that bridge, we just need to get the money right.

Senator REED. Well, I am equally committed to replacing the bridge for the one concern, you just reiterated, which is the safety services getting back and across in coverage.

WRAMC BRAC

Let me raise another, different question, more policy related. And, that is the discussion about the development at Bethesda, the Naval Hospital. BRAC has basically suggested that Walter Reed be closed, there's a great discussion now on whether that's going to be done, but also that the Navy will absorb part of this facility, Walter Reed, and will create a very significant concentration of medical headquarters.

And, I'm just wondering, has the Navy thought about the additional barracks that are necessary to house enlisted personnel? Given the significant cost of living around Washington, I suspect young sailors and soldiers who are going to be stationed there won't have the wherewithal to go out on the economy easily. With the increase, we've been told that not only the footprint, but the size of operations that you're going to have significantly more per-

sonnel stationed there than you have now. And, then also, there are obviously, issues of environmental impacts.

I think we've all had the privilege, I say that, kind of ironically, of going up Wisconsin Avenue or going down Wisconsin Avenue in the morning or the evening when NIH and Bethesda are going in and out—the facilities traffic will be much greater—I just, want to get a sense right now, Mr. Secretary, are you thinking beyond the broad outlines of taking some Walter Reed facilities, moving them over there within the BRAC.

Mr. PENN. Yes, sir, we are thinking of that. As you know, the Navy responsibility for the move is primarily the NEPA, which consists of a $700,000 EIS analysis, and we do the design and construction, which is $497 million from Army BRAC funds. The Maryland delegation has requested that we do an expanded NEPA, which we are doing to look at the transportation, all the travel, the barracks, and so forth. In fact, we're looking at a back gate into Bethesda off of the beltway. We're trying to incorporate, encompass all thoughts. The barracks discussion is under way at this time. No decision has been reached yet, but I'm sure we'll do the right thing.

Senator REED. Well, it seems to me it's going to be a very expensive thing. We're talking about access directly to the beltway, perhaps even increased rail or rail stations to be more accommodating. And, I think the sooner we confront those costs and, perhaps not just in a specific Bethesda focus, but in the context of the Washington Metropolitan area and military medical facilities we'll be better off.

Mr. PENN. Yes, sir. I concur.

Senator REED. I encourage you to do that.

Senator Hutchison, do you have additional? Thank you very much, Senator Hutchison.

Thank you, gentlemen, for your testimony and service to the Marine Corps and the Navy, and we look forward to working with you.

Mr. PENN. Thank you very much, sir.

CONCLUSION OF HEARINGS

Senator REED. The hearing is recessed.

[Whereupon, at 11:16 a.m., Thursday, April 19, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]

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