

**MILITARY CONSTRUCTION AND VETERANS  
AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2006**

**TUESDAY, MARCH 8, 2005**

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

The subcommittee met at 2:35 p.m., in room SD-138, Dirksen Senate Office Building, Hon. Kay Bailey Hutchison (chairman) presiding.

Present: Senators Hutchison, Allard, Feinstein, and Landrieu.

**DEPARTMENT OF DEFENSE**

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

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

**OPENING STATEMENT OF SENATOR KAY BAILEY HUTCHISON**

Senator HUTCHISON. I will call the Military Construction Subcommittee meeting to order and say that I am very pleased this is our first hearing of the year. I am very happy that I am able to chair this subcommittee once again. It is a subcommittee I have really enjoyed, and I also very much enjoy my partnership with my Democratic colleague. We have been chairman and ranking member together in order, reverse order, and order again, and we have always worked very well together. And I am very happy that we have this team again. We have been able to have the experience now to know some of the issues, and I think it is going to be a very good year.

I will just say for the record too that I think Senator Feinstein and I have had some major impact since we have been chair and ranking member of this subcommittee in two areas. Senator Feinstein particularly has been attuned to environmental cleanup that has been so important for closed bases and making sure that that is done correctly.

I think together our efforts on the Overseas Basing Commission and really focusing on getting a timely assessment of foreign bases and problems in foreign deployments before we address our own BRAC, which we are now in the beginning stages of addressing, are beginning to pay off.

I am pleased that the Department of Defense did start looking at foreign bases and training constraints and operational con-

straints and made the announcement last year that they are, indeed, going to have a global realignment. I think it is going in the right direction. I think the Department of Defense did look at this and is making some very wise decisions for the long term for not only the best training and the best way to operate, but also better quality of life for our military and its families. So I am very pleased with that and glad that we are all here once again.

This year's military construction budget request is \$12.1 billion, up 27 percent from last year's request. There is a wedge of \$1.9 billion intended to cover the initial costs of the 2005 round of base realignment and closure, and I think that is going to be something we are going to want to have some specificity about as we go down the road.

I am pleased that for the third consecutive year the administration's request for Reserve Component funding is up significantly from last year's request. Reserve Component facilities have long been underfunded through the years, and this Department has made good on its commitment to improve that situation. We all know the huge load the Guard and Reserve are sharing in this war on terrorism, and I think bringing their facilities up to a higher standard is not only the right thing to do but well deserved.

I am also pleased to receive what I believe is a more focused request for construction at overseas bases. In the past few years, we have had a dialogue with the Department regarding these overseas bases, and I think we are now coming to a very good point where Congress is going to be able to evaluate the overseas facilities through our own Overseas Basing Commission, and I think we are going in the right direction.

Related to overseas construction is the NATO Security Investment Program. The request for this program is up 25 percent over last year. I do support NSIP, but I am concerned that the program is increasingly funding non-infrastructure expenses in favor of high technology electronics and software systems. NATO is now considering what could be a significant expenditure for a battle management command and control system for missile defense. I certainly support missile defense, but I think we are getting farther away from the intent of the Security Investment Program, which is to fund common infrastructure projects, and we need to assure that the United States gets more than a one-for-one return on the investments it is making in the program. So I intend to look carefully at this program and make sure that we are doing what we intended to do.

A major initiative this year is the 2005 round of Base Realignment and Closure. That commission is in the process of being appointed. Sixteen percent of this budget request is for beginning to implement that 2005 BRAC if Congress agrees with the BRAC recommendations made later this year. While we all know and hope that BRAC will save in the future, we also know that it does not save in the short term, that you have the costs of closing bases, and we are now looking at major restructuring of the Army and the Marine Corps; bringing 70,000 troops home from bases abroad; and repositioning remaining forces overseas into new facilities. So we know this is going to cost money and we certainly want to have a

close look at the recommendations that will be coming from the Department to prepare for this kind of a realignment.

I also want to comment on the housing privatization program, for which the Department is requesting \$216 million this year. I am a strong supporter of the privatization program. I have seen the results. They are terrific. But I also think we need to make sure that we are making good decisions on these privatization projects and that we are monitoring the way the money is spent. In a few instances the privatization has not gone the way it was intended, and we need to make sure that where we do appropriate this money, it is being spent on quality construction that is doing the job we are asking be done.

I certainly will have a number of questions, but I would like at this time to turn the microphone over to Senator Feinstein, my able ranking member who has been a great partner through the years on this subcommittee.

STATEMENT OF SENATOR DIANNE FEINSTEIN

Senator FEINSTEIN. Thank you very much, Madam Chairman, and I think you know that it has also been a pleasure for me to work with you, and I look forward to the year. I also look forward to the year because there is much more money to deal with and some new challenges in this. So I am delighted.

I do not want to repeat what you said but there are a few things that kind of come through to me. I just want to point them out.

The fact that the Army is down 16.5 percent over the requested amount, or 24.6 percent below the enacted amount of last year's request, I would like to ask about that.

I am delighted to see that the BRAC environmental cleanup is nearly \$132 million, 33.5 percent up from last year's request. I think that is very good news.

The Navy's request this year includes \$143 million, plus an estimated \$133 million derived from land sales at El Toro and Oakland, totaling \$276 million. My understanding is the Navy has planned to spend at least \$172 million of that in California. I am very grateful for that. We had 29 bases closed in the last round, and just getting the environmental cleanup done has been a huge problem.

It is also my understanding that the military family housing request has increased by \$70 million and that the initiative of DOD to privatize over 75,000 housing units are designed to reach its goal by 2007. I think that is good news as well.

You and I have worked together on overseas basing. That total is \$782 million: \$238 million for Germany, \$28 million for Italy, \$215 million for Korea, \$125 million to Guam, and \$109 million to the UK. So that is 25 percent over last year's request, and I think we need to take a look at it as well.

Let me just forewarn the people. I have been very concerned about, in your State and my State and about 26 other States, the advent of perchlorate. Perchlorate comes from rocket fuel. It is really all a military responsibility. This was their subcontractors. It has leached into groundwater. It has contaminated drinking water wells. And so my question will be whether some of this envi-

ronmental cleanup money can be used for perchlorate cleanup, and we will get to that.

I do not want to take any more time. We will get on with it and say welcome to the witnesses.

Senator HUTCHISON. I would like to now call on our newest member of the subcommittee. We welcome him, and we are very pleased that he is a new member of the full committee. I am pleased that he is now on our subcommittee as well. Senator Allard from Colorado.

#### STATEMENT OF SENATOR WAYNE ALLARD

Senator ALLARD. Well, thank you, Madam Chairman. I do not have much of an opening statement. I look forward to working with you and Senator Feinstein from California. I know that you vacation from time to time in Colorado.

Senator HUTCHISON. We both do actually.

Senator ALLARD. I really appreciate that.

I just look forward to the opportunity to serve here.

You have seen me now in front of a number committees, Ms. Jonas. You never know when I might pop up, but I have a different set of questions for you this time around. So you will perhaps appreciate that. So I look forward to hearing your testimony.

Thank you, Madam Chairman.

#### SUMMARY STATEMENT OF TINA W. JONAS

Senator HUTCHISON. Now we welcome the Under Secretary of Defense who is the Comptroller and Chief Financial Officer of the Department of Defense, Secretary Tina Jonas. Welcome.

Ms. JONAS. Thank you, Madam Chairman.

I am going to just quickly summarize a few things. I have got a written statement for the record and request that it be placed in the record. I appreciate the opportunity to be here, and Senator Feinstein, I appreciate the opportunity to work with you and with the rest of the members of the committee.

I would specifically like to thank this committee for its strong support of our men and women in uniform. We look forward to continuing to work with you to ensure that our armed forces have everything they need to carry out their difficult and dangerous missions.

The President's budget request for the Department of Defense for 2006 is \$419.3 billion. This is a \$19.2 billion increase over the 2005 enacted level, and this will sustain the President's pledges to defeat global terrorism, restructure America's armed forces and global defense posture, as well as take care of our forces and develop advanced warfighting capabilities.

Of special importance to this committee, the President's budget shows his clear commitment to our military people and their families, with emphasis on quality facilities and family housing and on restructuring our military basing. I will not go over the specifics. As you have pointed out, Madam Chairman, \$12.1 billion is the request for military construction and family housing requirements. I would like to reemphasize our commitment to funding the elimination of all inadequate housing in the continental United States

by 2007 and the elimination of all overseas inadequate housing by 2009.

#### PREPARED STATEMENT

I know that you will have plenty of questions. You are well aware of the issues regarding the restructuring overseas in our BRAC process, so I will not belabor that.

I would just like to say thank you for the opportunity to be here and I look forward to addressing your questions.

[The statement follows:]

#### PREPARED STATEMENT OF TINA W. JONAS

Madam Chairwoman, members of the committee, I am honored to be here to discuss military construction and other quality of life components of President Bush's fiscal year 2006 defense budget request.

First, I want to thank this committee for its strong support for our men and women in uniform. We look forward to continuing to work with you to ensure that our armed forces have everything they need to carry out their difficult and dangerous missions.

The President's budget request for the Department of Defense (DOD) for fiscal year 2006 is \$419.3 billion in discretionary budget authority, a \$19.2 billion increase (4.8 percent) over the fiscal year 2005 enacted level. Combined with fiscal year 2005 supplemental appropriations, this request includes sufficient funding to sustain the President's pledges to defeat global terrorism, restructure America's armed forces and global defense posture, develop and field advanced warfighting capabilities, and take good care of our forces.

Of special importance to this committee, the President's budget shows his clear commitment to our military's quality of life—with emphasis on military compensation and health care, quality facilities and family housing, and restructuring our military basing.

#### MILITARY COMPENSATION AND HEALTH CARE

The fiscal year 2006 budget maintains the President's commitment to take good care of our military people and their families. It reflects our conviction that people are the Nation's most important defense asset. The budget includes a 3.1 percent increase in military base pay and provides significant funding to ensure high quality health care for our military families. The fiscal year 2006 budget provides about \$20 billion for the Defense Health Program and \$7 billion for the military personnel who support the health care program. The budget sustains our commitment to no out-of-pocket costs for military members living in private housing.

#### FACILITIES AND FAMILY HOUSING

The President's request for Military Construction and Family Housing appropriations totals \$12.1 billion in discretionary budget authority and funds the Department's most pressing military construction and family housing requirements. The request will improve our military's working and living conditions through strong sustainment and modernization for existing facilities and replacement of facilities that are no longer economical to repair.

*Family Housing.*—The fiscal year 2006 budget keeps the Department on track to fund by fiscal year 2007 the elimination of all inadequate military family housing units in the United States, and to fund by fiscal year 2009 the elimination of all inadequate units worldwide. To reach the fiscal year 2009 goal, the Army will complete funding the elimination of inadequate housing at its overseas bases in 2008, and the Air Force will complete funding its overseas eliminations by 2009. The Department's privatization program is key to its progress in eliminating inadequate housing. It enables the Department to leverage its funding and get more military families into top quality accommodations much sooner than would otherwise be possible.

#### RESTRUCTURING U.S. BASING

Two closely related initiatives will substantially affect our military's quality of life in the years ahead: the 2005 Base Realignment and Closure (BRAC) Commission and President Bush's restructuring of America's global defense posture.

*BRAC 2005.*—The work of the 2005 BRAC Commission will be critical to streamlining DOD facilities and saving billions of dollars that would be better spent on our military people and capabilities, not excess facilities. The President's budget includes funding for implementation of BRAC 2005 decisions, beginning with \$1.9 billion in fiscal year 2006.

*Global Posture.*—Closely linked to the BRAC process is the President's global posture restructuring, which will ensure that United States forces and equipment are located where they can best respond to likely requirements in today's security environment. It will return 70,000 military personnel and 100,000 family members to the United States, and relocate forces and equipment that must remain overseas. As the 2005 BRAC Commission considers how to streamline and restructure the Department's installations, it will have the benefit of our global posture restructuring plan.

Congressional support of both these initiatives is critical.

#### FISCAL YEAR 2005 SUPPLEMENTAL APPROPRIATIONS

Before closing, I want to thank this committee for beginning work quickly on the President's fiscal year 2005 supplemental appropriations request of \$74.9 billion for the Department of Defense. Rapid and full approval of the request is crucial to fulfilling our military's requirements for the rest of this fiscal year.

Of critical importance, this supplemental provides significant resources to address wear and tear on our military equipment, to create a larger and more combat capable Army and Marine Corps, and to train and equip Iraqi and Afghan security forces to empower them to take the fight to the extremists and to help them take control of their future.

The President's supplemental request includes \$5.3 billion for restructuring the Army and Marine Corps because acceleration of this effort is urgent and vital to the war on terror. In fiscal year 2005 and fiscal year 2006, the Department proposes to fund Army restructuring through supplemental appropriations, which will accelerate the restructuring of the ground forces moving into the combat theater and reset those forces rotating out of theater. This effort will expand the operating combat force of the Army—making our forces more effective and reducing the demand and strain on our military units and troops. About \$.3 billion of the request is for military construction to support this force restructuring, and again that is an immediate and critical requirement for our forces in the war on terror.

The supplemental also includes \$1.0 billion for military construction in the U.S. Central Command (CENTCOM) area of responsibility. This will fund urgently needed facilities and improve the living and working conditions for U.S. troops in the theater. The request includes \$303 million for force protection for key facilities; \$253 million to improve airfields and their operations and safety; \$155 million to improve the movement, handling, and storage of munitions and fuel; \$146 million for temporary troop billeting; and \$59 million for troop medical facilities. The vast majority of these CENTCOM projects are designed to temporary standards and do not reflect a United States commitment to permanent basing in the area.

#### CLOSING

In closing, I thank you for this opportunity to describe the President's commitment to military quality of life in his fiscal year 2006 budget. The request will enhance the well being of our service members and their families, strongly support current requirements and missions, and support the needed streamlining and recapitalization of DOD facilities. I urge your support for the President's fiscal year 2006 budget and his fiscal year 2005 supplemental appropriations request. Thank you.

Senator HUTCHISON. Well, thank you so much, Madam Secretary.

Now we have Mr. Philip Grone, the Deputy Under Secretary of Defense for Installations and Environment. Welcome to the committee.

#### SUMMARY STATEMENT OF PHILIP W. GRONE

Mr. GRONE. Thank you, Madam Chairman.

Madam Chairman, Senator Feinstein, and distinguished members of the Subcommittee on Military Construction and Veterans Affairs, I am pleased to appear before you this afternoon to discuss

the President's budget request for the Department of Defense for fiscal year 2006.

Madam Chairman, I have prepared a written statement and, with the committee, request that it be placed into the record.

Senator HUTCHISON. Without objection.

Mr. GRONE. At the outset, I want to associate myself with the statement made by my colleague the Under Secretary of Defense (Comptroller). The President's budget request for the Department of Defense continues the efforts of the administration to place our military infrastructure on a sound management foundation.

The business area comprising the Department's support of military installation and the stewardship of natural resources includes programs totaling over \$46 million in the budget for the coming year. The Department's management responsibilities extend to an infrastructure with 510,000 buildings and structures and a plant replacement value of \$650 billion and stewardship responsibilities for roughly 29 million acres, or 46,000 square miles of land, which is roughly the size of Connecticut and my native Kentucky combined.

Military construction and military family housing and funds necessary to support Base Realignment and Closure, which the subcommittee will consider, are a portion, but a vitally important portion, of our management approach. The President's management agenda contains three key elements for which my office has primary responsibility, including the privatization of military housing and real property asset management, the last of which is the focus of Presidential Executive Order 13327, issued on February 4th last year.

On those areas of focus for which the subcommittee is concerned, we have made significant progress with the assistance of Congress. The military housing privatization initiative, as the chairman indicated, is achieving results. As of the beginning of this month, leveraging the power of the market and the expertise of industry, we have awarded 43 projects privatizing 87,000 units, contributing \$767 million in appropriated funds. To achieve the scope of these 43 projects, the taxpayer would need to provide \$11 billion in military family housing construction, and over the life cycle, these privatized projects will save the taxpayer 10 to 15 percent, even when taking into account the allowances paid to our military personnel. Ten of those projects have reached the end of their initial development phase and tenant response is very positive. By the end of fiscal year 2007, we expect 185,000 units of housing, 84 percent of the inventory, to be privatized.

The Department's efforts to more properly sustain and recapitalize our facilities inventory are also demonstrating results. Four years ago, the recapitalization rate stood at 192 years. The President's budget request supports a recapitalization rate of 110 years, and we remain committed to our goal to achieve a 67-year recapitalization rate in fiscal year 2008.

Facilities sustainment is budgeted this year at 92 percent of the requirement. In both cases, we have built the program around private sector best practices and commercial benchmarks wherever they can be applied, and we continue to refine our models and

guidance to keep them current with those practices and benchmarks.

We also continue our effort to strengthen the Nation's defense through the Global Posture Review and BRAC. Abroad, we will reconfigure our basing and presence abroad to meet the challenges of the 21st century as opposed to the static defense of the Cold War. At home, we will rationalize our infrastructure to further transformation and to improve military effectiveness and business efficiency.

#### PREPARED STATEMENT

Our most recent defense installations strategic plan issued last year, entitled *Combat Power Begins at Home*, reflects our focus on improving the management of our installation assets and to ensure their ability to contribute to military readiness. All of our efforts are designed to enhance the military value of our installations and to provide a solid foundation for the training, operation, deployment, and employment of the armed forces, as well as to improve the quality of life for military personnel and their families.

While much remains to be done, we have accomplished a great deal. With the support of this subcommittee, we will continue to do so.

Thank you, Madam Chairman.  
[The statement follows:]

#### PREPARED STATEMENT OF PHILIP W. GRONE

Madam Chairwoman and distinguished members of this Subcommittee, I appreciate the opportunity to appear before you today to address the President's Budget request for fiscal year 2006 and the plan of the Department of Defense to improve its infrastructure and facilities.

The Department of Defense recognizes the long-term challenges associated with its infrastructure strategy. The Department has developed a strategy and several tools to address these challenges. The President's Management Agenda recently added the stewardship of Federal real property as a new initiative. The Department is a full participant in the Federal Real Property Council established by Executive Order 13327.

Working in full cooperation with the military services and other Defense components, the Department set out in 1997 to build a corporate-wide inventory of assets. The idea was and remains that the Department's funding requirements for installations is a function of the assets currently on hand and planned for the future. Hence, an accurate inventory and a forecast of those assets are fundamental to determining and assessing budget requirements. The Department is continuing to improve its inventory process and is working extensively in the interagency process to support a more useful Federal inventory that can be used for management purposes.

In 1998, the Department set out on a 6-year program to eliminate 80 million square feet of obsolete and excess facilities. Six years later, we concluded that effort by exceeding our target—removing a total of 86 million square feet. As part of a continuing effort to dispose of unneeded facilities, the Department recently completed a new survey of demolition requirements.

In 2001, the Department issued its first ever Defense Facilities Strategic Plan. In September 2004, we issued a comprehensive, capabilities-based, and performance-oriented Defense Installations Strategic Plan. Our new plan begins to integrate more fully environmental management systems, safety, and occupational health into a comprehensive approach to asset management. The 2004 plan addressed recommendations made by the Government Accountability Office (GAO) and was approved by OMB as being consistent with the guiding principles of the Federal Real Property Council in meeting the objectives of the President's Management Agenda.

#### *Global Posture Realignment*

While the Department addresses better business practices, we also are working to realign our infrastructure to deal effectively with military transformation and

21st Century threats. The Defense posture of the past 50 years reflects the Cold War strategy, with U.S. forces forward deployed primarily to fight near where they were based. Today's environment requires more agile, fast and lean forces able to project power into theaters that may be distant from where they are based. This agility requires not only a shift in military forces, capabilities and equipment, but also a new basing strategy.

Last fall, the Department completed a 2-year comprehensive review of its global posture and basing strategy, which will result in the most profound restructuring of U.S. military forces overseas since the end of the Korean War. This review was conducted with extensive participation by the Combatant Commanders, the Joint Chiefs of Staff, and our interagency partners. We provided the Congress with a copy of the report in September 2004.

The new posture will enable the Department to respond more quickly to worldwide commitments and make better use of our capabilities by thinking of our forces globally. In terms of "footprint", we will tailor our forces to suit local conditions while strategically pre-positioning equipment and support. We anticipate realigning or closing a number of large permanent bases in favor of small and scalable installations better suited for deployments to trouble spots. This will also reduce friction with host nations. For example, removal of the U.S. Air Expeditionary Wing from Prince Sultan Air Base should help improve our relations with Saudi Arabia, and relocating U.S. forces out of densely-populated Seoul, Korea, to hubs further south will resolve problems with the Korean public while bolstering our military capabilities on the peninsula.

Senior officials of this Department and the Department of State have already begun the process of consulting with our friends and allies around the world to incorporate their input into our plan. We recognize that our allies are sensitive to changes in our overseas posture, and we will continue to consult with them as we make final decisions and begin executing the strategy. We will continue to consult with Members of Congress on our plan and will seek your support as we implement these far-reaching and enduring changes to strengthen America's global defense posture.

Since some overseas personnel will return to the United States, global posture changes will influence BRAC recommendations that will be announced in May 2005. Even though global posture changes will be executed over several years and will continue to be adjusted as strategic circumstances change, the Department will incorporate projected overseas posture changes into the BRAC process.

#### *BRAC 2005*

The domestic BRAC round and the global posture review are key elements that support transformation. A well supported, capabilities-based force structure should have infrastructure that is best sized and placed to support emerging mission requirements and national security needs. DOD must configure its infrastructure to maximize both warfighting capability and efficiency. Through BRAC and the global posture changes the Department will support the warfighter more effectively and efficiently. The Secretary will provide his recommendations for domestic closures and realignments to the Commission and Congress by May 16th as required by the BRAC 2005 statute.

From a domestic perspective, the Department recognizes it has an obligation to assist communities impacted by BRAC 2005. The Defense Economic Adjustment Program will include assistance for communities to plan for the civilian redevelopment of available real and personal property; and implement local adjustment actions to assist impacted workers, businesses, and other affected community interests. The Department will work to partner with affected communities as we both seek opportunities for quick civilian reuse of former military installations. For communities engaged with installations that will receive new missions, we also recognize the importance of cooperatively planning to ensure our mission can effectively be stood up and supported.

#### MANAGING INFRASTRUCTURE

The Department currently manages nearly 517,000 buildings and structures with a plant replacement value of over \$650 billion, and over 46,000 square miles of real estate. We have developed models and metrics to predict funding needs and have established goals and performance measurements that place the management of Defense infrastructure on a more objective, business-oriented basis.

#### *Infrastructure Investment Strategy*

Managing our facilities assets is an integral part of comprehensive asset management. The quality of our infrastructure directly affects training and readiness.

Facilities sustainment, using primarily operations and maintenance-like<sup>1</sup> appropriations, funds the maintenance and repair activities necessary to keep an inventory in good working order. It includes regularly scheduled maintenance and major repairs or replacement of facility components that are expected to occur periodically throughout the life cycle of facilities. Sustainment prevents deterioration and preserves performance over the life of a facility.

To forecast funding requirements for sustainment, we developed the Facilities Sustainment Model (FSM). FSM uses standard benchmarks drawn from the private and public sectors for sustainment costs by facility type and has been used to develop the Service budgets since fiscal year 2002 and for several Defense Agencies beginning in fiscal year 2004.

Full funding of sustainment is the foundation of our long-term facilities strategy, and we have made significant progress in achieving this goal. The Department increased funding for facilities sustainment consistently from fiscal years 2002 through 2005, sustaining facilities at an average of 93 percent of benchmarks. In the fiscal year 2006 budget request, the Department shows a slight decrease in the department-wide rate to 92 percent. The budget request, however, is an improvement upon the plan for the fiscal year 2006 contained in the fiscal year 2005 FYDP, which funded facility sustainment at 90 percent. Our priorities have not changed and with the support of the Congress our goal remains to reach full sustainment by fiscal year 2008.

Restoration and modernization, collectively termed recapitalization, provide resources for improving facilities and are funded 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.

Recapitalization is the second step in our strategy. Similar private sector industries replace their facilities every 50 years, on average. With the types of facilities in the Defense Department, engineering experts estimate that our facilities should have a replacement cycle of about 67 years on average. In fiscal year 2001, the Department's recapitalization rate stood at 192 years. This budget request supports a recapitalization rate of 110 years, and we remain committed to achieving our 67 year recapitalization goal in fiscal year 2008.

#### SUSTAINMENT AND RECAPITALIZATION REQUEST

[President's Budget in Millions of Dollars]

	Fiscal year 2005 request	Fiscal year 2006 request
Sustainment (O&M-like <sup>2</sup> ) .....	6,515	6,529
Restoration and Modernization (O&M-like) .....	1,321	1,008
Restoration and Modernization (MilCon) .....	3,161	3,474
<b>Total SRM</b> .....	<b>10,997</b>	<b>11,011</b>

<sup>2</sup> Includes O&M as well as related military personnel and host nation.

As a key component of our facility program, the Military Construction appropriation is a significant contributor to the Department's comprehensive approach to asset management practices. The fiscal year 2006 Department of Defense Military Construction and Family Housing appropriation request totals \$12.05 billion. This budget request will enable the Department to transform in response to warfighter requirements, to enhance mission readiness, and to take care of our people. We do this, in part, by restoring and modernizing our 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 2005 appropriation	Fiscal year 2006 request
Military Construction .....	4,745	5,284

<sup>1</sup> Includes O&M as well as related military personnel, host nation, and working capital funds.

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

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

	Fiscal year 2005 appropriation	Fiscal year 2006 request
NATO Security Investment Program .....	166	207
Base Realignment and Closure .....	246	2,258
Family Housing Construction/Improvements .....	1,622	2,020
Family Housing Operations & Maintenance .....	2,547	2,220
Chemical Demilitarization .....	81.9	.....
Homeowners Assistance .....	.....	.....
Family Housing Improvement Fund .....	2.5	2.5
Energy Conservation Investment Program .....	50	60
Total .....	9,460	12,052

*Improving Quality of Life*

At the outset of this Administration, the President and Secretary Rumsfeld identified elimination of inadequate family housing as a central priority for the Department and set an aggressive target of 2007 to meet that goal. Greatly expanded use of the privatization authorities granted under the fiscal year 1996 Military Housing Privatization Initiative has enabled achievement of that target at United States based installations where those authorities apply. Sustaining the quality of life for our military families is crucial to recruitment, retention, readiness and morale. The fiscal year 2006 budget funds elimination of all inadequate domestic family housing by 2007, and eliminates remaining inadequate houses overseas by 2009.

DOD policy relies on the "community first" (private sector) to provide quality housing. Only when the private market demonstrates that it cannot supply sufficient levels of quality housing does the Department provide housing to our military families using privatization as its primary option followed by government-owned and leased housing. For example, we address our housing needs overseas through military construction and leasing in the absence of privatization authority.

To ensure the Department is making the best investment decisions in determining the appropriate level of housing, the government provides a single and consistent methodology for calculating the requirement which was introduced in January 2003 and is being extensively utilized by the Services. Currently, 73 percent of military families reside in privately owned housing, including 11 percent in privatized military housing and 27 percent in government-owned housing areas.

The Department has skillfully used privatization to more quickly eliminate inadequate housing and to provide additional housing where shortfalls existed. As of February 2005, the Department has awarded 43 projects. This includes over 87,000 military family housing units, which is a 58 percent increase since January 2004. DOD policy requires that privatization yield at least three times the amount of housing as traditional military construction for the same amount of appropriated dollars. The 43 awarded projects have permitted the Department, in partnership with the private sector, to provide housing for about \$767 million in military construction investment. The same level of construction activity would otherwise have required over \$11 billion if the traditional military construction approach was utilized. This reflects an average ratio of over 14 to 1, well exceeding program expectations.

The Department's privatization plans in the fiscal year 2006 budget will privatize 84 percent of its domestic family housing inventory, or roughly 185,000 units privatized by the end of fiscal year 2007. By the end of fiscal year 2006, we will have privatized 172,400 housing units.

For fiscal year 2006, the Department requests \$4.243 billion in new budget authority for family housing construction and operations and maintenance:

—\$1.9 billion to construct 3,447 new/replacement units and improve 3,584 existing units.

—\$2.2 billion to operate and maintain approximately 123,452 government-owned family housing units, and lease another 26,281 units worldwide.

Funding to support the privatization of family housing is programmed and budgeted in the family housing construction appropriations and is transferred to the DOD Family Housing Improvement Fund (FHIF) when the privatization projects are executed. The fiscal year 2006 construction account requests a total of \$281 million in funding for privatization. Of this amount, approximately \$182 million is anticipated to be transferred to the Family Housing Improvement Fund during fiscal year 2006 along with \$428 million in previously appropriated construction funds.

This \$610 million will be used to finance the privatization of approximately 34,964 units.

#### *Utilities Privatization and Energy Management*

The Department seeks to reduce its energy consumption and associated costs, while improving utility system reliability and safety. The Department has developed a comprehensive energy strategy and issued new policy guidance that will continue to optimize utility management by conserving energy and water usage, improve energy flexibility by taking advantage of restructured energy commodity markets when opportunities present themselves, and modernize our infrastructure by privatizing our deteriorated and outdated utilities infrastructure where economically feasible. The comprehensive energy strategy supports the use of meters to manage energy usage at locations where the monitoring justifies the cost of installing, maintaining and reading the meter. Metering in itself does not save energy, however, use of meters can be beneficial to determine accurate billing, perform diagnostic maintenance, and enhance energy management by establishing baselines, developing demand profiles, ensuring accurate measurement for reporting, and providing feedback to users.

DOD, as the largest single energy consumer in the Nation, consumes over \$2.8 billion of energy per year. Conserving energy and investing in energy reduction measures makes good business sense and frees up resources for sustaining our facilities and for higher DOD priority readiness and modernization. Recent dramatic fluctuations in the costs of energy significantly impact already constrained operating budgets, providing even greater incentives to conserve and seek ways to lower energy costs. These include investments in cost-effective renewable energy sources or energy efficient construction designs, and aggregating bargaining power among regions and Services to get better energy deals.

Conserving energy in today's high-priced market will save the Department money that can be better invested in readiness, facilities sustainment, and quality of life. Our efforts to conserve energy are paying off; in fiscal year 2004, military installations reduced consumption by 1.1 percent despite an 8.8 percent increase in the cost of energy commodities from fiscal year 2003. With a 26.8 percent reduction in standard building energy consumption in fiscal year 2004 from a 1985 baseline, the Department has deviated slightly from the track required to achieve the 2005 and 2010 facility energy reduction goals stipulated by E.O. 13123. This is mostly attributable to the lapse of Energy Savings Performance Contract (ESPC) authority which typically accounts for more than half of all facility energy savings. However, with ESPC authority reauthorized in the fiscal year 2005 National Defense Authorization Act, DOD has launched an aggressive awareness campaign and plan to get back on track to meet fiscal year 2010 reduction goals.

DOD has significantly increased its focus on purchasing renewable energy and developing resources on military installations. The Department has increased the use of Energy Conservation Investment Program (ECIP) funds for renewable energy projects from \$5 million and \$11 million in fiscal year 2003 and fiscal year 2004, respectively, to \$13 million and \$18 million in fiscal year 2005 and fiscal year 2006, respectively.

The Department has a balanced program for energy conservation—installing energy savings measures using appropriated funding and private-sector investment—combined with using the principles of sustainable design to reduce the resources used in our new construction. Energy conservation projects make business sense, historically obtaining about \$4 in life-cycle savings for every dollar invested. The fiscal year 2006 budget contains \$60 million for the ECIP program to implement energy saving measures in our existing facilities.

To improve utility systems, the Department has reaffirmed its preference to modernize military utility systems through privatization. The DOD Utilities Privatization Program has made solid progress over the past 2 years. The Services have greatly simplified and standardized the solicitation process for obtaining industry proposals. Request for Proposal (RfP) templates were clarified to improve industry's ability to obtain private sector financing and manage risks. Of 2,601 utility systems serving the DOD, 463 systems have been privatized and 733 were already owned by other entities. Over 950 systems are currently under solicitation as each Service and the Defense Logistic Agency continue aggressive efforts to reach privatization decisions on all systems.

#### *Installations Support*

The Installations Support function consists of two major programs: Installation Services (formerly referred to as "base operations support") and Facilities Operations (formerly referred to as "real property services"). The current budget request

of \$22.5 billion includes \$16.8 billion for Installations Services and \$5.7 billion for Facilities Operations in fiscal year 2006. The Defense Installations Strategic Plan articulates the need to define common standards and performance metrics for managing Installations Support. The Department has initiated an effort to define and model each sub-function of Facilities Operations (utilities, leases, custodial services, snow plowing and the like) by fully utilizing commercial benchmarks. For the more diverse tasks within Installation Services, the Department has established a cross-Departmental working group to examine definitions and budget structures.

#### *Range Sustainment*

In concert with the President's August 2004 Executive Order "Facilitation of Cooperative Conservation" the Department has developed a program of Compatible Land Use Partnering that promotes the twin imperatives of military test and training readiness and sound conservation stewardship through collaboration with multiple stakeholders. The Executive Order defines "cooperative conservation" as actions that relate to use, enhancement, and enjoyment of natural resources, protection of the environment, or both, and that involve collaborative activity among Federal, State, local, and Tribal governments, private for-profit and nonprofit institutions and other nongovernmental entities and individuals. The Department's Range Sustainment Program is fully consistent with the President's goals in this area. Section 2811 of the 2003 National Defense Authorization Act authorizes the Services to take a proactive role in developing programs to protect our installations and ranges from urban sprawl by working with States and non-governmental organizations to promote compatible land use through cooperative conservation efforts. This authority has enabled DOD to initiate the Readiness and Environmental Protection Initiative (REPI)—a multi-year program to sustain test and training space for our troops while simultaneously assisting in the protection of valuable habitat and open space. This program provides a lasting solution and a long-term framework for developing new policies, partnerships, and tools to assist communities and other interested stakeholders in executing compatible land use partnerships around our test and training ranges and installations, as well as work with our other Federal landowners on cooperative conservation projects. In the coming years, military readiness will still require substantial resources, air, land and water areas where military forces can test and train as they would fight. It is imperative that we be able to posture our test and training infrastructure for transformational and sustainable operations.

The Department appreciates greatly the \$12.5 million in fiscal year 2005 funding provided by Congress to fund the REPI program, and the military Services are already executing critical projects in many States. A recent agreement to address encroachment at Fort Carson, Colorado, and to enhance regional environmental conservation is one example of this win-win approach. Other projects are under consideration in Hawaii, at MCB Camp LeJeune, North Carolina, and in California and Florida. In fiscal year 2004, the Services implemented successful partnerships with State and Non-Governmental Organizations (NGOs) at locations such as NAS Pensacola (Navy and Escambia County), Camp Blanding (National Guard Bureau and State of Florida). These multi-faceted conservation partnerships will ensure the long-term sustainability of test and training centers supporting the military mission. Thus, the Administration has requested \$20 million for the REPI program for fiscal year 2006 and we are in the process of refining the Service priorities for those funds. I have requested that the Services prepare and submit requirements associated with fiscal year 2007 and out-years to support a long-term funding strategy for the REPI program. These compatible land use partnering efforts will become even more critical to our ability to protect and preserve our test and training missions as we enter our post-BRAC transformational environment. We look forward to participation in the White House Cooperative Conservation Conference later this year to find ever more innovative ways to work with others to help secure critical test and training ranges. I look forward to working with Congress to ensure our ability to fulfill the important programming requirements for these new efforts.

#### *Safety and Occupational Health*

The Department is aggressively supporting the SECDEF's priority to reduce mishaps in DOD by implementing SOH management systems and by making it a priority in our Defense Installations Strategic Plan. Our programs focus on continuous incremental improvement in Safety and Health, but we're also involved in implementing significant changes in safety through our partnership with the Under Secretary of Defense for Personnel and Readiness, who chartered the Defense Safety Oversight Committee (DSOC). Together, we are leading DOD's efforts to cut mishaps in half by the end of fiscal year 2005. The DSOC, composed of senior leaders

throughout the Department, is finding ways to decrease the detrimental effect on our readiness caused by mishaps. We are focusing on acquisition; base operating support; training; and deployment operations. For acquisition and training, the Army and Marine Corps is responding to deaths from HMMWV rollovers by acquiring improved seat belt systems for tactical vehicles and by training deployed soldiers and marines to improve their driving skills. For deployment health protection, we began a program for the factory treatment of Army and Marine Corps combat uniforms with permethrin. This will provide protection against mosquitoes, and the diseases that they transmit, for the life of the uniform. Factory treatment ensures that all uniforms are treated and deployment-ready and that soldiers are not exposed to concentrated pesticides.

#### ENVIRONMENTAL MANAGEMENT

The Department continues to be a leader in every aspect of environmental management. We are proud of our environmental program at our military installations and are committed to pursuing a comprehensive environmental program.

##### *Environmental Management Systems*

To make our operations more efficient and sustainable across the Department, we are continuing our aggressive efforts to implement environmental management systems (EMS) based on the “plan-do-check-act” framework of the international standard for EMS (ISO 14001). We are embedding environmental management as a systematic process, fully integrated with mission planning and sustainment. This transformation is essential for the continued success of our operations at home and abroad. Implementing EMS will help preserve range and operational capabilities by:

- creating a long-term, comprehensive program to sustain training and testing capability while maintaining healthy ecosystems;
- conducting environmental range assessments to ensure that we protect human health and the environment; and,
- funding and implementing the INRMPs for our ranges.

In addition, EMS will help maintain and preserve our historic properties, archaeological resources, Native American, and other cultural assets for the benefit of future generations. Today, DOD has a large inventory of historic properties: 75 National Historic Landmarks, and nearly 600 places on the National Register of historic places, encompassing more than 19,000 individual properties, including buildings, structures, objects, and sites located at over 200 installations. Over the next two decades, tens of thousands more buildings will reach an age requiring evaluation of their historical significance.

#### ENVIRONMENTAL PROGRAM—SUMMARY OF REQUEST<sup>3</sup>

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

	Fiscal year 2005 as appropriated	Fiscal year 2006 request
Environmental Restoration .....	1,352	1,370
BRAC Environmental <sup>4</sup> .....	328	449
Compliance .....	1,666	1,561
Pollution Prevention .....	142	143
Conservation .....	175	205
Technology .....	274	206
International <sup>5</sup> .....	3	3
<b>TOTAL .....</b>	<b>3,937</b>	<b>3,934</b>

<sup>3</sup>Includes operations and maintenance, procurement, RDT&E, and military construction funding.

<sup>4</sup>Funding levels reflect total requirement.

<sup>5</sup>International is included in Pollution Prevention and Compliance.

In fiscal year 2006, the budget request includes \$3.9 billion for environmental programs. This includes \$1.4 billion for cleanup, \$0.4 billion for BRAC environmental, \$1.6 billion for compliance; about \$0.1 billion for pollution prevention, and about \$0.2 billion each for conservation and environmental technology.

##### *Managing Cleanup*

The Department is committed to the cleanup of property contaminated by hazardous substances, pollutants, and military munitions. We have achieved remedy in place or restoration complete at 15,950 out of 19,710 sites on active installations. At the end of fiscal year 2004, 4,046 out of the 4,832 BRAC sites requiring haz-

ardous waste remediation have a cleanup remedy constructed and in place, or have had all necessary cleanup actions completed in accordance with Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) standards. Hazardous waste cleanup at Formerly Used Defense Sites (FUDS) achieved remedy in place or response complete at 1,539 out of the 2,647 sites.

#### *Managing Compliance and Preventing Pollution*

The Department is committed to going beyond mere compliance. But compliance with existing laws and regulations is the base line for our program and we continue to plan and fund for this requirement. Our ability to meet these compliance driven goals continues to improve. In a letter to the editor of USA today, acting EPA Assistant Administrator Skinner publicly complemented the Department by stating, "The Department of Defense (DOD) has been a leader in pollution prevention and implementing environmental-management systems that serve as models for other facilities." Pollution prevention techniques continue to save the Department needed funds as well as reduce pollution. The Department continues to demonstrate pesticide use risk reduction on installations and was recognized by the EPA as Pesticide Environmental Steward Program Champion, for the third year in a row.

#### *Emerging Contaminants*

In January 2005 the National Academy of Sciences (NAS) released a review of the science used to determine the public health risks from perchlorate, a chemical with important national defense applications due to its use in missile and rocket propellants, munitions, pyrotechnics, and flares which was funded jointly by DOD, DOE, EPA, and NASA. Even before the start of the NAS study, Federal agencies were working hard to understand and address potential risks of perchlorate. The NAS report yielded an independent assessment of the available science. Now Federal agencies will be able to take actions based on sound science to address the issue of perchlorate in our Nation's drinking water supply.

We continue to develop more comprehensive strategies to enable us to protect public health while sustaining our assets and better managing our liabilities. In 2004, in advance of any legally promulgated standard for perchlorate, the Department issued a policy to sample for perchlorate that has enabled the Department to better characterize the nature and extent of perchlorate plumes associated with its facilities. Over the last year, a joint effort between the Department and the State of California yielded a sampling prioritization protocol to ensure that active and former DOD sites with the greatest potential to cause a perchlorate-based health threat were investigated first. All current and formerly used DOD sites have now been jointly assigned a priority for sampling according to that protocol.

The Department is moving ahead with efforts directed toward removing perchlorate from the environment. In advance of any requirement, DOD proactively initiated remediation demonstration projects at several sites in California, Texas, and Massachusetts. We have taken corrective measures to ensure proper disposal and added additional wastewater treatment to manufacturing facilities using perchlorate. We continue to fund remediation technology research and, this year, we launched a \$9.5 million wellhead treatment demonstration effort with several Southern California communities. The Army's effort to find substitutes for some of its training uses of perchlorate is also yielding positive results.

We are using these comprehensive approaches as a model to more proactively and cooperatively address other emerging contaminants such as trichloroethylene (TCE) and Royal Demolition eXplosive (RDX). The Department continues to engage with other agencies in a sustained collaborative effort to address emerging contaminants by creating mutually satisfactory sustainable solutions. Last fall, DOD began working with the Environmental Council of States to define opportunities for States, DOD, DOE, and EPA to address emerging contaminants more effectively in the future.

### BUSINESS TRANSFORMATION

#### *Business Management Process Transformation*

The Business Management Modernization Program (BMMP) was established 3 years ago and has made significant progress in establishing key foundational elements necessary to enable broad business transformation across the Department. In April 2003, the DUSD (I&E) was designated as the Domain Owner for the Installations and Environment Domain of BMMP. Because the foundation is now laid, the program is redefining itself to focus on facilitating rapid delivery of DOD Enterprise capabilities.

The I&E Domain has achieved significant accomplishments over the past year. We developed a real property unique identification concept that will enable greater

visibility of real property assets and associated financial resources. Our efforts focused on reengineering the business process for real property inventory, resulting in standard data elements and data definitions for physical, legal and financial attributes of real property. Our efforts also produced, for the first time in DOD, an end-to-end process of real property management that articulates the interfaces with real property asset accountability and financial records. Our focus on data (data strategies, elements and definitions) will facilitate rapid implementation of the real property inventory capability upon deciding on our systems implementation strategy. Additionally, we developed a process model for environmental liabilities recognition, valuation, and reporting that contributes to our overall auditability. During this past year, we also established the Defense Installation Spatial Data Infrastructure project to implement DOD-wide policies and resource oversight for geospatial information resources that support the Installations and Environment business mission area.

During this fiscal year, we will conduct an analysis of system alternatives and prepare a transition plan to determine the best implementation strategy for the real property inventory reengineering effort. We will continue to make improvements across the Department in managing hazardous material by developing an enterprise-wide procedure for hazardous materials management. We will define I&E geospatial information needs and continue to minimize redundant acquisition of I&E geodata resources. Lastly, we are aggressively working to put into operation a DOD registry for physical locations. This registry will identify all DOD sites with a unique identifier and will be associated with firm boundary information. The registry will be available across the DOD enterprise and to potential users include the warfighting community and business mission areas. The site registry will allow for personnel and weapons system information systems to be linked to DOD's sites.

#### *Competitive Sourcing*

Competition is a driving force within the American economy, causing organizations to improve quality, reduce cost, and provide rapid delivery of better products and services. The President's Management Agenda identifies Competitive Sourcing as one of the five primary Federal initiatives. The Department of Defense has long been the Federal leader in using public-private competition under the process defined by OMB Circular A-76 to decide the least costly and most efficient source for commercial functions. It is essential that we continue to utilize the process, where it makes good military and business sense, to improve support to the warfighter and increase readiness. Many important base support functions fall into this category. The fiscal year 2006 budget supports continued use of the improved process described in the recent revision to OMB Circular A-76 competitions for functions involving approximately 100,000 full time equivalents (FTE). This will allow achievement of the Department's targets in the President's Management Agenda.

#### CONCLUSION

The Department is transforming its installations and business practices through an asset management strategy, and we are now seeing the results of that transformation. We are achieving the President's goal to provide quality housing for our service members and their families, and we have made positive progress toward our goal to prevent deterioration and obsolescence and to restore the lost readiness of our facilities. We also are transforming our environmental management to become outcome oriented, focusing on results. We are responding vigorously to existing encroachment concerns and are putting a long-term installation and range sustainment strategy into effect.

The Base Realignment and Closure effort leading to the delivery of the Secretary's recommendations to the independent Base Closure Commission in May 2005 is a key means to transform our infrastructure to be more flexible to quickly and efficiently respond the challenges of the future. Together with the Global Defense Posture Review, BRAC 2005 will make a profound contribution to transforming the Department by rationalizing our infrastructure with Defense strategy.

In short, we have achieved significant accomplishments over the past few years, and we are well on our way to achieving our goals across the Installations and Environment Community. In closing, Madam Chairwoman, I sincerely thank you for this opportunity to highlight our successes and outline our 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 our plans into actions.

Senator HUTCHISON. Thank you, Mr. Secretary.

I will start with a few questions. I am going to try to give everyone a chance to do round one, and then I will likely come back with round two.

#### MORE SPECIFICITY FOR BRAC FUNDING

First of all, Mr. Grone, the budget request includes \$1.9 billion for the 2005 BRAC round. There are \$392 million for costs associated with the Global Presence and Basing Strategy, but the rest is not earmarked at all. I wondered if you would tell us how the Department intends to determine the uses for this money. What do you plan for this, and will we have a mechanism by which you will come to Congress with more specificity for almost \$2 billion?

Mr. GRONE. Madam Chairman, that is an excellent and quite appropriate question. As we were budgeting for base realignment and closure activities at the Department for the coming fiscal year, of course, the first year of implementation is always a bit of a challenge. We do not know at the time we build the budget what the recommendations of the Secretary will be, nor do we know, obviously, what the recommendations of the commission and the disposition of those recommendations by Congress will be.

We took a good, hard look at lessons learned from the past, as we were building the budget. In 1993, the Department had requested funds which, if inflated appropriately, would amount to approximately \$1.5 billion. We took a look at the 1995 round, applied the appropriate inflators to that, and the request was about \$1 billion.

Having said that, the General Accounting Office on numerous occasions, in commenting on the 1995 round, indicated to the Secretary and to the Congress that the Department's recommendations in that year were smaller than it had projected at the start and that their analysis, the GAO's analysis, at the time found that the services' concerns over closing costs played a role in limiting the number of options that were actually recommended to the commission and ultimately enacted into law.

So when we took a look at the lessons of the past, as well as considering the costs associated with the initial phase of realigning forces to the United States from abroad, we came to the conclusion that that level of funding, approximately \$1.9 billion, was an appropriate level for the first year.

As to the process, in 1995, as with prior rounds of BRAC, the Department's budget justification included simply a reference that we had requested a certain level of funding. Once the Congress disposes of the commission's recommendations, we will provide a report to the Congress that details the first year implementation funding associated with the amount appropriated by Congress, and subsequently for fiscal year 2007 and beyond, we will include a complete breakdown of how we expect to expend those funds, as we would with any other budget justification. So we certainly will not begin to expend funds until we provide such a report for the committee's review, but we believe that that initial tranche of funds is an appropriate level to get us started.

We do not have a target for the number of bases we expect to close, nor do we have a target for the expected amount of savings. But we have taken a good, hard look at lessons learned from the

past, and we want to put ourselves in the position to begin to expeditiously implement BRAC recommendations and we do not, obviously, want to be short of the resources necessary to make that happen.

Senator HUTCHISON. Thank you. We will look forward to having something that assures that we will have some specificity as you get to the point. I understand, obviously, we do not know what bases are being closed and what the needs are at this time.

#### PROCEEDS FROM SALES OF CLOSED FACILITIES

Speaking of lessons of the past, after nearly a decade of debate over the future of the former El Toro Marine Corps Air Station property, which was closed in the 1993 BRAC, the Navy has sold the property to a developer for a reported almost \$650 million. We are told that the Navy probably will sell much of the property at the now-closed Roosevelt Roads Naval Air Station in Puerto Rico.

Is this something you expect the Navy and other services to do following the 2005 BRAC round? If so, will it offset some of the costs of base closing? How will that money be allocated? And is this sort of a new mode of operation that is different from trying to work with community redevelopment corporations and giving property back to the community to the best extent possible? Just in general, the overview of is this a harbinger of the future.

Mr. GRONE. It is an indicator of, in many ways, where we would like to be after the 2005 round. And at the outset I want to emphasize that in both the case of El Toro and in the case of Roosevelt Roads, should the Navy proceed with sale—and Mr. Penn who will follow us in the next panel can elaborate on this point. But in both cases, those decisions and those redevelopment packages are reflective of what we have taken to refer to as the mixed tool kit. In both instances, there are public purpose conveyances. There are economic development conveyances, as well as parcels for public sale. Both resulted from extensive consultation with local governments concerned, and that is the way in which we see a good deal of the future.

Our approach, taking good lessons learned from the past, we probably significantly as a Department over-estimated our ability to sell in the early stages of the first BRAC rounds. Later on, given a whole history, which I will not belabor, we probably took that pendulum too far over to the right. Where we want to be—and we have had extensive conversation with redevelopment authorities, local governments, State governments, the National Association of Installation Developers, and others, and we expect we will continue to have dialogue with the Hill on these points as well.

Where we would like to be is to put ourselves in the position where we proceed from a series of four or five key principles. One is if we choose to close a base, we need to look at ways to accelerate the movement of that mission. Doing so will enable the second principle, which is to put the property into effective economic reuse as expeditiously as we can. As we do that, our approach will be a highly tailored, locally tailored effort, working with State and local governments and redevelopment authorities, to put that mixed tool kit parcel into place and, where it is appropriate, to sell.

As we sell property and we take revenue in, of course, that will offset some of the cost, particularly over the long term, of our environmental remediation and caretaker cost activities. So it is not insignificant in that regard. But we recognize that our ability to do that is entirely dependent upon our ability to work in cooperation and in partnership with local government. We cannot sell and maximize value on our own. We must work together, and that is a foundation of our policy as we are developing it in the middle of our policy review going forward.

Senator HUTCHISON. Thank you very much.

I will now turn to my ranking member, Senator Feinstein, and I do have a couple of other questions, but I would like to spread the opportunity.

#### CHEMICAL WEAPONS DEMILITARIZATION

Senator FEINSTEIN. Well, thank you very much, Madam Chairman. I will try and be brief.

Let me ask my first question because Senator Allard is here hailing from Colorado, and that is about chemical weapons demilitarization. There is no funding for the chem demil construction in your 2006 MILCON request, and I think there has been a great deal of discussion of how Defense intends to proceed with the destruction of munitions stockpiled at the Blue Grass, Kentucky and the Pueblo, Colorado facilities. In 2005, we appropriated a total of \$81.8 million for construction of the Kentucky and Colorado facilities. In 2004, \$104 million was appropriated for construction. And this is all on top of nearly \$100 million that was appropriated for these facilities in prior years. So that is almost \$300 million that has already been appropriated.

You are not requesting any chemical demil funds. I would like to know why not. I would like, if I might, to know whether the Department intends to proceed with construction of the Kentucky and Colorado facilities, and if these facilities are delayed or ultimately canceled, how will that affect DOD's ability to comply with the deadlines for chemical stockpile destruction imposed by the Chemical Weapons Convention?

And are you considering the feasibility of shipping these weapons from these facilities across State lines, and what is the status of the funding? How much has been spent and how much of it remains unobligated? I have got them written down. So if you forget one, I will get you on another.

Ms. JONAS. Senator, let me start out and then I will let Mr. Grone talk to some of the specifics on the MILCON piece.

Senator Allard was present at a Senate Budget Committee where the Deputy Secretary of Defense committed to working with the Congress on the issue. We understand that there are concerns here and working some alternatives to deal with the situation as it is. Mike Wynne, who is the acting Under Secretary for AT&L, of course, is the principal in charge of this program. I would be happy to make sure that we get for you for the record all the answers to those questions. I am not sure I have them all.

[The information follows:]

The Department has released funding previously withheld in fiscal year 2005 to commence the redesign and construction of the destruction facilities managed by the

Assembled Chemical Weapons Alternatives (ACWA) program. The ACWA program has completed sufficient analysis of methods that balance cost, schedule and performance objectives to make a determination as to which is the most prudent design approach to maximize the opportunity to meet the extended 100 percent Chemical Weapons Convention destruction deadline of April 29, 2012. The fiscal year 2005 funds and those funds requested for fiscal year 2006 should be sufficient to manage the ACWA program through the end of fiscal year 2006.

Ms. JONAS. My understanding is that—and I do not have the specific numbers on the obligations, but on the prior year obligations, a good portion of those funds have been obligated. There are some that have not been, and Mike Wynne is looking at a spend plan on that to try to deal with the situation.

But I would say that the Deputy Secretary of Defense committed to working with the Congress on potential alternatives regarding those two sites.

Senator FEINSTEIN. Well, you really have not answered the questions. But what you are saying is we are working on it. \$285.5 million has been appropriated by this committee.

Ms. JONAS. Right.

Senator FEINSTEIN. What I am asking for, I guess, if you are not going to use it at these sites, tell us now. Tell us what you are going to do with the money.

Ms. JONAS. Certainly.

Senator FEINSTEIN. This has been going on for what? This is the third year now.

Ms. JONAS. Senator, I would be happy to get with Mike Wynne and get back with you and your staff to give you the exact information that you are requesting. My understanding is there is some money that Mike has got on a withhold because he is concerned about a spend plan and some cost overruns on that. But I would be happy to work with you on that.

Senator FEINSTEIN. Can you tell us if you are going to go ahead with these two sites? Yes or no?

Mr. GRONE. Senator, where I think are now—and I would like to elaborate on a couple of the points that my colleague has made.

So far through the program, we have met all our required milestones to date, to speak to the point on demilitarization. We have destroyed 35 percent of the stockpile. The next milestone requires destruction of 45 percent of the stockpile by December 2007, and as we sit here today, that deadline is achievable.

As the subcommittee is aware, we have seen significant cost growth in the chemical demilitarization program overall.

Senator FEINSTEIN. I do not want to take up your time. I am asking about two sites: Pueblo, Colorado and Kentucky.

Mr. GRONE. The acting Under Secretary has asked for a number of alternatives to be looked at. Once that spend plan and those alternatives are assessed, we would be in a better position to answer the question. All options are on the table. None are off the table. And in order to fulfill our responsibilities as a Department to ensure that we have a cost effective, safe, treaty-compliant program, we need to look at all the options given the cost growth that we have had in the program, and that is what we are trying to do.

Senator FEINSTEIN. Well, let me just ask this. You basically have not answered the question. You may not be able to. I appreciate that. But for 3 years we have appropriated money. It seems to me

we ought to know whether this money is going to be used for that. It is a lot of money. And if it is not, whether it is unobligated and it can be used for other things.

Ms. JONAS. Senator, I would be happy to get with you in the next couple of days. I will work with Mike Wynne to make sure that we get an answer to that question. But my understanding was that he was looking at a spend plan on it and that is why the withhold took place.

[The information follows:]

Yes, we are going to go ahead with these two sites. The Department has now released all prior years and fiscal year 2005 appropriated funds for Blue Grass and Pueblo.

Senator FEINSTEIN. Okay, but the bottom line is you are uncertain whether you are going to go ahead or not go ahead. Right?

Ms. JONAS. I need to talk with Mike Wynne about where they are with respect to his spend plan. I will not make any assumptions right now, but I will be glad to get back to you in short order.

Senator FEINSTEIN. When you get back to us, if you could bring the information, exactly how much has been spent and for what it has been spent, and also what the alternatives are that you are considering.

Ms. JONAS. Absolutely.

Senator FEINSTEIN. I appreciate that.

I will reserve my questions so others have a chance.

Senator HUTCHISON. We will have a second round.

Senator Allard.

Senator ALLARD. Madam Chairman, thank you very much, and I want to thank Senator Feinstein for pursuing that line of questioning. It is exactly the same line of questioning that I put before you, Ms. Jonas, in previous hearings. I have asked the same line of questions at the Subcommittee on Defense, asked the same line of questions at the Budget Committee when we had our hearing there, and we have the same line of questions here. I think they are very important questions that we are asking.

We are not going to be in compliance with the Chemical Convention Treaty which has been ratified by the Senate. We had testimony from the Secretary of State, Condoleezza Rice, saying that if we do not comply with the treaty, it just makes her job that much more difficult. So this is an important issue to the country, not just Kentucky and Colorado.

Mr. Grone—did I pronounce your name right? Grone?

Senator HUTCHISON. Grone.

Senator ALLARD. I am sorry.

Mr. GRONE. That is quite all right.

Senator ALLARD. Mr. Grone, I apologize.

But the point I want to make is that you say all options are on the table and the study that you are making includes all options. Now, we have in Federal law a provision that says that you will not ship interstate chemical weapons or material from these chemical weapons stockpiles without permission from the Governor or a declared emergency by the President. And none of those conditions exist in either Kentucky or Colorado or the neighboring States.

We have already had three studies in Colorado at the Pueblo site. Now, why in the world, after we have had three studies, are

we having another study? We are spending \$150,000 on that, which could easily be used to begin to put in some of the infrastructure ahead of time. To me it seems like an absolute waste of taxpayer dollars.

Now, if you have problems with cost overruns, then I think we ought to address that issue. But I do not see why you are spending taxpayer dollars on a study on an activity that is illegal. You are not going to ignore the law, are you?

Mr. GRONE. No, sir.

Senator ALLARD. So I do think this does require serious consideration. The Pentagon has simply just not treated this as seriously I think as they should, and I hope they do.

Ms. JONAS. Senator, I would just add that it was the Deputy Secretary that committed to work with you and other Senators on this very matter.

Senator ALLARD. That is correct.

Ms. JONAS. And I know he is hard at work at that. It is very much on his plate, and I know he has held several meetings on it already. So we would be happy to get back to this committee on plans for the future.

Senator ALLARD. I for one would be very interested in getting the information that was requested by Senator Feinstein, and she would probably be interested in getting the information that you might provide to my office too.

#### BUFFER AREA AROUND FORT CARSON, COLORADO

I am going to go on to something that is probably a little easier subject. One of the things that we are looking at Fort Carson—we have introduced legislation for this—is a buffer area around the base. National bases all around the country are having urban encroachment occurring on them. I think we have probably all experienced this in our States. As a result of that, it is difficult for them to carry out their mission.

We have a unique situation in the State of Colorado in that we have a large amount of open space around Fort Carson that is owned by very few landowners. This provision, which was just passed by Congress last year, has not been applied to any base. So Fort Carson I think is going to be our first test as far as this is concerned.

I would like to get some of your views on this. We are in the process now of negotiating with the local property owners and it is strongly supported by the local community, strongly supported by the commanders at the base. From what I can tell, everybody in the Pentagon is enthusiastic about it. I would just like to have maybe some comments that you might have on this approach and what concerns you may have, if any.

Mr. GRONE. Well, Senator, I appreciate the opportunity to comment on it because the general initiative is managed by my office.

We had requested funds last year. Several years ago we had sought authority from the Congress to begin this type of important buffer initiative which Congress graciously enacted. We would have the ability with this to improve the long-term stewardship and management of encroachment around many of our installations.

We had requested \$20 million in funds last year from the Congress, and through the budget process, we ended up with \$12.5 million for fiscal year 2005. We followed up that request with an additional request which will be pending in the Defense Subcommittee for \$20 million in fiscal year 2006.

The issues at Fort Carson are a high priority issue. For us it is a priority for the Army. We are working now on how to begin to implement a good deal of the program there. We do have some initial experience with these kind of initiatives. A lot of what we are doing now was rooted in some local initiatives in and around Fort Bragg, North Carolina, and pursuant to the authority provided by Congress 3 years ago, we have conducted two agreements in the State of Florida, one around Camp Blanding to benefit the Florida National Guard, and the other around NAS Pensacola, Eglin Air Force Base, between the Navy and Escambia County.

So we are looking at locations all across the country not just to use the defense-wide fund, the \$20 million we have requested this year, but also the services have the ability to tap their own O&M funds for this if they have a willing seller and if it is something that needs to be critically executed in that fiscal year. So we are looking very hard at it.

It is a very, very positive initiative. It rests on a serious of co-operations and cooperative relationships between us, the State, and nongovernmental entities. It holds out the long-term prospect of being a very key part of our ability to guard against encroachment at our installations. We certainly support those efforts.

Senator ALLARD. I thank you for your response and look forward to working with you on that.

Thank you, Madam Chairman.

Senator HUTCHISON. Thank you.

Senator Landrieu has joined us. Welcome.

#### STATEMENT OF SENATOR MARY L. LANDRIEU

Senator LANDRIEU. Thank you, Madam Chair. I just want to say how glad I am to be again joining you on this committee. There was some question as to our organization. I am happy that our committee not only survived but picked up the oversight of veterans and look forward to working with all of you in that regard.

I also have a statement for the record, and I apologize for being late. So I will just submit it. But I would like to just refer to part of that opening statement and then get to my questions.

I wanted to mention in the opening the success that we have had—and to thank our panel—in Louisiana for our public/private venture program, as we refer to it, PPV. Many of our States have experienced similar successes. But, Madam Chair, that success that was experienced at our naval air station, now the joint reserve base in Belle Chasse, is very worth noting.

Because of the basic radical transformation in an extremely positive way of the housing there and the establishment of a brand new school, which was done, as I understand, because I helped to do it, in quite a unique way, a new partnership between the State, the local school board, and the Federal Government, at minimal expense to the Federal Government, frankly at minimal additional expense, based on the way that it was done, we now have just an

excellent school operating right here next to this base with 600 children and plans for a second, brand new housing, morale lifted, families together.

It leads me, as we begin this cycle, to really think about the quality of life and retention related to keeping families together and happy. We might recruit a soldier, but we retain families. And part of our committee structure is underlining and supporting the notion that whether you are the soldier or the spouse or the child, the whole family is really serving, and the obligation that we have to that entire family for their housing, their security on base and off of base.

So I wanted to cite that in my opening and submit the rest of my statement.

[The statement follows:]

PREPARED STATEMENT OF SENATOR MARY L. LANDRIEU

Madame Chairman: Thank you for calling this hearing to review the President's budget for Defense-Wide and Navy and Marine Corps Military Construction. We use very clinical terms in the present setting like "BAH" (Basic Allowance for Housing), and "BEQ's" (Basic Enlisted Quarters) of MHA's (Military Housing Areas). While every field needs its acronyms, I wonder if we don't sterilize the items we are referencing. One of the core missions of this portion of our defense budget is to provide homes for our soldiers. Not housing but homes.

When you think of it in those terms, questions about quality of life flow more naturally. If this base is a home for our sailors returning from a year or more at sea, or leaving their families behind as they deploy to the far corners of the earth, what kind of place is it? Do these homes give comfort to our troops when they are deployed or do they generate more worry? Has the government helped create a community, or have we simply "housed" our military families like we do equipment.

These are the questions that we must ask ourselves as we give closer scrutiny to the President's request for Defense-wide, Navy and Marine Corps military construction. Madame. Chairman, I'd like to mention one area that has been a notable success, and that is the execution of the Public, Private Venture program, or PPV, by the Department of the Navy. I know, because our former Naval Air Station, and now Joint Reserve Base, in Belle Chasse, Louisiana has been through this process. At minimal cost to the government, dilapidated housing stock was completely replaced with new on-base accommodations. They are clean, comfortable and worthy of the commitment that our men and women make to their government. It has also had a notable impact on the number of geographic bachelors serving at Belle Chasse. So-called geographic bachelors are servicemen and women who leave their families behind at their previous service station because they do not want to move them to new locations.

There are a variety of reasons for geographic bachelors lack of base housing, poor public schools, and lack of economic opportunity for non-military spouses. What we do know is that the proliferation of geographic bachelors contributes to high military divorce rates. Compound that fact with the current operations tempo for all the branches of service, and you begin to understand why military families are under stress. In light of this strain, we must make every effort to eliminate geographic bachelors in order to support our troops and military families. The PPV program has been a valuable tool in this mission.

The other excellent aspect of PPV for our State is that the project request was made in such a way that local Louisiana companies could compete for the work. To me, that is a win, win, win situation. Our servicemen and women get homes much faster than they would have under the status quo, the Navy and the DOD get high quality homes at a fraction of the cost of building it themselves, and the local economy benefits as jobs are created in the surrounding community. What is more, unlike other projects, you actually have an accountable developer who is tied to the local community, and therefore, whose reputation will suffer if the work is not up to par.

In too many construction projects undertaken by the DOD, the RFP's are designed so that only the usual suspects can participate. They are so enormous in scope, and carry such high requirements for previous experience that only a handful of companies in the country can compete, much less local firms. I do not believe that this approach is good for the bases, good for the contracts, or good for the taxpayer's dol-

lar. When it comes to craftsmanship, schedules and oversight, bigger is not always better.

Finally, let me say a word about Base Realignment and Closure. There are two items that concern me about this process. The first is that I am unconvinced that there has been sufficient communication between the DOD and its sister agencies about the BRAC process. In particular, I am concerned about a lack of consultation with the Department of Homeland Security. Many military facilities and certainly some in my State, have a dual function. Belle Chasse is not just an airfield for the Navy, Marine Corps and Air Force. It also plays host to aviation assets of the Customs Service. It does not appear that there has been any systematic attempt to consider the needs of other Federal agencies in the BRAC process. Nor does there appear to be any coherent way for the full Federal Government to participate in realignment. Are there Federal agencies that would benefit from integrating functions and facilities with a defense installation? Absolutely. Would the Department benefit from tenants, and shared overhead? Certainly. Yet, there is no way in this BRAC process to identify and quantify these prospects or savings.

Secondarily, and this returns to the issue of quality of life, as we consider relocating our troops in Europe to locations that may be closer to perceived fault lines, it is important that we again consider the impact of our global footprint on military families. It may be possible to save some transportation costs by forward deploying our troops into countries where they will not bring their spouses and families. But contributing to the unaccompanied spouse phenomenon is not in the long-term interests of the military. As my friend Max Cleland was fond of saying, we recruit a soldier, but we retain a family. So if we expect to dig ourselves out of the recruitment and retention holes in which we currently find ourselves, it is vitally important that we keep an eye on the future. If we force our soldiers to choose between their families and their uniform, we must expect that they are going to leave their uniforms behind in many instances.

Madame Chairman, Senator Feinstein, thank you both for your leadership on these issues. I look forward to the testimony of our witnesses.

#### TAKING INTO ACCOUNT OTHER FEDERAL AGENCIES IN BRAC ANALYSIS

Senator LANDRIEU. These are my two questions, again getting back to this separation, Mr. Secretary. As you know, one of them is about separation. This is about BRAC.

As you know, we are going through the BRAC process. We are all engaged in that. Because of the conversations I have had with folks in my State, my question is, is there a process, formal or informal, that you engage in with other non-military but Federal tenants related to decisions related to BRAC? In other words, is that taken into consideration, other Federal tenants in or around military bases? And if that is taken into consideration, how do you? And if not, why are we not taking that into consideration?

Mr. GRONE. Senator, the way I can answer the question best, maybe not completely, but the best way I can answer it at the present time is that the statutory authority for a 2005 round of base closure and realignment requires us to take into account the effect of our actions on other Federal agencies.

Senator LANDRIEU. Requires you to do so.

Mr. GRONE. Requires us to take into account our actions on other Federal agencies, and we are doing that. I would prefer not to detail how that is being done, as it is part of the internal deliberations over the BRAC process, but we do have a statutory mandate to take into account the effect of the Secretary's recommendations on other Federal agencies, and we will certainly comply with the statutory requirement.

Senator LANDRIEU. I appreciate that, and I will discuss that with you further because there is some concern about that process basically related to the Belle Chasse area because there are other Federal agencies that have plans for the future already firmly in place.

That would have some bearing on the outcome of that. But I will follow up.

#### KEEPING MILITARY FAMILIES TOGETHER

The other is on the issue of families. Secretary Rumsfeld announced he wants to reshape our military global footprint. This committee is in the process of working with him to do that. As you know, we had a lot of bachelors basically based in Okinawa and Korea. Whether they were real or military bachelors, it is because their families could not join them.

Now, as we reshape that base, what is our philosophy or plan for keeping families together, given the rise of divorce rates sometimes with our military families, our values to keep families together, keep families happy, keep them encouraged, keep the morale up because deployments are high? Could you just give us a comment about your views about reshaping this footprint relative to keeping spouses and children serving together where possible?

Ms. JONAS. I will let Phil talk to the bachelors quarters.

I will say I am the wife of a retired marine, and I am quite familiar with the separation and understand the importance to families of support.

There are some initiatives in our overall budget and in the supplemental also for recruiting and retention bonuses. We do have a family support center that we have begun. I would be glad to provide for you all those types of things for the record that we are doing to make sure that the families get the support they need. This Military One Source is a center that is available 24/7 to military families to answer a plethora of questions apparently from where can I find a plumber to can you help me with my health care. So there are many initiatives like that.

[The information follows:]

The following bonuses, authorized in Chapter 5 of title 37, United States Code, were included in the Department of Defense fiscal year 2006 budget request.

(NOTE: Programs marked with an asterisk (\*) are for members on active duty; all others are for Reserve Component personnel on other than active duty.)

#### *Enlistment/Accession*

- \*Enlistment Bonus
- \*Accession Bonuses for Nuclear Officers, Dental Officers, Pharmacy Officers, and Registered Nurses
- Selected Reserves Non-Prior Service Enlistment Bonus
- Prior Service Enlistment Bonus
- Accession or Affiliation Bonus for New Reserve Component Officers

#### *Retention*

- \*Selective Reenlistment Bonus
- \*Critical Skills Retention Bonus
- \*Special pay for retention of Aviators, Nuclear Officers, Special Warfare Officers, Surface Warfare Officers, Officers in the Health Professions (Medical and Dental Officers, Optometrists, Certified Registered Nurse Anesthetists), and Pharmacy Officers
- Reenlistment Bonus for Selected Reserves
- Special pay for retention of Critically Short Wartime Health Specialists in Selected Reserves

#### *Other*

- \*Incentive Bonus for Conversion of Military Occupational Specialty to Ease Personnel Shortages
- Affiliation Bonus for Service in Selected Reserves
- IRR Enlistment, Reenlistment or Extension Bonus

Senator LANDRIEU. Well, I am generally familiar with those. I guess I was not specific. If I could, Madam Chair, have just a minute.

I am generally familiar with the variety of services that are offered, but specifically when it comes to the part of our budget, which is partly housing and building housing and a new footprint, are we building the family housing units, whether renovating the current ones that we are in like one of the examples I just gave, or as we develop this new footprint, is our goal to build them in such a way that families can basically not deploy, of course, to the front line together, but if they are building in the Mideast or Europe or back here where they can be housed at least together and serve from a base together? Is that part of our philosophy or are we doing something different?

Mr. GRONE. Senator, let me attempt to answer the question in this way. Currently roughly two-thirds of our military families live in the private economy. As we develop our on-base housing for privatization options, those are being renovated and new construction constructed to appropriate commercial private sector standards. So they provide and will provide our families with more housing options, better quality housing options, whether they choose to live off base, on base in a concentrated military community, or elsewhere.

We are also looking at barracks privatization as one of our options to continue to advance this program forward to be able to begin to deal with quality of life concerns of the unaccompanied.

The senior enlisted recently testified before your colleagues in the House. Ms. Jonas and I were before Chairman Walsh not too long ago, and the question arose with regard to child care specifically as an example where the senior enlisted have expressed concern. The Congress and the leadership of the Department have always responded, and I think responded appropriately and well, when the senior enlisted have raised issues and we have begun a process, internal to the Department, to look at ways in which we can improve child care options for our people. We do not have a program yet to bring forward with a revised set of priorities or policies, but we are taking a hard look at it.

So whether it is the family support centers that my colleague referenced or housing privatization, child care, we are doing the things that we think we can to improve the ability of the military community to be supported and supported appropriately.

#### ARMY MILITARY CONSTRUCTION

Senator LANDRIEU. Thank you so much.

Senator HUTCHISON. Secretary Jonas, I notice that—and Senator Feinstein mentioned this—the Army MILCON request is down 16 percent from last year. Air Force is up 61 percent. I realize that every service has its own spending plans and you cannot tie them together necessarily.

However, it seems that the Army is facing the most severe facility demands. They are bearing the biggest brunt of the war on terror, and they are also going to be the primary forces moving back from overseas. Yet, the restationing of the Global Posture Review is going to come out of the Army's own MILCON, meaning that you are going to be asking them to take \$2.5 billion out of their own

FYDP. This is a concern to me, and I wonder if it is a concern to you and if the Department has really looked at this carefully.

Ms. JONAS. Well, let me begin. I certainly understand your concerns.

With all services, as you know, they build their budgets and we work very carefully and closely with them. The Army made a choice—and Mr. Grone may want to discuss this a little bit—to realign some of their resources. As you may know, there are many things going on within the Army. I will mention the Army's modularity program and restructuring of their forces. If you are not familiar with it, let me just explain.

General Schoomaker is trying to increase the operational size of his Army and adjusting his brigades so that where you might have had for a division with three brigade combat teams, you now would have four. So our supplemental request is asking for funds to outfit that fourth unit. The importance of that, of course, is to take the strain off the force. If you have four units instead of three, you do not have to call up the Guard or Reserve units to go. So that is an important part of this mix there.

I am not intimately familiar with the BRAC process. I have been outside of that process. But that is consistent with the global posture things that they are doing. This was the Army's best judgment as to how to realign its resources.

I understand your concerns. Maybe Phil can further speak to their specific judgments there, but I understand your concerns, Senator.

Mr. GRONE. Senator, I would just add one point to that. While the Army did accept a little bit more risk with this budget request, in terms of comparing one budget request to the other, comparing it to the appropriate level, the Army's recapitalization rate, for example, is just about right on the corporate profile at 111 years. So they are not, with this budget request, too far out of phase with the overall general direction of the Department.

And certainly within the context of BRAC, as we rebase forces from abroad, as we realign missions domestically, a good deal of construction activity will accompany that through the BRAC account. Historically roughly one-third, or 30 percent, of the \$22 billion we spent in prior BRAC activity was for military construction and military family housing purposes. We do not know precisely how much yet and we do not know what the phasing of it will be and how much of it would be Army in the first year of implementation, but there will be money that will be coming back to the Army in terms of the Army's ability to reset the force through basing as a result of BRAC.

So certainly there are things we would like to continue to accelerate for the Army, but the Army's program, given all the other demands on the Army, is reasonably well balanced.

Senator HUTCHISON. Let me just say I am familiar with what General Schoomaker is doing, but I think the Department has a responsibility to look at the allocations that it is giving to each of its services. I believe the Army is doing the most restructuring. It is bearing the greatest part of the war that we are fighting now. The Marines are as well, but that is a smaller unit. And to say that they are going through this upheaval with four brigades instead of

three means, it seems to me, that they are going to need more, not less.

I have visited every kind of base. I have visited Air Force, Navy, Army, and Marine. I think basically the Army is behind and getting further behind. I do not think that is the right trend when we are asking them to do so much. I have never talked to General Schoemaker about this. He has never raised it with me, but when I step back and look at all the other things he is doing and then look at this program, it does not seem balanced to me.

So I would just ask you to look at that again very carefully. I know that you probably give each of the services a top line and this is what they have to spend, and he has chosen wisely on his first priority to spend it on the reconfiguration. But I do not think that means he does not also very much need more in this area.

I have been out to Fort Bliss and Fort Hood, and we are putting more troops particularly into Fort Bliss where they are going to have to do a lot of temporary housing for the troops that are going in. They have plenty of space at Fort Bliss. It is a great place to add, and it can take another 5 or 10 brigades. But I just think we need to be planning for all of that and making sure we are looking at what this influx back from Europe is doing, plus the reconfiguration, plus the added troops they are putting in combat to relieve guard and reserve.

All the things that are being done are very efficient from an operational standpoint when it is done, but it just seems to me that you also are going to need to take care of the housing and schools and the things that are going to be necessary to augment those changes. This does not, on its face, show that.

Any comments?

Ms. JONAS. We appreciate your comments. We will certainly work with the Army on that. I would just note the supplemental request does ask for some funds associated with the restructure in the MILCON area.

Senator HUTCHISON. Yes. It may be that we have to do some things in a supplemental, which I am prepared to do.

#### MARINE CORPS RESTRUCTURING

Just one last point and then I will go to the others. On that same point, the Marine Corps is, in the supplemental, asking for \$77 million for restructuring from its force structure review, but that does not look like it is enough. You are probably going to have to have some temporary housing for the marines from everything that we can tell. So is \$77 million enough to do what you are going to need to do with the marines arriving this summer at their new locations? I think they are coming in this summer.

Ms. JONAS. Of course, we are working with them. At the time we put the supplemental together, the \$75 million was where we were. Of course, requirements always change and I understand that they had some additional requirements for explosive ordnance disposal and other things. We will continue to work with the Marine Corps. We do a lot also during the year and the year of execution to understand where people are at and where the services are at with respect to their requirements.

Senator HUTCHISON. Be sure you do this before we pass the supplemental. If there need to be adjustments, we certainly want to do it now and not to have to have another supplemental. As you know, it is very difficult to get these and to manage them.

Ms. JONAS. Absolutely. But we will have a mid-year execution review here shortly, so we should have a good idea of where we are.

Senator HUTCHISON. Thank you.

Senator FEINSTEIN.

Senator FEINSTEIN. Yes. Thank you very much.

#### FISCAL YEAR 2006 BRAC FUNDING

Mr. Grone, the MILCON budget request includes a \$1.88 billion wedge to implement the 2005 BRAC round, of which \$314 million is earmarked for the Pentagon's global basing plan. Now, that is a large amount of money to be obligated within 1 year, particularly given the long budgetary lead times that the Department so often cites in justifying decisions to fund such Army modularity through the supplemental.

What types of activities will be funded in 2006 with the BRAC wedge? And how did the Department come up with the figure of \$1.88 billion? What metrics were used?

Mr. GRONE. Senator Feinstein, the purposes of the account support all of the activities associated with the closure and realignment decisions. So military construction, operations and maintenance, PCS costs, family housing, environmental remediation—

Senator FEINSTEIN. It is \$1.5 billion.

Mr. GRONE. Yes, ma'am.

From the perspective of how we put it together, again what we did was we took a lesson from our prior BRAC activity. In the 1993 round, we asked for an amount of funds in the first year that was roughly equivalent in today's dollars to \$1.5 billion. In 1995, we asked for a request that would be in today's dollars approximately \$1 billion. Knowing that we are not able to know precisely today, given the state of the recommendations, what we are able to sort of work through, we took a good, hard look at those lessons. The GAO's criticisms of the Department from the 1995 round suggested that we hold back on recommendations we might otherwise have brought forward out of cost considerations. So when looking at the experience of history, when looking at the needs for global posture realignment that would be executed through BRAC, \$1.9 billion seemed an eminently reasonable figure, and I would fully expect that we would expend those funds.

As I indicated to Senator Hutchison earlier during a question, we will provide a full report upon the disposition of the BRAC recommendations that will detail at great length how we will expend those funds in fiscal year 2006, and then in all subsequent fiscal years, it would become part of the normal budget justification process where we will detail all of that expenditure.

Senator FEINSTEIN. Could we also get an analysis of how these funds were spent in the past round?

Mr. GRONE. Yes, ma'am. But I can give you a very broad overview at this point, and we can certainly provide more detail for the record.

[The information follows:]

DOD Base Realignment and Closure (BRAC) Justification Data for previous BRAC rounds was provided to Congress in February 2005. A copy of that report is attached.

## DOD BASE REALIGNMENT & CLOSURE

### BASE REALIGNMENT AND CLOSURE OVERVIEW

#### *Background*

The Defense Secretary's Commission on Base Realignment and Closures was chartered on May 3, 1988 to recommend military installations within the United States, its commonwealths, territories, and possessions for realignment and closure. The Congress and the President subsequently endorsed this approach through legislation that removed some of the previous impediments to successful base closure actions. The Defense Authorization Amendments and Base Closure and Realignment Act, Public Law 100-526, as enacted October 24, 1988, provides the basis for implementing the recommendations of the 1988 Commission. Under this Act, all closures and realignments were to be completed no later than September 30, 1995. Funding for these actions was included in the Base Realignment and Closure Account—Part I (BRAC I) which covered fiscal years 1990 through 1995.

The National Defense Authorization Act for fiscal year 1990 and 1991, Section 2831, allowed for the one-time transfer of \$31 million from BRAC I into the fiscal year 1990 Homeowners Assistance Fund (HAP). The HAP funds are used to assist employees who are forced to move as a consequence of base closures and who find that they must sell their homes in real estate markets which have been adversely affected by the closure decision.

In the Committee Reports accompanying the fiscal year 1990 Military Construction Appropriations Act, the Congress began applying some restrictions on the use of BRAC I funds. Concerned that the one-time implementation costs had increased by \$1 billion when compared to the 1988 Commission's estimate, the House Appropriations Committee (HAC) adopted a spending cap for military construction and family housing of \$2.4 billion. This cap was reflected in the fiscal year 1990 act itself. The fiscal year 1992 Military Construction Appropriations Act lowered the cap to \$1.8 billion commensurate with the budget request.

On November 5, 1990, The President signed Public Law 101-510, Title XXIX, Defense Base Closure and Realignment Act of 1990, establishing an independent commission known as the Defense Base Closure and Realignment Commission which met only during calendar years 1991, 1993, and 1995. The purpose of the Commission was to ensure a timely, independent, and fair process for closing and realigning U.S. military installations. The actions to implement the recommendations of the 1991, 1993, and 1995 Commissions are underwritten from the Base Realignment and Closure Account 1990 (BRAC II). By statute, action must be initiated no later than 2 years after the date on which the President transmits a report to Congress and all closures and realignments must be completed no later than the end of the 6 year period beginning on the same date. The implementation period for the 1995 authorized round of base closure was complete as of 13 July 2001.

Public Law 101-510 included a number of other provisions affecting base closure, one of which, section 2923, designated the Base Closure Account (BRAC I) to be the exclusive source of funds for environmental restoration projects at round one closure sites. The National Defense Authorization Act for fiscal year 1992, Section 2827, designated Base Closure Account 1990 as the exclusive source of funds for environmental restoration projects at closure sites approved by the 1991, 1993, and 1995 Commissions.

The intent of this section was to preclude the cleanup actions at bases slated for closure from competing with other sources of funding for environmental cleanup such as the Defense Environmental Restoration Account (DERA). A total of \$9,007.1 million has been made available for cleanup for the four rounds of base closures through fiscal year 2005. The fiscal year 2006 budget program includes \$449.1 million for environmental restoration at BRAC bases.

The fiscal year 2002 National Defense Authorization Act, authorized an additional round of base realignment and closure in 2005 by amending the Defense Base Closure and Realignment Act of 1990 (Public Law 101-510). The Secretary of Defense's BRAC 2005 recommendations for base closure and realignment must be provided to the BRAC 2005 Commission not later March 16, 2005. The Department of Defense Base Closure Account 2005 (Treasury code 0512) has been established as a single account on the books of the Treasury to execute actions to implement BRAC 2005 approved closures and realignments.

#### *Budget Justification Requirements*

The Defense Authorization Amendments and Base Closure and Realignment Act, Public Law 100-526, is specific in the types of information required as to budget justification. The Act states, "As part of each annual budget request for the Department of Defense, the Secretary shall transmit to the appropriate committees of Congress:

- A schedule of the closure and realignment actions to be carried out under this title in the fiscal year for which the request is made and an estimate of the total expenditures required and cost savings to be achieved by each such closure and realignment and of the time period in which these savings are to be achieved in each case, together with the Secretary's assessment of the environmental effects of such actions; and
- A description of the military installations, including those under construction and those planned for construction, to which functions are to be transferred as a result of such closures and realignments, together with the Secretary's assessment of the environmental effects of such transfers."

The fiscal year 2006 budget justification material has been developed to comply with the above requirements. The BRAC Executive Summary Book provides an overview of the BRAC costs and savings for each DOD Component through the 6 year implementation period. The DOD Components have prepared separate justification books providing detailed information by realignment and closure package, broken out by one-time implementation costs, anticipated revenues from land sales, and expected savings. This comprehensive approach addresses the total financial impact of realignment and closure actions and provides justification for the funds requested in the Base Closure Accounts.

#### *DOD Base Closure Account Capitalization and Funding*

The Department has complied with the guidance contained in the House of Representatives Report 101-76, Military Construction Appropriations Bill, 1990, July 26, 1989, to determine the proper method of capitalizing the DOD Base Closure Accounts. In denying general transfer authority to the Secretary of Defense, the Committee expressed the belief that the necessary one-time costs to implement base realignments and closures be requested as new appropriated amounts to facilitate improved accounting of the funds appropriated. Additionally, the Committee indicated that any savings or cost avoidance due to base realignment or closure should be reflected through reduced requirements in the annual budget requests for the affected appropriations.

The manner in which the impacts of base realignments and closures are reflected in BRAC appropriations accounts is consistent with this language. The new BRAC appropriations requested represent the costs of environmental restoration and caretaker functions at bases closed under the prior rounds of base closure authority. Also included in the appropriation request are funds to be transferred to the Homeowner's Assistance Program for the purpose outlined in Section III. Since the fiscal year 1991 budget request, parcels of land have been transferred, without compensation to the Department, thereby reducing projected offsetting receipts. Section IV provides examples of anticipated revenue from the sale of land and facilities and the anticipated revenue loss from land transfers.

The implementation of base realignment and closures requires the relocation of units and activities from one site to another. Recurring savings (reduced base operations costs) are realized through the increased efficiencies inherent in the consolidation of functions on fewer bases. The net savings are reflected as savings in the specific appropriations, primarily operation and maintenance, and are not incorporated in the DOD Base Closure Accounts.

Estimates for savings or cost avoidance have been incorporated into the DOD Component appropriation account where they are to accrue, resulting in corresponding reduced budget requests for those appropriations. The annual recurring saving from the four prior rounds of base closure and realignment are projected to be about \$7 billion after the implementation period ending in fiscal year 2001.

#### *Financial Management Procedures*

The Defense Authorization Amendments and Base Closure and Realignment Act, Public Law 100-526, established the Defense Base Closure Account (BRAC I) as a mechanism to provide the required funding to implement the approved recommendations of the Base Closure and Realignment Commissions. Public Law 101-510, Title XXIX, Defense Base Closure and Realignment Act of 1990, established Base Closure Account 1990 (BRAC II) as a mechanism to provide the required funding to implement the approved recommendations of the BRAC 1991, 1993, and 1995 Commissions. From aspects of management, budgeting and accounting, both Ac-

accounts are treated in the same fashion. Funding approved by Congress in both Accounts is appropriated and authorized in a lump sum amount and may be spent for construction, planning and design, civilian severance pay, civilian permanent change in station, transportation of things, and other costs related to the realignment or closure of the subject bases. The management structure of the program is described below.

The Deputy Under Secretary of Defense (Installations & Environment) is responsible for issuing policy for management of the BRAC program and overseeing the DOD Components' execution of the program.

To properly account for and manage appropriated fund resources, the DOD Base Closure Accounts were established on the books of the Treasury to aid the DOD Components in the closure and realignment of certain military installations. Treasury has assigned account symbol 97-0103 to identify the DOD Base Closure Account—Part I, 97-0510 to identify DOD Base Closure Account 1990—Part II, Part III, and Part IV, and 97-0512 to identify DOD Base Closure Account 2005.

Funds made available to the DOD Components are subdivided and distributed to the activities responsible for base closure actions. Separate allocations are made for each of the accounts by program year. Each DOD Component distributes the base closure funds in accordance with its normal fund distribution procedures. The applicable reporting requirements include:

Military Construction:

- Construction
- Planning and Design

Family Housing:

- Construction
- Operations

Environmental

Operation and Maintenance (O&M):

- Civilian Severance Pay
- Civilian Permanent Change of Station (PCS) costs
- Transportation of things
- Real Property Maintenance
- Program Management (civilian work years, TDY travel, and related support dedicated to implementation efforts)

Military Personnel (limited to PCS expenses dedicated to implementation efforts)

Other (including procurement-type items)

The Under Secretary of Defense (Comptroller) makes funds available to the DOD Components based on their official financial plans. Financial plans are prepared by the DOD Components in cooperation with and at the direction of the program manager, the Deputy Under Secretary of Defense (Installations & Environment). The DOD Components' financial plans and the subsequent allocation of funds are supported by detailed, line-item military and family housing construction justification. Separate narrative explanations for other planned expenditures are also submitted to the Under Secretary of Defense (Comptroller) in sufficient detail to support the DOD Component's Financial plan. The DOD Components are allowed to revise planned execution as the situation dictates but must notify the Deputy Under Secretary of Defense (Installations & Environment) and the Under Secretary of Defense (Comptroller) of all changes. To keep the Under Secretary of Defense (Comptroller) apprised of these changes, the DOD Components are required to submit a revised current year financial plan and supporting documentation on a quarterly basis to reflect the status of the current plan being executed. When a military construction or family housing construction project is to be executed, but does not appear on the approved construction project list, the prior approval of the Under Secretary of Defense (Comptroller), and Congress is required. This will ensure that the Department has complied with the notification requirements of the House of Representatives Report 101-176, Military Construction Appropriation Bill, July 26, 1989, prior to the expenditure of DOD Base Closure Account funds. Each DOD Component is allocated funds based upon its official budget justification and financial plan.

*Decision Rule for Determining the Validity of Charging Cost to the DOD Base Closure Accounts.*—In addition to being supported by the detailed budget justification, the general criterion to be applied when deciding whether to charge specific costs to the DOD Base Closure Account is that the cost in question is a one-time implementation cost directly associated with the overall base closure effort. For example, the one-time operation and maintenance-type costs at R&D-funded installations are charged to the appropriate sub-account of "Operation and Maintenance." Low-dollar value construction projects budgeted as lump sum under the real property maintenance category are charged to that sub-account and not the construction subaccount of military construction, which is reserved for projects listed individually on the fi-

nancial plan accompanying the fund allocation document. Recurring costs driven by the transfer of workload from one location to another is budgeted for and charged to the non-base closure accounts.

## BUDGET SUMMARY

The tables on the following pages provide information on one-time implementation costs, expected savings, and revenues from land sales by DOD Component and approved BRAC closure round. BRAC I closures and realignments have been projected to cost \$2.8 billion and will generate total savings of \$2.4 billion and land sale revenue of \$65.7 million during the fiscal year 1990–1995 implementation period. BRAC II closures and realignments have been projected to cost \$5.2 billion and will generate total savings of about \$8.1 billion and land sale revenue of \$25.7 million during the fiscal year 1992–1998 implementation period. BRAC III closures and realignments have been projected to cost \$7.6 billion and will generate total savings of \$8.3 billion and land sale revenue of \$3.4 million during the fiscal year 1994–1999 implementation period. BRAC IV closures and realignments are projected to cost \$6.8 billion and will generate total savings of \$6.2 billion and land sale revenue of \$230.2 million during the fiscal year 1996–2001 implementation period.

## FISCAL YEAR 2006—BUDGET ESTIMATES BASE REALIGNMENT AND CLOSURE ACCOUNT PARTS I–IV

[In millions of dollars]

	Fiscal year			
	2003	2004	2005	2006
BRAC Parts I–IV Continuing Environmental and Caretaker Costs				
Army:				
Environmental .....	162.821	61.851	92.050	89.380
Operations & Maintenance .....	18.557	10.145	8.255	4.473
Navy:				
Environmental .....	462.166	96.509	101.700	236.581
Operations & Maintenance .....	12.268	13.402	13.350	39.392
Air Force:				
Environmental .....	125.569	193.141	127.749	117.167
Operations & Maintenance .....	22.975	4.796	18.062	17.560
Defense Logistics Agency:				
Environmental .....	10.168	9.811	6.652	5.974
Operations & Maintenance .....	.....	1.000	300	300
Total Environmental and Caretaker Costs .....	814.524	390.655	368.118	510.827
Homeowner's Assistance Program .....	.....	.....	.....	.....
Prior Year Financing .....	27.216	18.228	6.952	.....
Estimated Land Sale Revenue .....	211.738	2.000	115.000	133.000
BRAC IV Budget Request .....	575.570	370.427	246.116	377.827

The fiscal year 2006 budget requests \$377.8 million of new budget authority for environmental restoration and caretaker cost for facilities closed under the previous four rounds of base closure authority. This funding will ensure bases are continuing to be cleaned efficiently to speed the transfer of property to redevelopment authorities.

Anticipated land sale revenue of \$133 million will be used to offset a portion of the department's fiscal year 2006 BRAC requirements of \$510.8 million.

Annual recurring savings from the four rounds of base closure and realignment are projected to be about \$7 billion after the implementation period ending in fiscal year 2001.

## BRAC 2005

BRAC 2005 will make a profound contribution to transforming the Department by eliminating excess capacity and reconfiguring infrastructure. The fiscal year 2006 budget request includes \$1,881.0 million to implement the anticipated approved recommendations from the BRAC 2005 Commission.

**FY 2006 Budget Estimates**  
**Base Realignment and Closure Account - Part I**  
**Cost and Savings by Fiscal Year**  
(Dollars in Millions)

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1990-1995</u>
<b>ARMY</b>							
<b>One-Time Implementation Costs:</b>							
Military Construction	121,619	137,511	183,375	122,060	12,830	-	577,395
Family Housing - Construction	-	-	0,490	-	-	-	0,541
- Operations	-	166,610	185,215	100,453	-	88,830	541,108
Environmental	-	80,348	35,117	31,047	-	-	185,078
Operations & Maintenance	38,566	-	-	-	-	-	-
Military Personnel - PCS	-	-	-	-	-	-	-
Other	8,925	13,251	3,330	12,691	-	-	38,197
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
<b>Total One-Time Costs</b>	<b>169,110</b>	<b>397,771</b>	<b>407,527</b>	<b>266,251</b>	<b>12,830</b>	<b>88,830</b>	<b>1,342,319</b>
Estimated Land Revenues	(4,337)	(4,159)	(40,697)	(12,680)	-	(3,940)	(65,713)
<b>Budget Request</b>	<b>164,773</b>	<b>393,612</b>	<b>366,830</b>	<b>253,571</b>	<b>12,830</b>	<b>84,890</b>	<b>1,276,606</b>
<b>Funded Outside of the Account:</b>							
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	16,675	-	-	-	-	-	16,675
Operations & Maintenance	-	0,040	1,915	1,489	22,727	-	26,171
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	0,066	0,054	0,032	0,018	0,007	-	0,177
<b>Total Outside of the Account</b>	<b>16,741</b>	<b>0,094</b>	<b>1,947</b>	<b>1,507</b>	<b>22,734</b>	<b>-</b>	<b>43,023</b>
<b>Savings:</b>							
Military Construction	9,200	15,300	19,300	19,400	19,400	19,400	102,000
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	15,033	17,257	18,663	44,259	40,137	135,369
Operations & Maintenance	1,556	3,576	4,341	20,735	89,312	122,403	241,923
Military Personnel	(0,538)	0,868	15,403	60,969	87,346	77,671	241,719
Other	-	-	-	-	-	-	-
<b>Total Savings</b>	<b>10,218</b>	<b>34,777</b>	<b>56,301</b>	<b>119,787</b>	<b>240,317</b>	<b>259,611</b>	<b>721,011</b>
<b>Net Implementation Costs</b>	<b>171,296</b>	<b>358,929</b>	<b>312,576</b>	<b>135,291</b>	<b>(204,753)</b>	<b>(174,721)</b>	<b>598,618</b>
<b>Less Estimated Land Revenues:</b>							

**FY 2006 Budget Estimates**  
**Base Realignment and Closure Account - Part I**  
**Cost and Savings by Fiscal Year**  
**(Dollars in Millions)**

<b>NAVY</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>TOTAL 1990-1995</b>
<b>One-Time Implementation Costs:</b>							
Military Construction	76,500	65,242	14,315	36,350	-	-	192,407
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	-	-	-	-	-	-
Environmental	-	1,287	13,587	33,801	-	-	48,675
Operations & Maintenance	2,108	2,497	8,218	25,900	-	-	38,723
Military Personnel - PCS	0,315	-	-	0,100	-	-	0,415
Other	1,727	1,439	0,230	-	-	-	3,396
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
<b>Total One-Time Costs</b>	<b>80,650</b>	<b>70,465</b>	<b>36,350</b>	<b>96,151</b>	-	-	<b>283,616</b>
Estimated Land Revenues	-	-	-	-	-	-	-
<b>Budget Request</b>	<b>80,650</b>	<b>70,465</b>	<b>36,350</b>	<b>96,151</b>	-	-	<b>283,616</b>
<b>Funded Outside of the Account:</b>							
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-
Operations & Maintenance	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	-	-	-	-	-	-	-
<b>Total Outside of the Account</b>	-	-	-	-	-	-	-
<b>Savings:</b>							
Military Construction	7,600	-	38,900	-	-	-	46,500
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	-	-	-	-	-	-
Operations & Maintenance	-	26,000	38,000	22,700	32,600	32,200	151,500
Military Personnel	-	-	-	4,000	9,700	6,100	19,800
Other	-	-	-	-	-	-	-
<b>Total Savings</b>	<b>7,600</b>	<b>26,000</b>	<b>76,900</b>	<b>26,700</b>	<b>42,300</b>	<b>38,300</b>	<b>217,800</b>
<b>Net Implementation Costs</b>	<b>73,050</b>	<b>44,465</b>	<b>(40,550)</b>	<b>69,451</b>	<b>(42,300)</b>	<b>(38,300)</b>	<b>65,816</b>
<b>Less Estimated Land Revenues:</b>							

**FY 2006 Budget Estimates**  
**Base Realignment and Closure Account - Part I**  
**Cost and Savings by Fiscal Year**  
(Dollars in Millions)

<b>AIR FORCE</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>TOTAL</b>
	<b>1990-1995</b>						<b>1990-1995</b>
<b>One-Time Implementation Costs:</b>							
Military Construction	147,484	276,043	35,306	8,999	-	-	467,832
Family Housing - Construction	-	-	0,285	-	-	-	0,285
- Operations	-	198,515	157,976	40,856	-	-	397,347
Environmental	-	37,757	54,705	1,919	-	-	165,330
Operations & Maintenance	70,949	1,314	2,200	8,910	-	-	12,424
Military Personnel - PCS	-	3,235	0,080	-	-	-	6,431
Other	3,116	-	-	-	-	-	-
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
<b>Total One-Time Costs</b>	<b>221,549</b>	<b>516,864</b>	<b>250,552</b>	<b>60,684</b>	<b>-</b>	<b>-</b>	<b>1,049,649</b>
Estimated Land Revenues	-	-	-	-	-	-	-
<b>Budget Request</b>	<b>221,549</b>	<b>516,864</b>	<b>250,552</b>	<b>60,684</b>	<b>-</b>	<b>-</b>	<b>1,049,649</b>
<b>Funded Outside of the Account:</b>							
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	21,300	-	-	-	-	-	21,300
Operation & Maintenance	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	-	-	-	10,359	2,081	0,834	13,274
<b>Total Outside of the Account</b>	<b>21,300</b>	<b>-</b>	<b>-</b>	<b>10,359</b>	<b>2,081</b>	<b>0,834</b>	<b>34,574</b>
<b>Savings:</b>							
Military Construction	-	1,600	50,300	50,300	50,300	50,300	202,800
Family Housing - Construction	12,600	16,900	8,500	9,700	11,300	3,500	62,500
- Operations	-	-	4,800	4,800	18,100	23,800	51,500
Operations & Maintenance	4,966	18,789	38,311	77,118	149,886	157,815	446,885
Military Personnel	-	24,504	61,626	126,809	208,622	224,464	646,025
Other	0,445	0,465	0,465	0,665	0,865	0,465	3,370
<b>Total Savings</b>	<b>18,011</b>	<b>62,258</b>	<b>164,002</b>	<b>289,392</b>	<b>439,073</b>	<b>460,344</b>	<b>1,413,080</b>
<b>Net Implementation Costs</b>	<b>224,838</b>	<b>454,606</b>	<b>86,550</b>	<b>(198,349)</b>	<b>(436,952)</b>	<b>(459,510)</b>	<b>(328,857)</b>
<b>Less Estimated Land Revenues:</b>							

**FY 2006 Budget Estimates  
Base Realignment and Closure Account - Part I  
Cost and Savings by Fiscal Year  
(Dollars in Millions)**

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1990-1995</u>
<b>DOD-WIDE</b>							
<b>One-Time Implementation Costs:</b>							
Military Construction	345,603	478,796	232,996	167,409	12,830	-	1,237,634
Family Housing - Construction	-	-	0,285	-	-	-	0,285
- Operations	-	0,051	0,490	-	-	-	0,541
Environmental	-	366,412	356,778	175,110	-	88,830	987,130
Operations & Maintenance	111,623	120,602	98,040	58,866	-	-	389,131
Military Personnel - PCS	0,315	1,314	2,200	9,010	-	-	12,839
Other	13,768	17,925	3,640	12,691	-	-	48,024
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
<b>Total One-Time Costs</b>	<b>471,309</b>	<b>985,100</b>	<b>694,429</b>	<b>423,086</b>	<b>12,830</b>	<b>88,830</b>	<b>2,675,584</b>
Estimated Land Revenues	(4,337)	(4,159)	(40,597)	(12,680)	-	(3,940)	(65,713)
<b>Budget Request</b>	<b>466,972</b>	<b>980,941</b>	<b>653,832</b>	<b>410,406</b>	<b>12,830</b>	<b>84,890</b>	<b>2,609,871</b>
<b>Funded Outside of the Account:</b>							
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	37,975	-	-	-	-	-	37,975
Operations & Maintenance	-	0,040	1,915	1,489	22,727	-	26,171
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	0,066	0,054	0,032	10,377	2,088	0,834	13,451
<b>Total Outside of the Account</b>	<b>38,041</b>	<b>0,094</b>	<b>1,947</b>	<b>11,866</b>	<b>24,815</b>	<b>0,834</b>	<b>77,597</b>
<b>Savings:</b>							
Military Construction	16,800	16,800	108,500	68,700	68,700	68,700	351,300
Family Housing - Construction	12,600	16,900	8,500	9,700	11,300	3,500	62,900
- Operations	-	15,033	22,057	23,483	62,359	63,937	186,869
Operations & Maintenance	6,522	48,365	80,852	120,553	271,798	312,418	840,308
Military Personnel	(0,538)	25,372	77,029	191,778	305,668	308,235	907,544
Other	0,445	0,465	0,465	0,665	0,865	0,465	3,370
<b>Total Savings</b>	<b>35,829</b>	<b>123,035</b>	<b>297,203</b>	<b>415,879</b>	<b>721,690</b>	<b>758,255</b>	<b>2,351,891</b>
<b>Net Implementation Costs</b>	<b>469,184</b>	<b>858,000</b>	<b>358,576</b>	<b>6,393</b>	<b>(684,045)</b>	<b>(672,531)</b>	<b>335,577</b>
<b>Less Estimated Land Revenues:</b>							









FY 2006 Budget Estimates							
Base Realignment and Closure Account - Part III							
Cost and Savings by Fiscal Year							
(Dollars in Millions)							
	1994	1995	1996	1997	1998	1999	TOTAL 1994-1999
<b>ARMY</b>							
<b>One-Time Implementation Costs:</b>							
Military Construction	11,751	63,368	12,898	-	3,181	-	91,198
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	-	-	-	-	-	-
Environmental	11,070	17,245	25,337	16,491	15,050	5,819	91,012
Operations & Maintenance	11,170	42,929	24,248	9,464	0,453	-	88,264
Military Personnel - PCS	-	-	-	-	-	-	-
Other	2,416	6,181	5,802	-	0,079	-	14,478
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
<b>Total One-Time Costs</b>	<b>36,407</b>	<b>129,723</b>	<b>68,285</b>	<b>25,955</b>	<b>18,763</b>	<b>5,819</b>	<b>284,952</b>
Estimated Land Revenues	-	(0,715)	-	-	(0,046)	(0,037)	(0,798)
<b>Budget Request</b>	<b>36,407</b>	<b>129,008</b>	<b>68,285</b>	<b>25,955</b>	<b>18,717</b>	<b>5,782</b>	<b>284,154</b>
<b>Funded Outside of the Account:</b>							
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-
Operations & Maintenance	11,059	1,069	2,676	4,959	2,597	0,229	22,589
Other	-	2,113	0,384	0,919	0,061	-	3,477
Homeowners Assistance Program	0,014	-	-	-	-	-	0,014
<b>Total Outside of the Account</b>	<b>11,073</b>	<b>3,182</b>	<b>3,060</b>	<b>5,878</b>	<b>2,658</b>	<b>0,229</b>	<b>26,080</b>
<b>Savings:</b>							
Military Construction	12,750	-	-	-	-	-	12,750
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	(1,282)	(5,280)	-	-	0,409	1,668	(4,485)
Operations & Maintenance	(0,572)	3,684	19,902	47,739	59,877	64,565	194,995
Military Personnel	-	-	-	-	-	-	-
Other	-	-	0,418	0,790	0,930	1,494	3,632
<b>Total Savings</b>	<b>-10,896</b>	<b>(1,596)</b>	<b>20,320</b>	<b>48,529</b>	<b>61,016</b>	<b>67,727</b>	<b>206,892</b>
<b>Net Implementation Costs</b>	<b>36,584</b>	<b>133,786</b>	<b>51,025</b>	<b>(16,696)</b>	<b>(39,641)</b>	<b>(61,716)</b>	<b>103,342</b>
<b>Less Estimated Land Revenues:</b>							

FY 2006 Budget Estimates Base Realignment and Closure Account - Part III Cost and Savings by Fiscal Year (Dollars in Millions)							
	1994	1995	1996	1997	1998	1999	TOTAL 1994-1999
<b>NAVY</b>							
<b>One-Time Implementation Costs:</b>							
Military Construction	273,933	532,611	736,264	216,969	130,445	18,800	1,911,022
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	-	-	-	-	-	-
Environmental	158,528	207,293	146,033	216,809	196,227	152,904	1,077,794
Operations & Maintenance	307,415	660,071	611,831	222,422	150,270	71,614	2,023,623
Military Personnel - PCS	11,984	21,000	11,703	16,616	9,472	17,734	86,509
Other	32,804	18,121	6,469	4,267	-	-	61,491
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
<b>Total One-Time Costs</b>	<b>784,464</b>	<b>1,439,096</b>	<b>1,514,330</b>	<b>677,083</b>	<b>486,414</b>	<b>261,052</b>	<b>5,162,439</b>
Estimated Land Revenues	-	(2,578)	-	-	(0,051)	-	(2,629)
<b>Budget Request</b>	<b>784,464</b>	<b>1,436,518</b>	<b>1,514,330</b>	<b>677,083</b>	<b>486,363</b>	<b>261,052</b>	<b>5,159,810</b>
<b>Funded Outside of the Account:</b>							
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-
Operations & Maintenance	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	-	-	-	-	-	-	-
<b>Total Outside of the Account</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Savings:</b>							
Military Construction	38,860	29,560	75,044	39,052	13,948	20,602	217,066
Family Housing - Construction	7,360	-	11,600	-	-	37,100	56,060
- Operations	0,757	7,633	15,464	29,814	49,609	48,986	152,263
Operations & Maintenance	46,919	101,126	425,984	687,421	635,986	892,878	2,990,314
Military Personnel	6,485	55,706	96,796	190,892	281,139	315,852	946,860
Other	2,941	15,114	120,198	186,012	201,716	205,741	731,722
<b>Total Savings</b>	<b>103,322</b>	<b>209,159</b>	<b>746,086</b>	<b>1,133,181</b>	<b>1,382,398</b>	<b>1,521,159</b>	<b>5,094,305</b>
<b>Net Implementation Costs</b>	<b>681,142</b>	<b>1,227,359</b>	<b>768,244</b>	<b>(456,098)</b>	<b>(896,035)</b>	<b>(1,260,107)</b>	<b>65,505</b>
Less Estimated Land Revenues:							

**FY 2006 Budget Estimates**  
**Base Realignment and Closure Account - Part III**  
**Cost and Savings by Fiscal Year**  
**(Dollars in Millions)**

<b>AIR FORCE</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>TOTAL</b>
	<b>1994-1999</b>						
<b>One-Time Implementation Costs:</b>							
Military Construction	120,578	131,566	51,852	24,689	2,007	-	330,692
Family Housing - Construction	0,511	-	-	14,929	46,010	-	61,450
- Operations	-	-	-	-	-	-	-
Environmental	86,430	107,451	33,673	30,187	147,405	99,898	505,044
Operations & Maintenance	80,394	12,575	92,322	43,923	32,153	31,619	272,986
Military Personnel - PCS	0,740	5,355	0,006	-	-	-	6,101
Other	1,163	0,301	0,594	-	-	-	2,058
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
Total One-Time Costs	<b>269,816</b>	<b>257,248</b>	<b>176,447</b>	<b>113,728</b>	<b>227,575</b>	<b>131,517</b>	<b>1,178,331</b>
Estimated Land Revenues	-	-	-	-	-	-	-
<b>Budget Request</b>	<b>269,816</b>	<b>257,248</b>	<b>176,447</b>	<b>113,728</b>	<b>227,575</b>	<b>131,517</b>	<b>1,178,331</b>
<b>Funded Outside of the Account:</b>							
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-
Operation & Maintenance	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	5,079	71,650	-	-	-	-	76,729
<b>Total Outside of the Account</b>	<b>5,079</b>	<b>71,650</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,729</b>
<b>Savings:</b>							
Military Construction	3,850	14,850	5,890	26,400	12,600	25,430	89,020
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	-	-	-	-	-	-
Operations & Maintenance	8,640	19,630	52,700	99,910	111,420	113,860	405,760
Military Personnel	-	24,840	113,380	153,370	156,620	160,140	608,350
Other	-	-	-	-	-	-	-
<b>Total Savings</b>	<b>12,490</b>	<b>59,320</b>	<b>171,970</b>	<b>279,280</b>	<b>280,640</b>	<b>299,430</b>	<b>1,103,130</b>
<b>Net Implementation Costs</b>	<b>262,405</b>	<b>268,578</b>	<b>6,477</b>	<b>(165,552)</b>	<b>(53,065)</b>	<b>(167,913)</b>	<b>151,930</b>
<b>Less Estimated Land Revenues:</b>							

FY 2006 Budget Estimates Base Realignment and Closure Account - Part III Cost and Savings by Fiscal Year (Dollars in Millions)							
	1994	1995	1996	1997	1998	1999	TOTAL 1994-1999
<b>DEFENSE LOGISTICS AGENCY</b>							
<b>One-Time Implementation Costs:</b>							
Military Construction	-	14,068	-	37,850	-	-	51,718
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	-	-	-	-	-	-
Environmental	1,950	10,798	-	14,043	2,098	0,645	29,534
Operations & Maintenance	19,300	30,101	-	27,204	6,832	4,670	88,107
Military Personnel - PCS	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
<b>Total One-Time Costs</b>	<b>21,250</b>	<b>54,967</b>	-	<b>78,897</b>	<b>8,930</b>	<b>5,315</b>	<b>169,359</b>
Estimated Land Revenues	-	-	-	-	-	-	-
<b>Budget Request</b>	<b>21,250</b>	<b>54,967</b>	-	<b>78,897</b>	<b>8,930</b>	<b>5,315</b>	<b>169,359</b>
<b>Funded Outside of the Account:</b>							
Military Construction	5,850	0,400	-	-	-	-	6,250
Family Housing	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-
Operations & Maintenance	6,950	21,357	6,707	-	-	-	35,014
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	-	-	-	-	-	-	-
<b>Total Outside of the Account</b>	<b>12,800</b>	<b>21,757</b>	<b>6,707</b>	-	-	-	<b>41,264</b>
<b>Savings:</b>							
Military Construction	8,000	-	-	-	-	-	8,000
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	-	-	0,025	0,025	0,025	0,075
Operations & Maintenance	18,869	62,812	82,567	111,824	117,289	124,467	517,838
Military Personnel	-	0,179	0,271	0,590	0,713	0,801	2,554
Other	-	-	-	-	-	-	-
<b>Total Savings</b>	<b>26,869</b>	<b>62,991</b>	<b>82,838</b>	<b>112,439</b>	<b>118,037</b>	<b>125,293</b>	<b>528,467</b>
<b>Net Implementation Costs</b>							
Less Estimated Land Revenues:	7,181	13,733	(76,131)	(33,542)	(109,107)	(119,978)	(317,844)

**FY 2006 Budget Estimates**  
**Base Realignment and Closure Account - Part III**  
**Cost and Savings by Fiscal Year**  
(Dollars in Millions)

	1994	1995	1996	1997	1998	1999	TOTAL 1994-1999
<b>DEFENSE INFORMATION SYSTEMS AGENCY</b>							
<b>One-Time Implementation Costs:</b>							
Military Construction	-	-	-	-	-	-	-
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-
Operations & Maintenance	29,745	72,300	61,408	31,309	1,097	-	195,859
Military Personnel - PCS	0,025	0,220	0,045	0,050	-	-	0,340
Other	29,200	87,080	54,455	10,228	-	-	180,963
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
<b>Total One-Time Costs</b>	<b>58,970</b>	<b>159,600</b>	<b>115,908</b>	<b>41,587</b>	<b>1,097</b>	<b>-</b>	<b>377,162</b>
Estimated Land Revenues	-	-	-	-	-	-	-
<b>Budget Request</b>	<b>58,970</b>	<b>159,600</b>	<b>115,908</b>	<b>41,587</b>	<b>1,097</b>	<b>-</b>	<b>377,162</b>
<b>Funded Outside of the Account:</b>							
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-
Operations & Maintenance	-	28,915	48,072	51,247	51,382	51,385	231,001
Other	-	1,772	1,995	1,995	1,995	1,995	9,752
Homeowners Assistance Program	-	-	-	-	-	-	-
<b>Total Outside of the Account</b>	<b>-</b>	<b>30,687</b>	<b>50,067</b>	<b>53,242</b>	<b>53,377</b>	<b>53,380</b>	<b>240,753</b>
<b>Savings:</b>							
Military Construction	-	-	-	-	-	-	-
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	-	-	-	-	-	-
Operations & Maintenance	8,786	105,657	267,476	287,690	314,955	314,262	1,309,196
Military Personnel	-	2,785	15,828	18,088	19,164	19,164	75,029
Other	-	-	-	-	-	-	-
<b>Total Savings</b>	<b>8,786</b>	<b>108,642</b>	<b>283,304</b>	<b>315,948</b>	<b>334,119</b>	<b>333,426</b>	<b>1,384,225</b>
<b>Net Implementation Costs</b>	<b>50,184</b>	<b>81,645</b>	<b>(117,329)</b>	<b>(221,119)</b>	<b>(279,645)</b>	<b>(280,046)</b>	<b>(766,310)</b>
Less Estimated Land Revenues:							

FY 2006 Budget Estimates Base Realignment and Closure Account - Part III Cost and Savings by Fiscal Year (Dollars in Millions)							
	1994	1995	1996	1997	1998	1999	TOTAL 1994-1999
<b>DOD-WIDE</b>							
<b>One-Time Implementation Costs:</b>							
Military Construction	406,262	741,613	803,014	279,308	135,633	18,800	2,384,630
Family Housing - Construction	0,511	-	-	14,929	46,010	-	61,450
Environmental - Operations	257,978	342,787	205,043	277,530	360,780	259,266	1,703,384
Operations & Maintenance	428,024	617,976	789,809	334,322	190,805	107,903	2,668,839
Military Personnel - PCS	12,749	26,576	11,754	16,666	9,472	17,734	84,950
Other	66,383	111,663	67,350	14,495	0,079	-	258,990
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
<b>Total One-Time Costs</b>	<b>1,170,907</b>	<b>2,040,634</b>	<b>1,876,970</b>	<b>937,250</b>	<b>742,779</b>	<b>403,703</b>	<b>7,172,243</b>
Estimated Land Revenues	-	(3,293)	-	-	(0,097)	(0,037)	(3,427)
<b>Budget Request</b>	<b>1,170,907</b>	<b>2,037,341</b>	<b>1,876,970</b>	<b>937,250</b>	<b>742,682</b>	<b>403,666</b>	<b>7,168,816</b>
<b>Funded Outside of the Account:</b>							
Military Construction	5,850	0,400	-	-	-	-	6,250
Family Housing	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-
Operations & Maintenance	18,009	51,341	57,455	56,206	53,979	51,814	288,804
Other	5,093	3,685	2,379	2,914	2,056	1,995	13,229
Homeowners Assistance Program	-	-	-	-	-	-	-
<b>Total Outside of the Account</b>	<b>28,952</b>	<b>127,276</b>	<b>59,834</b>	<b>59,120</b>	<b>56,035</b>	<b>53,809</b>	<b>384,826</b>
<b>Savings:</b>							
Military Construction	63,480	44,430	80,934	65,452	26,548	46,032	328,856
Family Housing - Construction	7,360	-	11,800	-	-	37,100	56,060
Operations & Maintenance	(0,525)	2,353	15,464	29,839	50,043	50,879	147,853
Military Personnel	82,642	293,109	848,629	1,244,354	1,439,337	1,510,032	5,416,103
Other	6,495	83,510	226,275	362,950	457,636	496,957	1,632,793
<b>Total Savings</b>	<b>162,363</b>	<b>438,516</b>	<b>1,303,518</b>	<b>1,889,377</b>	<b>2,176,210</b>	<b>2,347,035</b>	<b>8,317,019</b>
<b>Net Implementation Costs</b>	<b>1,037,496</b>	<b>1,726,101</b>	<b>633,286</b>	<b>(893,007)</b>	<b>(1,377,493)</b>	<b>(1,889,760)</b>	<b>(763,377)</b>
<b>Less Estimated Land Revenues:</b>							



**FY 2006 Budget Estimates  
Base Realignment and Closure Account - Part IV  
Cost and Savings by Fiscal Year  
(Dollars in Millions)**

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>1996-2001</u>
<b>NAVY</b>							
<b>One-Time Implementation Costs:</b>							
Military Construction	165,450	60,617	213,607	118,756	27,069	-	585,499
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	-	-	-	-	-	-
Environmental	86,829	79,284	98,647	114,868	125,092	384,552	889,272
Operations & Maintenance	233,989	289,970	114,030	66,204	47,368	41,465	795,026
Military Personnel - PCS	1,679	0,710	2,448	4,555	-	0,009	9,401
Other	1,114	1,035	10,051	3,401	2,387	0,643	18,631
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
Prior Year Financing	-	-	-	-	-	-	-
<b>Total One-Time Costs</b>	<b>489,061</b>	<b>431,616</b>	<b>438,783</b>	<b>309,784</b>	<b>201,916</b>	<b>426,669</b>	<b>2,297,829</b>
Estimated Land Revenues	-	-	-	(13,697)	(8,800)	-	(22,497)
Homeowners Assistance Program	-	-	-	-	3,412	-	3,412
<b>Budget Request</b>	<b>489,061</b>	<b>431,616</b>	<b>438,783</b>	<b>296,087</b>	<b>196,528</b>	<b>426,669</b>	<b>2,278,744</b>
<b>Funded Outside of the Account:</b>							
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-
Operations & Maintenance	-	13,300	-	15,000	17,126	3,722	49,148
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	-	-	-	-	-	-	-
<b>Total Outside of the Account</b>	<b>-</b>	<b>13,300</b>	<b>-</b>	<b>15,000</b>	<b>17,126</b>	<b>3,722</b>	<b>49,148</b>
<b>Savings:</b>							
Military Construction	4,900	-	1,400	1,100	1,310	15,540	24,250
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	1,836	9,583	20,724	21,383	22,071	75,597
Operations & Maintenance	(11,670)	(30,259)	85,963	106,044	109,000	117,907	376,895
Military Personnel	(0,230)	(0,520)	28,150	47,546	68,272	66,785	200,013
Other	566,082	509,166	549,874	465,262	491,633	505,351	3,087,368
<b>Total Savings</b>	<b>559,082</b>	<b>480,223</b>	<b>674,870</b>	<b>640,676</b>	<b>681,598</b>	<b>727,664</b>	<b>3,764,113</b>
<b>Net Implementation Costs</b>	<b>(70,021)</b>	<b>(35,307)</b>	<b>(236,087)</b>	<b>(329,589)</b>	<b>(467,944)</b>	<b>(297,273)</b>	<b>(1,436,221)</b>
<b>Less Estimated Land Revenues:</b>							

**FY 2006 Budget Estimates**  
**Base Realignment and Closure Account - Part IV**  
**Cost and Savings by Fiscal Year**  
**(Dollars in Millions)**

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>1996-2001</u>
<b>AIR FORCE</b>							
<b>One-Time Implementation Costs:</b>							
Military Construction	18,245	77,003	61,021	37,700	4,722	12,100	210,791
Family Housing - Construction	-	0,080	0,790	-	-	-	0,870
- Operations	-	-	-	-	-	-	-
Environmental	63,807	60,967	109,070	57,887	126,749	149,416	567,896
Operations & Maintenance	29,713	94,263	245,529	300,741	185,894	112,692	968,822
Military Personnel - PCS	1,341	0,554	-	1,963	1,273	1,734	6,865
Other	1,007	0,826	7,927	2,628	-	-	12,388
Homeowners Assistance Program	-	-	-	-	-	-	-
Air Force O'Here Move Costs	-	94,802	-	-	-	-	94,802
Prior Year Financing	-	-	-	-	-	-	-
<b>Total One-Time Costs</b>	<b>114,113</b>	<b>328,295</b>	<b>424,337</b>	<b>400,919</b>	<b>318,628</b>	<b>275,942</b>	<b>1,862,234</b>
Estimated Land Revenues	-	(94,602)	(30,480)	(19,017)	(6,836)	(2,693)	(153,628)
Homeowners Assistance Program	-	-	-	0,817	-	7,093	7,910
<b>Budget Request</b>	<b>114,113</b>	<b>233,693</b>	<b>393,857</b>	<b>381,902</b>	<b>312,609</b>	<b>280,342</b>	<b>1,716,516</b>
<b>Funded Outside of the Account:</b>							
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-
Operation & Maintenance	21,362	-	21,093	12,700	18,000	-	73,155
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	-	-	-	-	-	-	-
<b>Total Outside of the Account</b>	<b>21,362</b>	<b>-</b>	<b>21,093</b>	<b>12,700</b>	<b>18,000</b>	<b>-</b>	<b>73,155</b>
<b>Savings:</b>							
Military Construction	-	-	-	-	-	-	-
Family Housing - Construction	-	0,770	1,676	1,676	1,541	1,541	7,204
- Operations	-	-	-	-	-	-	-
Operations & Maintenance	9,890	33,374	46,966	80,979	187,035	371,969	740,213
Military Personnel	-	14,400	14,700	18,900	24,800	27,100	99,900
Other	-	-	-	-	-	-	-
<b>Total Savings</b>	<b>9,890</b>	<b>48,544</b>	<b>63,342</b>	<b>101,555</b>	<b>223,376</b>	<b>400,610</b>	<b>847,317</b>
<b>Net Implementation Costs</b>	<b>125,585</b>	<b>185,149</b>	<b>351,608</b>	<b>293,047</b>	<b>107,233</b>	<b>(120,266)</b>	<b>942,354</b>
<b>Less Estimated Land Revenues:</b>							





## HOMEOWNERS ASSISTANCE PROGRAM

The Homeowners Assistance Program (HAP) provides assistance to eligible service members and civilian employee homeowners who have suffered losses through the depression of the real estate market resulting from actual or pending base closures. Pursuant to section 2832 of Title 10, United States Code, as amended by section 2831 of Public Law 101-89, the National Defense Authorization Act for fiscal year 1990 and fiscal year 1991, the Secretary of Defense was granted authority to transfer \$31 million of funds appropriated in BRAC I to HAP. Accordingly, the Department of Defense transferred \$31 million in fiscal year 1990 to accommodate valid homeowner assistance requirements arising from implementation of the 1988 Commission's recommendations. From fiscal year 1992 through fiscal year 1999 the required homeowners assistance funding associated with base realignments and closures was budgeted in the Homeowners Assistance Program administered by the Department of the Army as executive agent for the program. Beginning in fiscal year 2000, funds were appropriated in the BRAC program for transfer to the Homeowners Assistance Program during budget execution to allow more effective and efficient use of these funds in support of BRAC implementation. No funds are budgeted within the BRAC program for transfer to the Homeowners Assistance Program in fiscal year 2006.

## REVENUE FROM THE SALE OF LAND AND FACILITIES

In capitalizing the base closure accounts, the additional appropriations to pay for the onetime costs of implementation have been offset by the amount of revenues that are anticipated due to the authorized sale of land no longer required by the Department. Since the fiscal year 1991 budget request, parcels of land have been transferred, without compensation to the Department, thereby reducing projected offsetting receipts. The tables on the following pages show the anticipated land sale revenue and examples of projected land sales no longer anticipated due to loss revenue resulting from transfers of property outside of the Department. Land sale receipts from base closures have amounted to \$595.1 million through September 2004. These receipts are used to offset anticipated BRAC costs. Anticipated land sale revenue of \$133.0 million will be used to offset a portion of the department's fiscal year 2006 BRAC requirements of \$510.8 million.

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART I  
ANTICIPATED/REALIZED LAND REVENUE—ARMY

[In thousands of dollars]

Location	Total
Kapalama Military Reservation, HI .....	38,529
Pontiac Storage Facility .....	3,100
Fort Holabird, MD .....	100
USA Reserve Center Gaithersburg, MD .....	785
Stand-Alone Housing, Various Locations .....	23,199
<b>Total</b> .....	<b>65,713</b>

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURES—PART I LOSS OF  
LAND REVENUE—ARMY

[In thousands of dollars]

Location	Total
Lexington .....	7,379
Army Material Tech Lab .....	3,124
Jefferson .....	28,925
AMC Other .....	8,030
Presidio .....	42,986
Hamilton .....	49,550
Sheridan .....	59,092
Fort Douglas, UT .....	7,379
Fort Meade, MD .....	447,770
Cameron Station, VA .....	212,624

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURES—PART I LOSS OF  
LAND REVENUE—ARMY—Continued

[In thousands of dollars]

Location	Total
Stand Alone .....	62,053
Total .....	928,912

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART I  
ANTICIPATED/REALIZED LAND REVENUE—NAVY AND PART I LOSS OF LAND REVENUE—NAVY

[In thousands of dollars]

Location	Total
NRC Coconut Grove, FL .....	7,134
NH Philadelphia, PA .....	25
NTB Salton Sea, CA .....	14
Total .....	7,173

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART I LOSS OF  
LAND REVENUE—NAVY

[In thousands of dollars]

Location	Total
Naval Station New York (Brooklyn, NY) .....	57,000
Naval Station Puget Sound (Sand Point), WA .....	60,000
Total .....	117,000

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART I  
ANTICIPATED/REALIZED LAND REVENUE—AIR FORCE

[In thousands of dollars]

Location	Total
Chanute Air Force Base, IL .....	13,000
George Air Force Base, CA .....	90,000
Mather Air Force Base, CA .....	305,000
Norton Air Force Base, CA .....	100,000
Pease Air Force Base, NH .....	120,000
Total <sup>1</sup> .....	26,582

<sup>1</sup> All anticipated/realized land revenues are accounted for in BRAC IV.

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART I LOSS OF  
LAND REVENUE—AIR FORCE

[In thousands of dollars]

Location	Total
George Air Force Base, CA .....	90,000
Mather Air Force Base, CA .....	305,000
Norton Air Force Base, CA .....	100,000
Chanute Air Force Base, IL .....	13,000
Pease Air Force Base, NH .....	120,000
Total .....	628,000

**FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART II  
ANTICIPATED/REALIZED LAND REVENUE—ARMY**

[In thousands of dollars]

Location	Total
Cameron Station, VA .....	15,661
Fort Ben Harrison, IN .....	4,634
Sacramento Army Depot, CA .....	299
Fort Devens, MA .....	1,998
<b>Total</b> .....	<b>22,592</b>

**FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART II LOSS OF  
LAND REVENUE—ARMY**

[In thousands of dollars]

Location	Total
Fort Devens, MA .....	112,000
Fort Dix, NJ <sup>1</sup> .....	83,000
Fort Ord, CA .....	399,750
Harry Diamond Lab, VA .....	30,000
Fort Benjamin Harrison, IN .....	102,227
Sacramento Depot, CA .....	24,879
<b>Total</b> .....	<b>751,856</b>

<sup>1</sup> Note: The anticipated revenues from Fort Dix were reduced from \$83.0 million to zero. The basis of the reduction is the proposed utilization of Fort Dix by other Federal and State agencies which precludes disposal of the anticipated excess land.

**FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART II  
ANTICIPATED/REALIZED LAND REVENUE—NAVY**

[In thousands of dollars]

Location	Total
MCAS Tustin, CA .....	203,500
NAS Chase Field, TX .....	791
NCBC Davisville, RI .....	63
NAS Moffett Field, CA .....	6,250
NH Long Beach, CA .....	14,075
NS Philadelphia, PA .....	2,000
<b>Total</b> .....	<b>226,679</b>

**FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART II LOSS OF  
LAND REVENUE—NAVY**

[In thousands of dollars]

Location	Total
NAS Chase Field, TX .....	2,000
NCBC Davisville, RI .....	22,000
NH Long Beach, CA .....	1,400
NS Long Beach, CA .....	21,250
NS Philadelphia, PA .....	18,000
NS Puget Sound (Sand Point), WA .....	12,800
NCCOSC San Diego, CA .....	3,000
MCAS Tustin, CA .....	468,500
<b>Total</b> .....	<b>548,950</b>

**FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART II  
ANTICIPATED/REALIZED LAND REVENUE—AIR FORCE**

[In thousands of dollars]

Location	Total
Carswell Air Force Base, TX .....	178
Castle Air Force Base, CA .....	4,136
England Air Force Base, LA .....	783
Grissom Air Force Base, IN .....	5,981
Loring Air Force Base, ME .....	335
Lowry Air Force Base, CO .....	9,461
Myrtle Beach Air Force Base, SC .....	10,455
Richards-Gebaur Air Force Reserve Station, MO .....	300
Rickenbacker Air Guard Base, OH .....	600
Williams Air Force Base, AZ .....	4,431
Wurtsmith Air Force Base, MI .....	49
<b>Total</b> <sup>1</sup> .....	<b>36,709</b>

<sup>1</sup> All anticipated/realized land revenues are accounted for in BRAC IV.

**FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART II LOSS OF  
LAND REVENUE—AIR FORCE**

[In thousands of dollars]

Location	Total
Williams Air Force Base, AZ .....	8,000
Eaker Air Force Base, AR .....	8,000
Castle Air Force Base, CA .....	27,000
Lowry Air Force Base, CO .....	100,000
MacDill Air Force Base, FL .....	50,000
Grissom Air Force Base, IN .....	8,000
Loring Air Force Base, ME .....	8,000
Wurtsmith Air Force Base, MI .....	8,000
Richards Gebaur Air Force Reserve Station, MO .....	8,000
Rickenbacker Air National Guard Base, OH .....	8,000
Myrtle Beach Air Force Base, SC .....	8,000
Bergstrom Air Force Base, TX .....	8,000
Carswell Force Base, TX .....	8,000
<b>Total</b> .....	<b>257,000</b>

**FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART III  
ANTICIPATED/REALIZED LAND REVENUE—ARMY**

[In thousands of dollars]

Location	Total
Various Locations .....	798
<b>Total</b> .....	<b>798</b>

**FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART III  
ANTICIPATED/REALIZED LAND REVENUE—NAVY**

[In thousands of dollars]

Location	Total
DOD Family Housing Niagara Falls, NY .....	1,125
MCAS El Toro, CA .....	525,000
NAWC Trenton, NJ .....	1,812
NTC Orlando, FL .....	11,126
NAS Cecil Field, CA .....	48

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART III  
ANTICIPATED/REALIZED LAND REVENUE—NAVY—Continued

[In thousands of dollars]

Location	Total
NTC San Diego, CA .....	80
NH Oakland, CA (Oak Knoll) .....	15,000
PWC San Francisco, CA .....	10,330
NS Staten Island, NY .....	602
NSY Charleston, SC .....	1,100
Various Locations .....	1,107
<b>Total</b> .....	<b>567,330</b>

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART III LOSS OF  
LAND REVENUE—NAVY

[In thousands of dollars]

Location	Total
NS Mobile, AL .....	28,000
Various Locations .....	309,263
<b>Total</b> .....	<b>337,263</b>

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART III  
ANTICIPATED/REALIZED LAND REVENUE—AIR FORCE

[In thousands of dollars]

Location	Total
Gentile Air Force Station, OH .....	54
Griffiss Air Force Base, NY .....	82
Homestead Air Force Base, FL .....	488
March Air Force Base, CA .....	995
O'Hare IAP ARS, IL .....	65
Plattsburg Air Force Base, NY .....	1,288
<b>Total</b> <sup>1</sup> .....	<b>2,972</b>

<sup>1</sup> All anticipated/realized land revenues are accounted for in BRAC IV.

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART IV  
ANTICIPATED/REALIZED LAND REVENUE—ARMY

[In thousands of dollars]

Location	Total
Fort Devens, MA .....	2,500
Fort Ben Harrison, IN .....	938
Cameron Station, VA .....	14,861
Stratford AAP, CT .....	6,590
Army Material Technology Lab, MA .....	6,284
Bayonne MOT, NJ .....	278
Hamilton AAF, CA .....	944
Jefferson Proving Ground, IN .....	55
Detroit, ATP, MI .....	5,924
Fort Sheridan, IL .....	5,150
Stand Alone Housing .....	110
Savanna AD .....	8
Fort Ritchie .....	54
Fitzsimons AMC .....	172
City of Chicago .....	15,980
Fort McClellan .....	460

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART IV  
 ANTICIPATED/REALIZED LAND REVENUE—ARMY—Continued

[In thousands of dollars]

Location	Total
Fort Ord .....	7,250
New Orleans MOT .....	275
Defense Depot Ogden .....	680
VHFS .....	992
<b>Total</b> .....	<b>69,505</b>

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART IV  
 ANTICIPATED/REALIZED LAND REVENUE—NAVY

[In thousands of dollars]

Location	Total
San Pedro (Housing) Long Beach, CA .....	66,000
NAWC Warminster, PA .....	63
NAF Key West, FL (Housing) .....	15,100
NAS Key West, FL .....	600
Various Locations .....	700
<b>Total</b> .....	<b>82,463</b>

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART IV  
 ANTICIPATED/REALIZED LAND REVENUE—AIR FORCE

[In thousands of dollars]

Location	Total
City of Chicago, Illinois—O'Hare International Airport <sup>1</sup> .....	94,602
Kelly Air Force Base, TX .....	478
McClellan .....	1,218
Reese Air Force Base, TX .....	53
Roslyn Air Guard Station, NY .....	3,031
<b>Total</b> .....	<b>99,382</b>

<sup>1</sup> Revenue from the City of Chicago for the movement of the Air National Guard facilities to Scott Air Force Base, Illinois.

Mr. GRONE. Of the \$22 billion that was expended for prior BRAC activity, 30 percent of that went to construction and construction activity.

Senator FEINSTEIN. No. I mean tell us for what.

Mr. GRONE. Oh, yes, ma'am. But 30 percent of it went to environmental remediation and 40 percent went to PCS, O&M, and caretaker costs. But we will certainly try to break that down for you for the record.

Senator FEINSTEIN. I think the time has come, as we go through these BRAC rounds, to really know dollar for dollar where this money goes, and I would sure like to know.

Mr. GRONE. The justification material for the current fiscal years' request for prior BRAC, the \$377 million, should, I believe, provide a comprehensive breakdown of the accounts from prior years. And we certainly would include that in the record here so that it is comprehensive.

## SELLING EXCESS PROPERTIES AND APPLYING THE PROCEEDS

Senator FEINSTEIN. Thank you.

Now, the Navy has done a good job selling its excess properties and applying those proceeds to BRAC environmental restoration. I think this year the Navy has requested a \$143 million appropriation and expects to apply another \$133 million from property sales. Could we have your assurance that, if appropriated, the sum of these funds will be applied to Navy environmental remediation?

Mr. GRONE. I believe I can give that assurance, yes, ma'am.

Senator FEINSTEIN. Thank you. And that further land sales will be treated the same?

Mr. GRONE. Treated the same in which sense?

Senator FEINSTEIN. In that the money is then applied for environmental cleanup.

Mr. GRONE. For prior BRAC, almost all of our costs at this point for prior BRAC is environmental remediation and a very, very small, modest amount for property caretaker costs. So to the extent we have any additional land sales from BRAC rounds one through four, that is certainly how they would be applied.

Senator FEINSTEIN. Thank you. That is very helpful.

## STATUS OF GLOBAL REBASING

Mr. Grone, through global rebasing in the coming years we can expect to see the largest reduction of troops permanently based overseas since the end of the Cold War. A series of global rebasing decisions will be subject to BRAC 2005. What is the status of the global rebasing plan? In particular, are there negotiations with foreign countries? Is there a green light? Are we moving ahead? Are we not moving ahead?

There are \$314 million set aside in the BRAC wedge, as you mentioned, for global rebasing. Is any of that funding intended to be spent overseas on closed bases in Germany or elsewhere?

Mr. GRONE. Senator, to the latter part of your question, BRAC funds are not an eligible source of funds for closure costs for closure and realignment activity installations abroad.

Senator FEINSTEIN. So the answer is no.

Mr. GRONE. The answer is no.

The scope of our BRAC authority, with regard to global posture. We intend to use the BRAC round to facilitate the return of U.S. forces in the following way. Without BRAC, we would largely be asked to address the question of where could we fit them, in terms of our present basing configuration. BRAC gives us the ability, because the entire domestic chessboard will be open, to ask ourselves a different question, which is where are they best positioned. Through their realignment activities of domestic bases, we will have an ability to put those returning forces where the services and the Secretary believe they are most effective for the future. We will, through BRAC, execute construction activity to support those forces through the BRAC appropriation, but other costs associated with cost overseas would be paid for other accounts that the services have under their financial control.

Senator FEINSTEIN. Thank you. That is helpful.

## RENEWABLE ENERGY ASSESSMENT OF DOD BASES

Some time ago, Senator Hutchison and I asked your Department to give us a renewable energy assessment of the bases. We have not received it. Could you give us a sense of the major findings?

Mr. GRONE. I can give you a very direct sense of where the report is because it just hit my desk yesterday.

Senator FEINSTEIN. Good.

Mr. GRONE. I am aware and certainly apologize for the initial part of the report being late. It was due in December. That part of the report was to basically do the assessment. What the committee also asked us for was an implementation plan based on our assessment. When you see the report in a matter of days, if not this week, it will contain both the assessment that we have done, as well as the implementation plan. So it will contain both elements.

We think that there is a lot of benefit that we have gained through this assessment and the study that the subcommittee had requested. In fiscal year 2003, about \$5 million of our energy conservation investment funds went to renewable projects. This year it is going to be \$18 million principally in geothermal and in solar.

We also think, as a result of the study that we have gone through, that there are opportunities on the purchase side of it for us to begin to engage on a supplier basis with certain suppliers who specialize in renewable energy sources.

So we are learning a great deal through the assessment. We would welcome a continuing dialogue over the implementation plan certainly and would look for any views that you may have on it because we do think it has been a very valuable exercise as we have gone through it.

Senator FEINSTEIN. Thank you very much. We look forward to receiving that.

## PERCHLORATE CONTAMINATION

Now my perchlorate question. I will admit I am reaching here. Is there a way to use some of these environmental cleanup monies to take some of the most contaminated sites where they most have affected drinking water and get a commitment to participate in cleanup efforts?

Mr. GRONE. Senator, that question is not a difficult—it is a difficult one but one that sort of, I think, bears a little bit of a sense of sort of where we are now. I am not trying to avoid the question, but I do think this, as you well know, is a very, very complicated issue.

There has been a lot of uncertainty, scientific uncertainty, associated with perchlorate. The National Academy of Sciences recently conducted a review of the toxicity of perchlorate, and that review was completed in January and the administration, including the Department, supported the conclusions reached by the NAS. In fact, EPA has used the conclusions reached by the NAS to develop a reference dose which commonly would be referred to as a 24.5 parts per billion reference dose. We will use that reference dose as a factor in our risk-based assessments.

And I would say also with regard to the work that we are going with the State of California in the prioritization protocol, that work is proceeding very well with a high degree of cooperation between the State and the Department. Certainly as we proceed, we understand that the State of California may well consider a regulatory standard for perchlorate. Once the State establishes, if they should choose to do so, a State standard, as well as once a Federal standard, if one should be promulgated, we certainly will comply with that standard.

Where we are in terms of remediation today is that it becomes part of the risk prioritization as we go through it.

Senator FEINSTEIN. Let me stop you because I need to understand this. Are you saying that you are waiting for the State to declare a standard? Because the State does have a standard.

Mr. GRONE. No. I am not suggesting that. A standard for regulatory purposes. If any State or the Federal EPA declares a standard for regulatory purposes, not a draft, but for regulatory purposes, we certainly will comply with that. But even today we are putting the 24.5 parts per billion reference dose that EPA has promulgated and including that as part of our risk-based prioritization standard. And in those instances certainly where there is a level of significance, we will remediate based on the prioritization of remediation as we develop it.

Senator FEINSTEIN. I want to make this point, though. DOD, as you know, tried to get liability protection on perchlorate and we were able to stop that. Perchlorate is now turning up in mother's milk. In one person tested, it was like 91 parts per billion. It is turning up all over in the food chain. The bottom line fact is DOD has a responsibility to help with the cleanup. We have got towns where the drinking water is really severely compromised, small areas, Rialto, for example. In California their wells are compromised. They have to get cleaned up.

The process we know is expensive. It is about \$2 million a well with reverse osmosis.

I have been trying for years now to move EPA to come up with a standard. EPA is not about to be moved to come up with a standard. In the meantime, you are finding it in milk products, you are finding it in lettuce products, and now you are finding it in nursing women's breast milk at three times the level that you just mentioned of 24 parts per billion.

So my view is we have to get cracking and get it cleaned up. It seems to me that this might be a place to start.

Mr. GRONE. Well, Senator, all I can tell you right at the present time, so far we have expended \$50 million in toxicological and analytical research. We are continuing to work with the scientific community—

Senator FEINSTEIN. \$50 million on research on perchlorate? It cannot be.

Mr. GRONE. Groundwater treatment technologies for perchlorate and possible substitutes for perchlorate in military applications.

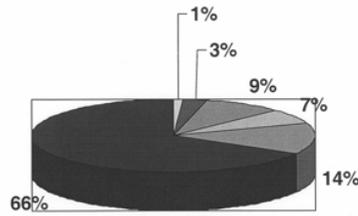
Senator FEINSTEIN. \$50 million on studies?

Mr. GRONE. In research.

Senator FEINSTEIN. Okay. Do you have a product for the \$50 million?

[The information follows:]

## DoD Perchlorate Expenditures (as of May 16, 2005)



<span style="color: grey;">■</span> Analytical Methodology	\$740,000
<span style="color: black;">■</span> Occurrence	\$1,603,000
<span style="color: grey;">■</span> Human Health	\$5,284,502
<span style="color: grey;">■</span> Ecological	\$4,065,000
<span style="color: grey;">■</span> Prevention	\$8,254,000
<span style="color: black;">■</span> Treatment Technologies	\$40,081,189

Total Expenditures to date: \$60,027,691

Treatment Technology	Time Period Covered			Expenditure		Agency	Academic	results
	Start date	End date	Release date	Actual	Proposed			
Development, deployment, and transition to private sector of ex-situ anaerobic biological reactors for the treatment of process effluent from industrial operations associated with manufacture and maintenance of rocket motors (NRL)			Jan-98	\$6,800,000	N/A	DOD		Report Number: AFRL/MLTY-TR-1999-4524
Development and deployment of ex-situ fluidized bed reactors to biodegrade perchlorate in groundwater (Longhorn Army Ammunition plant)		past		\$855,000	N/A	DOD		
Development of a pilot/demonstration perchlorate treatment system to handle varying levels of perchlorate in wastewater in expectation of NPDES permit and higher perchlorate use (McMaster AFB)				\$400,000	N/A	DOD		
Pilot Study for use of regular GAC for perchlorate removal in groundwater (NWRP)				\$325,000	N/A	DOD		
Rapid Small Scale Column Testing (RSSCT) of various types of GAC to evaluate perchlorate adsorption capacity (NWRP)				\$185,000	N/A	DOD		
Pilot study for perchlorate treatment ion exchange treatment system (Kansas Army Ammunition Plant)				\$25,000	N/A	DOD		
Application of Horizontal Flow Treatment Walls for In-Situ Treatment of Perchlorate Contaminated Groundwater - Masters thesis, Sep 2000-Mar 2002, Air Force Inst. of Tech., Wright-Patterson AFB, OH		past	UNK	N/A	N/A	DOD	AFIT	Report Number: AFIT/GEE/ENV/02M-08
Optimizing of In-Situ Bioremediation Technology to Manage Perchlorate-Contaminated Groundwater - Master's thesis, Jun 2002-Mar 2003		past	CY03	N/A	N/A	DOD	AFIT	Report Number: AFIT/GEE/ENV/03-14
Site investigation, laboratory and pilot scale investigations of in-situ bioremediation of groundwater, including the use of biologically active permeable reactive barriers and ex-situ bioreactors (NWRP McDragoon)				\$21,000,000	N/A	DOD		
Pilot study into the use of in-situ bioremediation (NSWC Indian Head)		past	Jan-04	\$230,000	N/A	DOD		Report number: NQSSA-TR 2004-001
In-Situ Bioreduction and Removal of Ammonium Perchlorate (SERDP CU-1152)	FY00	past	TBD	\$578,000	N/A	DOD		SERDP report CU-1152 available at website (www.serdp.org)
In-Situ Bioremediation of Perchlorate (SERDP CU-1163)		past	May-02	\$494,270	N/A	DOD		SERDP report CU-1163 available at website (www.serdp.org)
In-Situ Bioremediation of Perchlorate-Impacted Groundwater (SERDP CU-1164)		past	Jun-02	\$356,815	N/A	DOD		SERDP report CU-1164 available at website (www.serdp.org)
EPA-NREL - preliminary work to identify plants able to remediate perchlorate (ASC)		past		\$50,000	N/A	DOD		
phytoremediation of perchlorate (ASC)		past		\$148,000	N/A	DOD	Univ GA	
Work plan, pilot- and full-scale design/operation ion exchange system for the treatment of groundwater, including investigations with a novel bifunctional exchange resin highly selective to perchlorate and associated resin regenerant system (Edwards AFB)				\$1,865,000	\$1,285,000	DOD		Ongoing; full evaluation still underway. By Sep 04 > 11M gal of groundwater treated; 42t of perchlorate removed. Resin treatment effective to non detect, and regeneration restores resins to near-100% capacity.
Laboratory and pilot scale investigations of anaerobic soil composting (Edwards AFB)		past		\$130,000	N/A	DOD		
Longhorn Army Ammunition Plant Bioreactor capital cost only				\$650,000	N/A			
Whitaker Berrite in-situ bioremediation (ACOE)				\$ 623,643	N/A			
Vandenberg AFB Ion Exchange Unit operation		past	TBD	\$98,000	N/A	DOD		
investigations into phytoremediation of perchlorate at Longhorn (OSC)		past	TBD	\$233,112	N/A	DOD	Univ Iowa	
Investigations into phytoremediation of perchlorate at Longhorn (OSC)		past	TBD	\$234,233	N/A	DOD	Univ GA	
Comparative Demonstration of Active and Semi-Passive In-Situ Bioremediation Approaches for Perchlorate-Impacted Groundwater (ESTCP CU-0219)		ongoing	CY05	\$1,010,069	N/A	DOD		Fact sheet available at website (www.estcp.org)
Effluent Oil Barriers for Treatment of Chlorinated Solvent- and Perchlorate-Contaminated Groundwater (ESTCP CU-0221)		ongoing	FY05	\$825,000	N/A	DOD		Fact sheet available at website (www.estcp.org)

In Situ Bioremediation of Perchlorate in Groundwater using horizontal flow treatment wells (ESTCP CU-0224)		ongoing	CY05			\$958,856	N/A	DOD	Factsheet available at website (www.estcp.org)
Field Comparison of Bioremediation Control Measures for In Situ Bioremediation of Groundwater (ESTCP CU-0426)	FY04	ongoing	TBD	X	X	\$234,000	\$200,000	DOD	Factsheet available at website (www.estcp.org)
Technologies to reduce the cost of groundwater and vadose zone cleanup of perchlorate (ESTCP)				X	X	\$1,838,000	\$1,400,000	DOD	
Technologies for the treatment of drinking water and wastewater contaminated with perchlorate (ESTCP & SERDP)				X	X	\$240,000	\$7,924,000	DOD	

Mr. GRONE. We can supply for the record what we have been doing on the analytical agenda on both the toxicological side, the science-based side of perchlorate, as well as looking for alternatives for the use of perchlorate, both of which we have as active parts of the agenda.

Senator FEINSTEIN. Well, I do not want to take up the chairman's time, although the chairman has a problem in her State as well. But if we could talk with you about it, we need to come to some agreement of what DOD is willing to do. I have been trying now for 3 or 4 years, and at some point one runs out of patience. That is all I want to say.

Mr. GRONE. Senator, I am prepared to have whatever discussions you deem necessary. I am prepared to meet with you whenever you feel it appropriate—

Senator FEINSTEIN. Okay, that would be great.

Mr. GRONE [continuing.] To have the continuing discussion.

Senator FEINSTEIN. Thank you.

#### PERMANENT CONSTRUCTION AT GUANTANAMO BAY

And the last question. It is a question I asked Chairman of the Joint Chiefs Myers at the supplemental hearing of approps, and that is the justification for siting the facility in Guantanamo.

Now my understanding was the original justification was to avoid review by United States courts. Now, putting aside the question of whether that is good policy or not, the United States Supreme Court has made clear that much, if not all, of the legal argument which was based for that justification was unfounded. Simply put, the original justification is no longer compelling.

Now, Senator Hutchison and I with the Secretary had a chance to go to Guantanamo 3 or 4 years ago, and so we saw pretty much the temporary facilities. I think an argument can certainly be made for improvement. But the question is to build a permanent facility, \$42 million I guess in this MILCON budget, when the rationale for putting people at Guantanamo may no longer exist.

My question is, with that rationale gone, do you still want to go ahead and build a permanent facility?

Ms. JONAS. Senator, let me just take a few minutes on this. My understanding is that the upgrades were for the humanitarian and operational concerns that they have down there. These are some of the things that were identified by the ICRC. So the security fence and then making the facility a little bit more compliant there on humanitarian purposes not on any permanent basis.

Senator FEINSTEIN. I just said perhaps we should go back and take a look before we do this. You are saying the \$42 million is just an upgrade for humanitarian purposes. It is not a permanent facility?

Ms. JONAS. Well, I understand the upgrades are to deal with the humanitarian concerns, some of the things that were identified by

the ICRC and force protection or security, I should say, the security fence around the area. The security fence that they are going to develop there, if funds are provided, would reduce the military personnel there by 350. So I guess that is one of the pieces, but we would sure be glad to have you make a visit and would be glad to provide additional—

Senator FEINSTEIN. Perhaps we can get the detail on that request.

Ms. JONAS. Absolutely.

[The information follows:]

GUANTANAMO NAVAL STATION, CUBA—CAMP 6 DETENTION FACILITY

Item	U/M	QTY	Cost	Cost
Primary Facility:				\$26,848
Confinement Facility .....	SF .....	43,111	\$501.58	(21,624)
Medical Station .....	SF .....	7,889	537.29	(4,239)
Sound proofing cell interior wall .....	SF .....	20,000	12.26	(245)
Sound proofing cell ventilation .....	EA .....	200	90.30	(18)
Prison design recessed sprinkler heads.	EA .....	280	122.55	(34)
Security Lighting .....	EA .....	40	4,644	(186)
Information Systems .....	LS .....			(300)
Building Information Systems .....	LS .....			(202)
Supporting Facilities:				5,345
Electric Service .....	LS .....			(2,556)
Water, Sewer, Gas .....	LS .....			(2,194)
Paving, Walks, Curbs And Gutters ...	LS .....			(80)
Storm Drainage .....	LS .....			(129)
Site Imp (67) Demo ( ) .....	LS .....			(67)
Information Systems .....	LS .....			(319)
Estimated Contract Cost .....				32,193
Contingency Percent (5 percent) .....				1,610
Subtotal .....				33,803
Supervision, Inspection & Overhead (6.50 percent).				2,197
Total Request .....				36,000
Total Request (Rounded) .....				36,000
Installed EQT-Other Appropriations .....				(99)

*Description of Proposed Construction.*—Construct a maximum security facility at Camp 6 to detain 220 personnel. Primary facilities include pre-engineered concrete modular building units on concrete foundations, isolation cells, showers, restrooms, indoor and outdoor exercise areas, security operations, administrative spaces, interview spaces, security and perimeter fence, lighting, associated pedestrian and vehicular gates, and a Level II detainee medical station which includes a medical ward with 5 total beds; 2 general treatment rooms, a single dental treatment room and a medical administration area. Supporting facilities include communication/security systems, electrical substation and site utilities. Air conditioning is estimated at 120 tons. Project also includes the demolition of existing, substandard, water distribution line to the area.

REQ: 1 Each; ADQT: None; SUBSTD: 1 Each

*Project.*—Construct a durable maximum security detention facility to support the JTF Detainee Operations.

*Requirement.*—Provide an adequate maximum security detainee facility to house 220 detainees to support the Global War on Terrorism (GWOT). The facility will use Federal Bureau of Prison Standards and provide a more humane housing for long-term detainees. Provide facility standards meeting provisions highlighted in the Geneva Convention. These include providing housing units and core functions that are contiguous and allow for communal conditions where practical. Address facility and operational concerns of GWOT Allies. Upgrading facility standards will decrease the

personnel required to operate the facility safely. Provide necessary utility infrastructure to support all facilities.

*Current Situation.*—Current facilities are temporary and no longer meet the mission requirement. The facilities are labor intensive for both security and maintenance resources. Current operations require 150 more personnel than will be required for the requested facility. The new facility will free up this significant number of personnel for combat operations in support of GWOT. The inefficiencies experienced in proper separation, seclusion, and control of occupants forces JTF to maintain a much larger workforce to conduct the mission. Existing temporary facilities at Camps 1, 2, and 3 do not provide the communal living conditions. These facilities are also close to exceeding the utility systems capacity.

*Impact if not Provided.*—Existing Camps 1, 2, and 3 were designed as temporary facilities and are at the end of their useful life. Maintenance and operation of these facilities will continue to be a significant draw of manpower, materials, and money due to their deteriorating conditions. Mission operations in these antiquated cell blocks will continue to be strained and require an increased number of security and medical personnel due to the weaknesses in the design and materials of the existing facilities. Existing facilities will not meet the Geneva Convention requirements, and there will be continued scrutiny by the International Committee of the Red Cross (ICRC) and the international community until facility standards are raised. The waterline security will remain compromised and the water quality will remain degraded if this project is not provided. The electrical distribution system will become overloaded, unreliable, and a potential safety hazard. Outages will result due to circuit overloading creating additional equipment maintenance and repairs.

*Additional.*—This project has been coordinated with the installation physical security plan and all physical security measures are included. All required anti-terrorism/force protection measures are included. Alternative methods of meeting this requirement have been explored during project development. This project is the only feasible option to meet the requirement. Sustainable principles will be integrated into the design, development, and construction of the project in accordance with Executive Order 13123 and other applicable laws and Executive Orders.

Mr. GRONE. Senator, the only thing that I would add to my colleague's comments is I believe the Chairman indicated that what we are doing, and the Secretary as well, but I know the Chairman had indicated what we are doing is we are transitioning to a long-term detention mission which in the context of both the humanitarian end of this, as well as the reduction—and to be able to operate the facility in a way that provides for a safer and more efficient operation, it will, (a), reduce the manpower but, (b), provide a safer environment for our own military personnel to manage the facility.

The most cost effective construction method for the structure is as it has been detailed to the subcommittee. It will be much easier to sustain than the metal structures we have there now. As the Comptroller indicated, we have a number of important reasons for seeking the funds at this time.

Senator FEINSTEIN. Well, I just was handed the request, and it says, under description of proposed construction, construct a maximum security facility at Camp 6 to detain 220 personnel. Primary facilities include pre-engineered concrete modular building units on concrete foundations, isolation cells, showers, rest rooms, indoor and outdoor exercise areas, security operations, administrative spaces, interview spaces, security and perimeter fence, lighting, and associated pedestrian and vehicular gates. So from what I gather from this, I mean, this is a whole new permanent facility. The word "permanent" is used and "maximum security."

Now, I would just like to know. It may well be that despite the fact that the United States is not going to be able to deny people basic due process rights, you still want to have the facility. But one of the things I think we do not want to do is authorize the money and then find out you change your mind, which has happened.

Mr. GRONE. Certainly, Senator—I am sorry, Madam Chairman. Senator HUTCHISON. I think there is another factor here which is where is the safest place to house prisoners. I think there has always been a concern about having them in America and within the 48 States because of actions that might be taken to get them released. I do not think it is necessarily a treatment issue so much as where do you put potential terrorist prisoners where you do not endanger the lives of the people around and where is it harder to get to.

Senator FEINSTEIN. Except, Madam Chairman, we do house known terrorists who have committed terrorist acts here in the United States.

Senator HUTCHISON. Well, but we also have a number of them that are not in the United States. They are in Guantanamo Bay. I think having a prison that is pretty hard to get to is a factor to be considered.

Senator FEINSTEIN. I thought they were detainees. I mean, we have people convicted doing time, the 1993 World Trade Center bombing, et cetera. We have a place in Colorado where a number of them are incarcerated.

I just feel I want to be told the truth about this facility, why it is being built, instead of building it somewhere on ex-surplus military land here, why you are building it in Guantanamo. Because none of these people have been convicted of anything. They are all detainees.

Mr. GRONE. Senator Feinstein, what I can best tell you is that the location represents the best military judgment that we have in terms of the location. Neither of us have policy cognizance for this. The Under Secretary of Defense (Policy) and the Deputy Assistant Secretary of Defense for Detainee Affairs are the responsible policy officials, and certainly the combatant commander of Southern Command also has very significant responsibilities in this area. I believe we can work to arrange whatever briefings are necessary for you and the chairman and any other member or staff that may be required to address the question.

But the Secretary and the Chairman I believe addressed the immediate requirement pretty directly. And the type of construction involved that you cited is the most cost effective construction at that location to build the kind of facility that will allow our military personnel to operate in a safe and efficient manner and also provide, consistent with our standards, a more humane environment with a little bit more room for detainees to live in the facility. But certainly we can arrange for whatever briefings may be necessary in that regard.

Senator FEINSTEIN. I appreciate that. Thank you.

Thanks, Madam Chairman.

Senator HUTCHISON. Thank you. I think that is the end for this panel. We very much appreciate your time in coming.



DEPARTMENT OF THE NAVY

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

ACCOMPANIED BY:

REAR ADMIRAL WAYNE "GREG" SHEAR, JR., DEPUTY DIRECTOR,  
ASHORE READINESS DIVISION, UNITED STATES NAVY  
BRIGADIER GENERAL WILLIE WILLIAMS, ASSISTANT DEPUTY  
COMMANDANT, INSTALLATIONS AND LOGISTICS (FACILITIES),  
U.S. MARINE CORPS

Senator HUTCHISON. I want to now ask our second panel to come forward. Making his first appearance before our subcommittee is the Honorable B.J. Penn, Assistant Secretary of the Navy for Installations and Environment. Joining him are Rear Admiral Wayne Shear, United States Navy Deputy Director for the Ashore Readiness Division; and Brigadier General Willie Williams, U.S. Marine Corps, Assistant Deputy Commandant for Facilities.

Secretary Penn, if you would give us a summary of your statement, we would be happy to hear it, and then we will ask questions.

Mr. PENN. Madam Chairman, my pleasure. Madam Chairman, members of the subcommittee, being in this job for about a week, I assure you I have no trouble in being brief.

I am accompanied by Brigadier General, soon to be Major General, Willie Williams for Marine Corps Installations, and Rear Admiral Greg Shear from Commander Naval Installations.

I have spent most of my initial days getting acquainted with my staff and senior leadership of the Navy and Marine Corps. I am quite impressed with their skills and dedication.

I remember when I was on active duty as a naval aviator, serving as commanding officer of Naval Air Station North Island in California in the late 1980s thinking what new policy approaches from Washington might improve installation management. Be careful what you dream of.

Things have obviously changed since that time. I will soon begin visiting bases and stations so that I can listen firsthand to the needs and concerns from installations commanders, sailors, marines, their families, along with the civilian employees and contractor personnel who live or work at our shore installations and surrounding communities. I hope during my tenure to meld their views with those inside the beltway, of Congress, the Secretary of Defense, the service Secretaries, chiefs of staff, to shape a future for naval installations that provides cost effective support for the needs of our warfighters. Clearly implementation of BRAC 2005 decisions will be a major focus of my efforts.

I have submitted a rather detailed statement for the record on our fiscal year 2006 budget request. From a macro perspective, funding levels are strong, although I am admittedly on the front

end of the learning curve on the details. General Williams and Admiral Shear helped shape this budget, so I will rely heavily on them.

I would, however, like to talk about one specific aspect of our fiscal year 2006 budget request—the financing of our prior BRAC cleanup and caretaker needs with the mix of \$143 million in appropriated funds and an estimated \$133 million in land sales revenue.

It is important to view the fiscal year 2006 prior BRAC request in the context of the 2005 request. The Department expected to finance the entire fiscal year 2005 BRAC program from the sale of the former Marine Corps Air Station El Toro, California and did not request nor receive any appropriations in fiscal year 2005. That sale was delayed by unforeseen circumstances. Fortunately, the sale of the former Marine Corps Air Station Tustin, California in 2003 gave the Department the financial flexibility to slow 2004 program executions to conserve cash to cover its fiscal year 2005 environmental commitments, most of which are in the State of California.

With fiscal year 2005 execution depleting prior year BRAC funds and the public auction of the El Toro property still a future event, the Department last fall opted to include appropriated funds in fiscal year 2006 to finance its minimum cleanup and caretaker status, along with a conservative estimate for land sale revenue to accelerate environmental cleanup. Although the auction of the El Toro property has now been completed, with a winning bid of nearly \$650 million, I must caution the members of this committee that there is still some measure of risk ahead until the buyer and Navy complete the sales transaction at settlement.

I want to emphasize that we cannot be absolutely sure of having land sales revenue until settlement occurs, which is planned for July. The buyer of previous property in 2003 defaulted at settlement. Even after settlement, our past experience is that it often takes well over 4 months for the sale proceeds to be processed through DOD accounting systems before the funds are available to the Navy for program execution.

We still have a substantial cost to complete environmental cleanup, primarily at closed bases in California, and we are developing plans to responsibly accelerate cleanup. That would be our first priority for use of the land sales revenue.

Even with successful settlement of the El Toro property in July, we may still need some measure of fiscal year 2006 appropriated funds to finance first quarter program commitments.

I look forward to working with the Congress on resolving this situation, along with more challenging installations and facilities issues.

[The statement follows:]

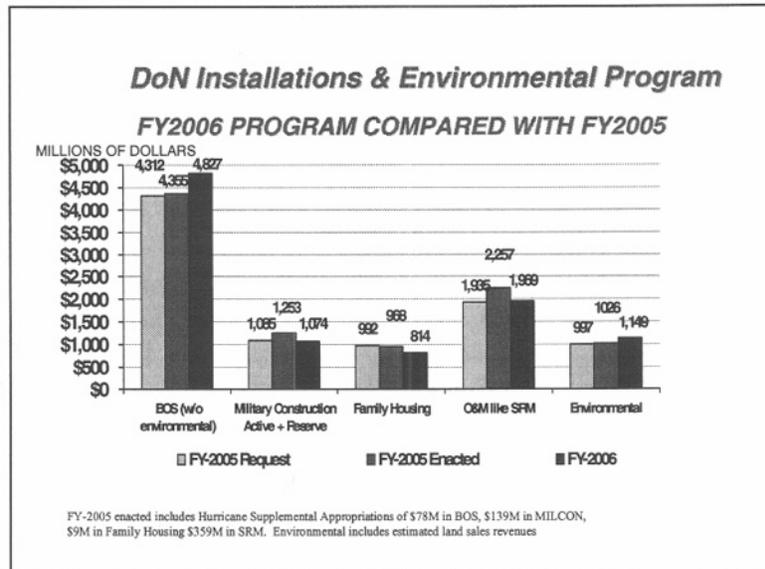
PREPARED STATEMENT OF B.J. PENN

Madam Chairman and members of the Committee, I am pleased to appear before you today, accompanied by Brigadier General Willie Williams, Assistant Deputy Commandant of the Marine Corps for Installations and Logistics, and Rear Admiral Wayne Shear, Deputy Director of the Navy's Ashore Readiness Division. We will provide an overview of the Navy and Marine Corps team's shore infrastructure programs and base closure efforts.

## FISCAL YEAR 2006 BUDGET OVERVIEW

Our bases and stations provide the essential services and functions that help us train and maintain our Naval forces, and enhance the quality of life for our Sailors, Marines and their families. Winning the Global War on Terrorism (GWOT) is our number one priority while we transform our force structure and business processes to meet the readiness needs of today and tomorrow. The Department of the Navy (DoN) has a considerable investment in shore infrastructure: 104 installations in the continental United States and 18 overseas locations with a combined plant replacement value of about \$181 billion.

The DoN fiscal year 2006 budget request for installations and environmental programs totals \$9.8 billion<sup>1</sup> and provides the funds to operate, recapitalize and transform our shore installations. In this budget, we have focused our efforts on balancing the risks across the operational, institutional, force management and future challenges identified by the Department and the Department of Defense (DOD).



The Base Operations Support (BOS) request of \$4.8 billion, excluding environmental which is shown separately, provides fundamental services such as utilities, fire and security, air operations, port operations, and custodial care that enable the daily operations of our bases. The increase of \$471 million to the fiscal year 2005 enacted level is primarily due to functional transfers to properly align Navy Marine Corps Internet with Base Operating Support and program growth to accomplish utilities privatization preparation, improve overseas Morale, Welfare and Recreation Programs supporting our forward deployed forces, and to restore funding required to execute shore mission support without degrading quantity or quality of support. We believe we have properly priced BOS to avoid execution year adjustments as we have experienced in the past. We are also working with the Office of the Secretary of Defense and the other Components to define common standards and performance metrics for managing installations support.

Our Military Construction Navy and Naval Reserve request is a very robust \$1,074 million, about the same as the enacted fiscal year 2005 level of \$1,114 million after excluding the \$139 million the DoN received in the Emergency Hurricane Supplemental Appropriations Act, 2005. This level of funding keeps us on track to eliminate inadequate bachelor housing, and provides critical operational, training, and mission enhancement projects.

<sup>1</sup>To avoid double counting in the graph, environmental is shown separately from BOS, and MILCON is shown separately from SRM funds.

The Family Housing request of \$813 million is about the same as the enacted fiscal 2005 level of \$835 million after excluding the \$9 million the DoN received in the Emergency Hurricane Supplemental. It provides \$219 million in family housing construction and improvements funds, 80 million above the enacted fiscal 2005 level of \$139 million. Funds to operate, maintain and revitalize the worldwide inventory of about 33,000 units total \$594 million, \$103 million less than the enacted fiscal 2005 level (excluding the \$9 million in the Emergency Hurricane Supplemental), due to a decline of over 18,000 homes from the fiscal 2005 level from our housing privatization efforts. The DoN continues to fund Basic Allowance for Housing (BAH) at a level that eliminates average out-of-pocket housing expenses for service member. BAH makes finding affordable housing in the community more likely for our service members, and it helps our housing privatization efforts succeed.

Sustainment, Restoration and Modernization (SRM) includes military construction and Operation and Maintenance funds. Our fiscal year 2006 request is \$71 million above the enacted fiscal year 2005 level without the Hurricane Supplemental. Sustainment funds the necessary maintenance and repairs needed to keep a facility in good working order over its expected service life. Facilities sustainment requirements are based on a DOD model. The fiscal year 2006 budget maintains 95 percent of the model requirement for Navy and Marine Corps bases. Restoration and Modernization funds regenerate the physical plant either through reconstruction or major renovation to keep the facility modern and relevant.

Our environmental program of \$1,149 million, comprised of a variety of operating and investment appropriations, climbs \$123 million above the fiscal year 2005 enacted level. Within this broad category, compliance accounts decline as a result of fewer one-time projects; conservation and pollution prevention funds remain steady; research and technology development decline by \$15 million as fiscal year 2005 congressional increases are not continued in fiscal year 2006; cleanup of active bases increases by \$39 million, primarily to support cleanup of the former Vieques training range in Puerto Rico. Of particular interest to this Subcommittee, we have included \$143 million in fiscal year 2006 appropriations to cover minimum required environmental cleanup and caretaker costs. In preparing the budget, we also included \$133 million in estimated land sales revenue that would be used to accelerate cleanup efforts.

Here are some of the highlights of these programs.

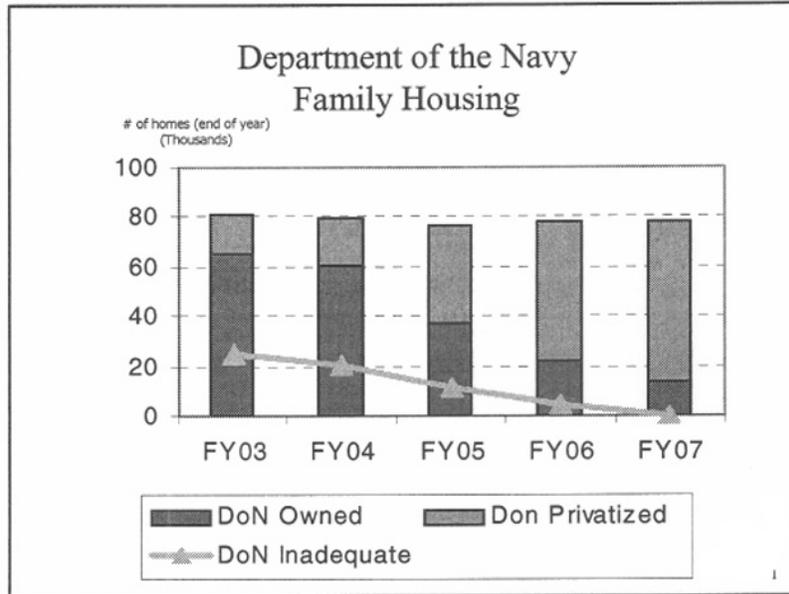
#### HOUSING

Our fiscal year 2006 budget request reflects the DoN's continued commitment to improve living conditions for Sailors, Marines, and their families. We have programmed the necessary resources and expect to have contracts in place by the end of fiscal year 2007 to eliminate our inadequate family and bachelor housing.

#### *Family Housing*

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 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 statutory 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.

—*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.

We will be able to eliminate 77 percent of our inadequate inventory through the use of public/private ventures. As of 1 March, we have awarded 15 projects totaling over 26,000 units. As a result of these projects, almost 17,500 homes will be replaced or renovated. An additional 2,700 homes will be constructed for Navy and Marine Corps families. Through the use of these authorities we have secured almost \$3.0 billion in private sector investment from \$300 million of DoN funds for these 15 projects. This represents a leverage ratio of ten to one. During fiscal year 2005 and 2006, we plan to award projects totaling 29,000 homes at ten Navy and Marine Corps locations. This will allow us to improve our housing stock and provide more homes to Sailors, Marines and their families much faster than if we relied solely on traditional military construction. By the end of fiscal year 2007, the Navy and Marine Corps will have privatized 78 percent and 95 percent, respectively, of their worldwide housing stock.

Our fiscal year 2006 family housing budget includes \$219 million for family housing construction and improvements. This amount includes \$112 million as a Government investment in family housing privatization projects. It also includes \$594 million for the operation, maintenance, and leasing of DoN family housing.

PLANNED PRIVATIZATION PROJECTS

Fiscal year	Location	Number of homes
USN		
2005 .....	Mid Atlantic .....	5,930
2006 .....	Midwest Regional .....	1,879
2006 .....	Southeast Regional I .....	4,437
2006 .....	San Diego Phase III .....	4,268

## PLANNED PRIVATIZATION PROJECTS—Continued

Fiscal year	Location	Number of homes
2006 .....	Oahu II .....	2,336
Subtotal .....	.....	18,850
USMC		
2005 .....	Camp Lejeune/Cherry Pt .....	3,426
2005 .....	29 Palms/Kansas City .....	1,510
2006 .....	MCB Hawaii .....	1,136
2006 .....	Camp Lejeune/Cherry Pt II .....	959
2006 .....	Camp Pendleton IV .....	3,359
Subtotal .....	.....	29,240

*Bachelor Housing*

Our budget request of \$184 million for bachelor quarters construction projects continues the emphasis on improving living conditions for our unaccompanied Sailors and Marines. There are three challenges:

—*Provide Homes Ashore for our Shipboard Sailors.*—There are approximately 18,400 junior enlisted unaccompanied Sailors worldwide who live aboard ship even while in homeport. The Navy has programmed funding through fiscal year 2008 to achieve its “homeport ashore” initiative by providing ashore living accommodations for these Sailors. We will achieve this goal through a mix of military construction, privatization authorities, and, for the interim, more intensive use of our barracks capacity by housing two members per room. Our fiscal year 2006 budget includes three “homeport ashore” projects: \$7.8 million at Naval Station Mayport, FL (216 spaces); \$50 million at Naval Station, Everett, WA (818 spaces); and \$13.7 million at Naval Amphibious Base Coronado, CA (800 spaces), which is planned for privatization. The funds would be used as a Government cash contribution to a public/private entity.

—*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. The Navy uses the “1+1” standard for permanent party barracks. Under this standard, each single junior Sailor has his or her own sleeping area and shares a bathroom and common area with another member. To promote unit cohesion and team building, the Marine Corps was granted a waiver to adopt a “2+0” configuration where two junior Marines share a room with a bath. The Navy will achieve these barracks construction standards by fiscal year 2016; the Marine Corps by fiscal year 2012. We are pursuing a waiver of the “1+1” standard to allow us to build an enlisted barracks project in Norfolk to private sector standards. We believe this will reduce construction costs, improve amenities, and facilitate opportunities to privatize barracks in the future.

—*Eliminate Gang Heads.*—The Navy and Marine Corps remain on track to eliminate inadequate barracks with gang heads<sup>2</sup> for permanent party personnel. The Navy achieves this goal by fiscal year 2007, the Marines by fiscal year 2005.

*BQ Privatization*

We are applying authority provided to us by Congress to proceed with three pilot unaccompanied housing privatization projects. We issued a solicitation for our first project at San Diego in September 2004 and received very positive responses from industry. We will soon take the next step to narrow the field and invite up to four highly qualified offerors to submit detailed technical and financial proposals. We plan to select a single proposal by late Spring 2005 and make an award in January 2006 after notifying Congress.

We intend to notify Congress of our intent to issue a solicitation for our second pilot project—at Hampton Roads, Virginia—in the very near future. We have also initiated a concept development for our third pilot project to provide unaccompanied housing in the Pacific Northwest.

<sup>2</sup>Gang heads remain acceptable for recruits and trainees.

## MILITARY CONSTRUCTION

*Military Construction Projects*

The DoN fiscal year 2006 Military Construction program requests appropriations of \$1,029 million, consisting of \$830 million for Navy, \$169 million for Marine Corps, and \$30 million for planning and design. The authorization request totals \$1,078 million. Our fiscal year 2006 budget uses \$92 million in prior year savings identified during budget formulation to finance additional military construction needs above the fiscal year 2006 appropriation request. Fiscal year 2006 projects were properly priced consistent with the analysis that identified the prior year savings. The Naval and Marine Corps Reserve Military Construction appropriation and authorization request is \$45 million.

The active Navy program consists of:

- \$218 million for eight Chief of Naval Operations projects for Homeport Ashore, Great Lake Recruit Training Command recapitalization and the Naval Academy.
- \$215 million for seven waterfront and airfield projects.
- \$92 million for three special weapons protection projects.
- \$239 million for 12 projects supporting new weapons systems such as F/A 18 E/F, V-22, H60R/S, and VXX.
- \$58 million for four mission enhancement projects such as the Pacific War fighting Center at Naval Station Pearl Harbor, HI; and
- \$9 million for one environmental compliance project at Naval Air Station Pensacola, FL.

The active Marine Corps program consists of:

- \$58 million for two barracks, one mess hall and one fire safety quality of life project.
  - \$25 million in a continuing effort to correct wastewater environmental compliance violations at Camp Pendleton, CA.
  - \$54 million for three airfield recapitalization projects at Marine Corps Air Station Quantico, VA, including the second increment of funding to replace 1930's vintage HMX maintenance hangars and a parking apron.
  - \$18 million for four projects to provide maintenance facilities, including the new Assault Breacher Vehicle at Camp Pendleton, CA and Camp Lejeune, NC; hot refueling for rotary wing aircraft at MCAS Yuma, AZ; and critical training for Marines with a Multi-Purpose Machine Gun Range at Camp Lejeune, NC.
  - \$14 million for five projects that cover a broad range of facility improvements, e.g., main gate access and inspection; encroachment remedies; missile storage.
- The Naval and Marine Corps Reserve program consists of two joint reserve centers, a Marine Corps reserve centers, a Marine reserve-training center, and a hangar modification.

Fourteen Navy and two Marine Corps<sup>3</sup> projects have construction schedules exceeding 1 year and cost more than \$50 million, thus meeting the DOD criteria for incremental funding in the fiscal year 2006 budget. Seven Navy and one Marine Corps projects received full authorization in fiscal year 2004 or fiscal year 2005 and are being continued or completed in fiscal year 2006. The budget request new authorization to start seven Navy and two Marine Corps incrementally funded projects in fiscal year 2006.

*Outlying Landing Field, Washington County, North Carolina*

The new F/A-18E/F Super Hornet is replacing F-14 and older F/A-18C aircraft. A Navy Environmental Impact Statement (EIS) examined alternatives for homebasing these new aircraft on the East Coast, opting to base eight tactical squadrons and a fleet replacement squadron at Naval Air Station Oceana, VA, and two tactical squadrons at Marine Corps Air Station, Cherry Point, NC.

This homebasing decision requires a new Outlying Landing Field (OLF) to support fleet carrier landing practice training. The current site near Virginia Beach, VA is not as effective for night-time training due to ambient light sources, and it lacks the capacity to handle a training surge such as experienced for the war on terrorism and Operation Iraqi Freedom. The Navy selected a site in Washington County, North Carolina, about halfway between NAS Oceana and MCAS Cherry Point, as the best alternative from an operational perspective.

A Federal District Court ruled last month that Navy did not fulfill its obligations under the National Environmental Policy Act (NEPA) before making the decision to construct the OLF, and has enjoined the Navy from taking further actions to plan, develop, or construct the OLF until it completes additional NEPA analysis. The

<sup>3</sup>The budget also incrementally funds a \$14 million Marine Corps project.

Navy continues to believe that the EIS that it prepared was based on sound science and rigorous analysis, and met all requirements of NEPA. Nonetheless, the Navy is carefully examining the court's ruling and examining available alternatives. The fiscal year 2006 budget includes \$23 million in available prior year funds to complete land acquisition in the OLF core area and commence horizontal construction. We continue to believe that these funds will be required for these purposes and will be executable in fiscal year 2006.

VXX

We are pleased to report significant progress on VXX, the next generation helicopter transportation for the President, Vice President and heads of State. Marine Helicopter Squadron One (HMX-1), located at the Marine Corps Air Facility, Quantico, VA, performs these helicopter transportation mission using the VH-3D introduced in 1974 and the VH-60N fielded in 1989. These aircraft are approaching the end of their service lives, and do not have the growth margin to incorporate the improved capabilities required to meet evolving mission needs in the post 9/11 environment.

The Navy awarded a System Development and Demonstration acquisition contract to Lockheed Martin in January 2005 to build and deliver eight VXX aircraft for test and evaluation and pilot production. The new aircraft will provide increased performance; improved mission, communication, navigation, and maintainability; and expanded potential for future growth. Developmental flight-testing will begin mid fiscal year 2005, with delivery of the first test article by April 2007. Initial operating capacity is set for the fourth quarter fiscal year 2009.

The Navy also awarded a construction contract in January 2005 to build an eight-bay test and evaluation hanger with laboratory, maintenance, and office space for a combined Lockheed Martin—Navy program management team at Naval Air Station Patuxent River, MD. The Navy commissioned an independent study to consider alternate methods of providing in-service support for the aircraft. The study concluded that a government owned contractor operated facility at Patuxent River provided significant life cycle cost savings to the Navy. The \$96 million, incrementally funded design/build facility will also include an in-service support capacity for the aircraft once operational. The current working estimate for construction is \$10 million below the authorization request in the fiscal year 2005 budget.

FACILITIES

*Facilities Sustainment, Restoration and Modernization (SRM)*

*Sustainment.*—The DOD uses models to calculate life cycle facility maintenance and repair costs. These models use industry-wide standard costs for various types of buildings and geographic areas and are updated annually. Sustainment funds in the Operation and Maintenance accounts maintain shore facilities and infrastructure in good working order and avoid premature degradation. The Navy and Marine Corps achieve 95 percent funding of the sustainment model requirements in fiscal year 2005 and fiscal year 2006, consistent with the DOD goal. The DoN funding increases by 1.4 percent from fiscal year 2005 to fiscal year 2006.

*Recapitalization.*—Restoration and modernization provides for the major recapitalization of our facilities using Military Construction, Operation and Maintenance, Navy Working Capital Fund, and Military Personnel Navy funds. The “recap” metric is calculated by dividing the plant replacement value by the annual investment of funds and it is expressed as numbers of years. The DOD goal is to attain an annual 67-year rate by fiscal year 2008. Neither the Navy nor the Marine Corps attains the 67-year goal in the current FYDP due to affordability.

SRM

	Fiscal Year		
	2004	2005	2006
Navy			
Sustainment (percent) .....	75	95	95
Recap rate (years) .....	103	104	98
Marine Corps			
Sustainment (percent) .....	96	95	95
Recap rate (years) .....	109	82	103

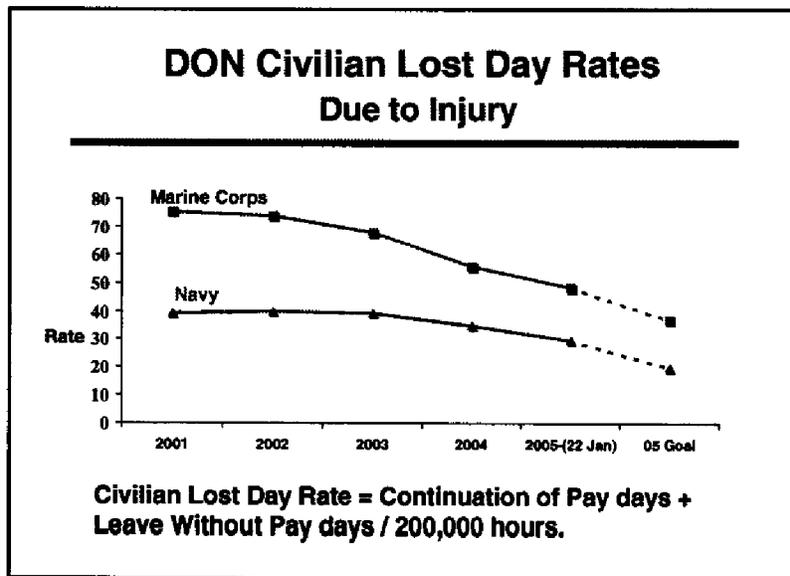
The fiscal year 2006 recapitalization rate has improved substantially from that reported last year as a result of a recent DOD policy change that allows the military departments to take credit for centrally managed Service demolition programs. The Navy has \$51 million and the Marine Corps \$5 million for their fiscal year 2006 central demolition programs, which combined is expected to demolish over 2.5 million square feet of outdated facilities. The new policy allows us to consider the construction of new facilities as part of the recap metric calculation as long as an equivalent square footage of old facilities are demolished anywhere else. We believe that this corporate view is a more accurate reflection of the age of our while inventory and the need for recapitalization.

#### EFFICIENCIES

##### *Naval Safety*

We remain committed to achieving Secretary Rumsfeld's 2-year challenge to reduce fiscal year 2002 baseline mishap rates and accidents by 50 percent by the end of fiscal year 2005. At the end of calendar year 2004, 15 months into the 2-year challenge, the Department was on track to meet the SECDEF goal in over 70 percent of the targeted areas.

The Secretary of the Navy has embraced improving safety as one of his top objectives for this fiscal year. Last year Secretary England convened the first semi-annual Navy and Marine Corps Safety Council, comprised of Senior Flag and General Officers, to review ongoing mishap reduction efforts. The DoN is pursuing Occupational Safety and Health Administration OSHA (OSHA) Voluntary Protection Program (VPP) status at our shipyards and other industrial activities; over the last 16 months, we have achieved an average 31 percent reduction in civilian lost workdays due to injuries at our three installations with the highest injury rates. Increased command emphasis for safety in Operation Iraqi Freedom has played a major role in reducing the percentage of Marine Corps non-combat fatalities to combat fatalities from 42 percent in fiscal year 2003 to less than 9 percent in fiscal year 2004.



Our fiscal year 2006 budget includes \$4.5 million to continue development of the Military Flight Operations Quality Assurance program. We want to adapt a successful commercial aviation program to analyze performance data (i.e., "black box" data) after every flight and allow aircrew and aircraft maintenance personnel to replay a high fidelity animation of the flight and associated aircraft performance parameters. That will allow them to recognize and avoid situations where flight safety tolerances are exceeded. In addition to the safety benefit, we expect significant future savings in reduced maintenance costs.

*Commander, Navy Installations*

Commander, Navy Installations Command (CNI) had a productive first year in its effort to transform the Navy shore establishment into centralized shore services and support structure. The Navy is now aligned to permit mission commanders to focus on their core mission to deliver combat power, while CNI focuses on shore infrastructure support.

A key CNI accomplishment was to implement a Capabilities Based Budgeting (CBB) process. This annual, zero-based analysis links the delivery of specific shore functions to their resources, and allows managers to predict how varying resource inputs alter the performance capability of that shore function. Identifying the risks in delivering service at varying output levels allows Navy leadership to select the desired level of output and associated resourcing based on an evaluation of these risks. This process allows us to better align shore support services with mission customers' requirements. CNI is now expanding this effort to derive common base support models with the other military services.

<b>Port Operations Capability Levels</b>			
	<b>Capability Level 2</b>	<b>Capability Level 3</b>	<b>Capability Level 4</b>
<b>Spill Response</b> w/in 15 minutes	<b>Spill Response</b> w/in 30 minutes	<b>Spill Response</b> w/in 1 hour	<b>Spill Response</b> > 1 hour
<b>Berthing &amp; Hotel Services</b> Full Service 24/7	<b>Berthing &amp; Hotel Services</b> Full Service during Normal Work Hours w/ budgeted O/T	<b>Berthing &amp; Hotel Services</b> Full Service during Normal Work Hours Only	<b>Berthing &amp; Hotel Services</b> Full Service during Limited Work Hours
<b>Ship Moves</b> Full Tug Service, 24/7 Surge Capable	<b>Ship Moves</b> Full Tug Service, Surge Capable w/in budgeted O/T	<b>Ship Moves</b> Full Tug Service w/in Established Working Hours	<b>Ship Moves</b> Full Tug Service Limited Working Hours

*Strategic Sourcing*

The DoN continues to seek efficiencies in its business processes. We want to focus on finding the most cost efficient means to support our war fighters. There are a number of approaches to achieve this goal, e.g., eliminating an unnecessary function or one with marginal benefit; re-aligning a function to improve efficiency; or competing a function to see if it can be provided more effectively or at a lower cost by private industry. We have committed to review over 30,000<sup>4</sup> positions for competition using the OMB Circular A-76 process by fiscal year 2008, although execution plans have temporarily slowed that pace as we adopt new OMB and Congressional direction on competition policies. We are focusing competitions on those functions that are not critical or core to our military operations, are readily available and can potentially be performed more effectively by the private sector.

We recognize the difficulty these competitions have on employee morale. However, the gains in clearly defining the Government's requirement with resulting savings warrant the continued use of competition to determine the most cost-effective service provider. Competition between the in-house and contractor work force benefits the DoN and taxpayer in the long run. OMB Circular A-76 competitions generate on average 36 percent cost avoidance. Our workforce is among the best in the world

<sup>4</sup>Represents about 5 percent of the DoN's military and civilian workforce.

and has responded to the challenge by winning over 80 percent of the A-76 competitions.

#### *Utility Privatization*

We are proceeding with efforts to privatize when economical our electricity, water, wastewater, and natural gas utility systems. Ten USC § 2688 provides the legislative authority to convey utility systems where economical. Privatization allows installations to focus on core missions, relieving them of activities that can be done more efficiently and effectively by others. Privatization can help us reap private sector efficiency while upgrading aged systems to industry standards without compromising safe and reliable services.

As of February 1, 2005, DoN has privatized 15 of its 645 utility systems while exempting 73 utility systems. Approximately half of the Source Selections Authority (SSA) decisions have been achieved during the past year, with the rest expected by September 30, 2005. When the current round of utilities privatization concludes in September 2005, DoN intends to pursue other alternatives to enlist industry capability. In the end, we need safe reliable utility systems that are operated in the most economical manner, and that rely on private industry wherever practicable.

#### 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 DoN 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. We have had significant successes on all fronts.

Last year DoN relinquished over 71,000 acres at the former Naval Air Facility Adak, Alaska, to the Department of the Interior, which enabled Interior to exchange portions of the property with The Aleut Corporation for other lands. Additionally, the Navy achieved a significant milestone at the former Hunters Point Naval Shipyard in San Francisco by conveying the first parcel of 75 acres to the San Francisco Redevelopment Agency. Of the original 161,000 acres planned for disposal from all four prior BRAC rounds, we expect to have less than 5 percent (about 8,000 acres) left to dispose by the end of this fiscal year.

#### *Property Sales*

We have been very successful using property sales to assist in environmental cleanup and property disposal as well as recover value for taxpayers. We have used various methods to conduct these sales, including General Services Administration (GSA) on-site auctions, GSA Internet auctions, and Internet auctions using commercial real estate brokers. We used the GSA Internet web site in 2003 to sell 235 acres at the former Marine Corps Air Station Tustin, CA, for a net \$204 million. We also sold 22 acres at the former Naval Air Facility Key West, FL, in January 2004 for a net \$15 million. The City of Long Beach, CA, opted to pre-pay its remaining balance plus interest of \$11.3 million from a promissory note for the 1997 economic development conveyance of the former Naval Hospital Long Beach. We applied these funds to accelerate cleanup at the remaining prior BRAC locations.

Last month the DoN completed its largest public sale via Internet auction consisting of four large parcels that total 3,720 acres at the former Marine Corps Air Station, El Toro in Irvine, CA, with bids totaling \$649.5 million. The Internet auction public sale of 62 acres at the former San Pedro housing site in Los Angeles, CA, is still in process with a top bid of \$87 million as this statement was being prepared for printing. We expect to close these sales later this year. We will also soon close escrow on the public sale of approximately 20 acres in Orlando, FL, which is noteworthy as the first deed conveyance of property prior to completion of all environmental cleanup using the public sale process.

Public sales of smaller parcels were completed in Charleston, SC, and Novato, CA, and we expect to proceed soon with the sale of property at the former Oak Knoll Naval Hospital upon resolution of legal issues stemming from a lawsuit by the local redevelopment authority.

#### *Land Sales Revenue Caution*

A word of caution is necessary regarding land sales revenue. Although the auction for El Toro has ended and the auction for San Pedro should end soon, it will be several months before these sales close escrow, and several additional months until the DoN receives the sale proceeds in the DoN prior BRAC account. Until then, litigation or default by the winning bidder can delay or cancel the sale, as happened with the sale of the former Oak Knoll Naval Hospital in 2003. The El Toro sale, planned to occur last year, was delayed for 1 year due to litigation and the need to resolve

redevelopment issues with the City of Irvine. That required us to conserve cash for fiscal year 2005 execution.

Because of our experience with the risks associated with predicting future receipt of land sales revenue, our fiscal year 2006 budget includes an appropriation request of \$143 million to cover minimum required environmental cleanup actions under enforceable schedules and ongoing program costs for properties not yet disposed. Notwithstanding these risks, we are optimistic that the El Toro and San Pedro sales will close and the funds will become available.

*Prior BRAC Environmental Cleanup*

The DON has spent over \$2.5 billion on environmental cleanup at prior BRAC locations through fiscal year 2004. We estimate the remaining cost to complete cleanup at about \$559 million for fiscal year 2007 and beyond, most of which is concentrated at fewer than twenty remaining locations and includes long-term maintenance and monitoring obligations for remedies already installed and operating at many locations. As we have done previously, the DoN will use any additional land sale revenue beyond that projected in our fiscal year 2006 budget to further accelerate cleanup at these remaining prior BRAC locations, which are primarily former industrial facilities that tend to have the most persistent environmental cleanup challenges.

*Closure of Naval Station Roosevelt Roads, Puerto Rico*

In addition to completing property disposals from the four prior BRAC rounds, the Navy closed Naval Station Roosevelt Roads on March 31, 2004, as directed by section 8132 of the fiscal year 2004 Defense Appropriations Act. All military mission activities have been relocated. The DOD schools remained open through the completion of the 2003–2004 school year, as encouraged by the conference report accompanying the Act. Naval Activity Puerto Rico has been established to protect and maintain the property and preserve its value until disposal.

As directed in the Act, the closure and disposal is being carried out in accordance with the procedures contained in the Defense Base Closure and Realignment Act (BRAC) of 1990, as amended. Pursuant to these procedures, the Navy has approved property transfers to the Department of the Army for use by reserve components, and the Department of Homeland Security. The Commonwealth of Puerto Rico formed a Local Redevelopment Authority (LRA). Using grant funding from the DOD Office of Economic Adjustment, the LRA prepared a redevelopment plan for the property that envisions a mix of commercial, residential, and public uses, as well as conservation of large areas of mangrove forest and wetlands. As required by BRAC procedures, we are analyzing the potential environmental impacts of property disposal in accordance with that redevelopment plan. We expect that property disposal process will begin in 2006 and that substantial portions of the property will be disposed through competitive public sale. We do not expect this process to be completed until fiscal year 2007, and have requested \$27 million in fiscal year 2006 to cover caretaker costs and maintain the property in preparation for sale. The Government Accountability Office (GAO) recently reviewed Navy plans and progress in disposing of the former Naval Station Roosevelt Roads. GAO found that Navy was following prescribed procedures and completed their review with no recommendations.

BRAC 2005

*BRAC 2005 Decision Process*

A successful BRAC 2005 is most important to the DoN, the DOD, and the Nation. It may be our last opportunity in the foreseeable future to reduce excess infrastructure, move scarce dollars to areas that result in increasingly improved readiness, and transform our infrastructure consistent with our defense strategy.

BRAC 2005 provides a fair process that will result in the timely closure and realignment of military installations in the United States. All military installations inside the United States must be considered equally without regard to whether the installation has been previously considered or proposed for closure or realignment. All closure and realignment recommendations must be based on certified data, the 20-year force structure plan, and the published selection criteria that make military value the primary consideration.

### Key BRAC 2005 Decision Points

- 12 Feb 04: DoD published selection criteria
- 23 Mar 04: DoD issued 20-yr force structure plan; world-wide infrastructure inventory; certified need for BRAC 2005
- 15 Mar 05: President must have nominated Commissioners
- 16 May 05: SECDEF recommendations due to Commission and Congress
- 8 Sep 05: Commission report due to Congress
- 7 Nov 05: Last day President can send recommendations to Congress
- Recommendations final unless Congress disapproves in 45 legislative days

For BRAC 2005, the Secretary of Defense directed that the analysis be divided into two categories of functions. Joint Cross Service Groups (JCSGs) are analyzing common business-oriented support functions while the Military Departments are focusing on analysis of service unique functions. The following seven JCSGs were established: Education and Training; Headquarters and Support; Industrial; Medical; Supply and Storage, Technical; and Intelligence. The JCSGs and the Military Departments will make their BRAC recommendations to the Infrastructure Executive Council (IEC), the DOD policy making and oversight body for the entire BRAC 2005 process. JCSGs were also utilized in BRAC 1995 but in a substantially different manner. In BRAC 1995, JCSG analysis and recommendations were provided to the Military Departments for consideration in developing their BRAC recommendations. The creation of the IEC ensures that DOD senior leadership is directly engaged in making these important decisions. Analysis and evaluation by all of the BRAC groups are on-going, with a goal of supporting the Secretary of Defense's delivery of a comprehensive set of base closure and realignment recommendations by May 16th.

### **IEC Membership**

- **Deputy Secretary of Defense**
- **Secretaries of the Military Departments**
- **Service Chiefs of Staff**
- **Chairman, Joint Chief of Staff**
- **Under Secretary of Defense for Acquisition, Technology and Logistics**

Despite what some may have read in the newspapers, seen on the Internet, or heard through the rumor mill, the DOD does not have a list of closures or realignments at this time. The number and location of such closures or realignments will only be determined after a comprehensive and rigorous analytical process that is now underway in the Military Departments and Joint Cross Service Groups.

#### *BRAC 2005 Implementation Funding*

DOD has programmed funds through the Future Years Defense Plan for implementing BRAC 2005 decisions. Discussions are underway as to how these funds may be allocated to the Military Departments for implementing BRAC 2005 decisions. Expectations are that BRAC 2005 implementation costs will be financed by a mix of (1) allocation of the DOD funds, realignment of funds from military construction projects and SRM funds no longer needed at closing locations, transfers from environmental restoration accounts, and if necessary, additional military service funds to implement BRAC 2005 decisions.

#### *Preparing to Implement BRAC 2005*

The DoN is building upon its experience in completing cleanup and disposal of property from prior BRAC rounds to prepare to implement BRAC 2005 decisions. Recently, the Secretary of the Navy approved formation of a BRAC Program Management Office (PMO) that reports to the Assistant Secretary of the Navy for Installations and Environment. BRAC PMO has assumed responsibility for completing cleanup and disposal of the remaining property from prior BRAC rounds, and it will become responsible for cleanup and disposal of property at installations closed or realigned in BRAC 2005.

The DoN has examined lessons learned from cleanup and disposal of property at prior BRAC bases, especially recent successes using competitive public sales. Much has changed since the last BRAC round in 1995. Environmental contamination at remaining bases has largely been characterized, and cleanup has been completed or is now well underway. A close examination of existing statutory authority and Federal regulations for property disposal showed there were ample opportunities to improve the disposal process without the need for new legislation. Private sector capabilities have emerged and matured for "brownfield" redevelopment and insurance industry products to address environmental liabilities when there is a CERCLA early transfer of contaminated property. The DoN expects to take increased advantage of these private sector capabilities.

We will continue to use all of the property disposal authorities in the right circumstances, as we have in the case of the disposal of Naval Station Roosevelt

Roads. Like Roosevelt Roads, however, we believe there will be more opportunities to quickly dispose, in cooperation with the local community, BRAC 2005 property requiring environmental cleanup in its existing condition. The Navy will dispose of property using public sale and will include the cleanup of that property with it, as is done in "brownfield" disposals nationwide. This will allow developers with the experience and expertise to complete the cleanup as they redevelop the property. That benefits communities by getting the property onto local tax rolls and redeveloped more quickly, with the local community controlling that development through traditional land use planning and zoning. It benefits DOD and the Federal taxpayer by divesting unneeded property sooner and reducing the environmental cleanup time and expense incurred by DOD. The DON goal for implementing BRAC 2005 is that the last Sailor or Marine leaving the closed base hand the deed to the property to the new owner. We are convinced that this goal is achievable as we start preparations for property disposal as soon as closure decisions are final.

#### CONCLUSION

In conclusion, we believe we have put forward a very strong fiscal 2006 budget request for our facilities and environmental efforts, while still recognizing the compelling needs of the Global War On Terror. We have funded  $x$  percent of Navy and  $y$  percent of Marine Corps expected base operating costs, funded 95 percent of predicted sustainment requirements, while the Navy makes progress on its facility recap metric.

We are funding environmental programs to maintain compliance with all environmental standards while accelerating cleanup of past contamination and investing in research and development efforts to solve emerging environmental concerns.

We are proceeding with the analysis and scenario development that will lead to the Secretary of Defense announcement of BRAC 2005 recommendations. We have carefully reviewed our implementation practices from the previous four BRAC rounds and are establishing, in cooperation with DOD, the necessary organizational structures and business policies and practices to accelerate closure, environmental cleanup, and property disposal.

#### FAMILY HOUSING

Senator HUTCHISON. Thank you very much. I want to start the questioning with family housing projects that we have funded over the past few years, some of which have been canceled without notification in order to use the funds for privatization purposes. Now, we all support privatization, but I wanted to ask if there are any construction projects in the request that you are making that you anticipate might be diverted to privatized housing, and if you do decide to pursue any different programs after we do appropriate for construction, will you inform the committee of your decision to cancel a project?

Mr. PENN. Madam Chairman, we had that discussion just this morning with some of your staffers, and we have agreed we are going to work very closely with the members of your staff on this issue.

Admiral, would you like to—

Admiral SHEAR. Ma'am, I would just say that family housing improvement and construction projects we have in the 2006 proposal are in Guam and Japan. So I think the concern that they might be diverted is probably not going to be due to privatization, since we do not have plans to privatize in those areas.

But as the Secretary said, we also recognize we have a duty to keep the committee informed about how we are handling the money that goes to privatization, and we have some work to do in that regard. So we recognize there is an issue there.

## JOINT RESERVE CENTER

Senator HUTCHISON. Secretary Penn, the Naval Reserve is a participant in the real property exchange that will result in moving a unit to Ellington Field in Houston, Texas, from another location closer to the city itself. I am very supportive of this process and the potential for joint opportunities that exist at Ellington between the services and also components of a homeland security unit of the Coast Guard. I wanted to ask if the Navy is satisfied with the progress on this move to Ellington and are you looking for other joint opportunities, particularly with the Coast Guard, that might be beneficial for both the Navy and Homeland Security.

Mr. PENN. Madam Chairman, yes, ma'am, we are. The Department is very pleased to cooperate with the proposal to relocate the existing Reserve center, which will include Army, Navy, and Marine Corps. We are looking for opportunities to work with the Coast Guard. They are at several locations with us at this time, and we are looking for ways to enhance this opportunity.

Senator HUTCHISON. I appreciate that very much because I think that with the Air Guard unit that is there, it really does provide an opportunity for a truly joint use, and I hope that everyone is going to be working together toward that goal.

The issue of the sale of the land that you addressed we think is a very good way to go, and I think you have addressed the questions there about using the money for the environmental cleanup. Assuming that that final sale goes forward, that would be what we would expect, that the money would go toward environmental cleanup of both that and the previous BRAC requirements.

Thank you very much, Mr. Penn. Now I will turn to my colleague, Senator Feinstein.

Senator FEINSTEIN. Thank you very much, Madam Chairman.

Mr. Secretary, welcome.

Mr. PENN. Thank you.

## EL TORO LAND AUCTION

Senator FEINSTEIN. I want to ask about the El Toro land auction. It was recently closed. The final bid was \$649.5 million. Now, this is just half of the \$1.2 billion that was forecast earlier in the process. My question really is why did the bids fall so short of the projections, and what does that portend, if anything, for other Navy BRAC land sales?

Admiral SHEAR. Ma'am, the only comment is that my understanding is that the auction price of the land was in line with our assessments of earlier. We hired an independent agency to assess the value of the property. Some of the auction price had to be sent to fees for the local municipality. So the actual cost of the developer is higher than \$649 million. My information is that it is in line with what we were estimating.

Senator FEINSTEIN. It is my understanding it is not, that you said that it could bring as much as \$1.2 billion. That was the forecast. Now, it may be in line with the assessments, but it also may well be that you made judgments that simply were not correct. To come 50 percent in a booming land market is, Admiral, kind of a sobering judgment.

Mr. PENN. Senator, if I may, we found in order to develop the property, the City of Irvine will require the purchaser to enter into development agreements that require the purchaser to spend an additional \$400 million in developer fees and dedicate a substantial percentage of the property for public purposes. So an additional \$400 million will come off that \$1 billion figure.

Senator FEINSTEIN. All I am saying is that you estimated—not you but the Department estimated—that this would bring in double what it does bring in. And now you are saying it is going to bring even less because you are going to have to pay a number of fees. So the entire \$649.5 million is not available to the Navy. Is that correct? It is correct.

Admiral SHEAR. My understanding is that the price was more on the order of \$1 billion, of which \$649 will be available to the Navy. We are not familiar with—or I am not—we will have to report back to you on—

Senator FEINSTEIN. Could you take a look at that?

Admiral SHEAR. Yes, ma'am.

Mr. PENN. Yes, ma'am.

Senator FEINSTEIN. Could you let our staff know?

Admiral SHEAR. Yes, ma'am, we will do that.

Senator FEINSTEIN. I would very much appreciate that.

#### MARINE CORPS FORCE RESTRUCTURING

I would like to ask a question about the \$75 million for Marine Corps force restructuring. The House in its draft report on the supplemental roundly criticizes the Pentagon for including this funding in a supplemental instead of in the regular budget process. However, the House proposes funding all but two of the projects requested in the supplemental to support this initiative. The two projects that were not funded were proposed for Camp Pendleton, California. The reasons cited in the committee report is that the final basing decision for the second new infantry battalion to be created by the force restructuring is still uncertain.

General WILLIAMS. I might ask you this question. And welcome. Although the Marine Corps force restructuring plan was approved in 2004, this is the first time this committee has heard of any military construction requirements associated with it. So why was this sprung in a supplemental instead of being presented in the regular budget process?

General WILLIAMS. First of all, Madam Chairman, Senator Feinstein, on behalf of the marines and sailors and all of their families, I really would like to just thank you for all that you have done in supporting them in their current effort. As you know, at the Marine Corps we are committed to ensuring that we have a well-trained, well-cared-for, and a ready force to go out and fight our Nation's wars. And the Marine Corps is committed to ensure that we have the installations, that we appropriately invest in our installations that would ensure that they are capable of accomplishing such tasks.

On the questions of the MILCON projects in the 2005 supplemental, when the Commandant of the Marine Corps directed a study of his force structure to ensure he had the capability that he needed in order to continue to support the global war on terrorism,

he in fact directed this force restructuring study group. When the group completed its work and the recommendations of the group were approved, it was after the opportunity to include those support requirements in the baseline budget.

In addition, at the direction of the——

Senator FEINSTEIN. Did you say that it was going to be in the baseline budget?

General WILLIAMS. No, ma'am. I said it was after the opportunity to include them in the baseline budget passed.

In addition, with the 2005 authorization, we got the strength increased. It authorized an increase to 178,000, allowing then the opportunity to begin to bring forces on line during the summer of 2005. Of course, now, what we were faced with is having units come on line without facilities and things to support them. The facilities and this entire restructuring was in support of the Global War on Terrorism.

Senator FEINSTEIN. I got that. I got your answer.

General WILLIAMS. So at the direction of the administration and in accordance with the precedent that had been set by Congress in the past, the Department requested that those incremental funds, those incremental costs of war funds then would be included in the supplemental appropriation. So we, thus, included those in the submission.

Senator FEINSTEIN. Okay, I understand. Thank you.

What is the status of the site selection for the second infantry battalion, and if it is not at Pendleton, where is it going to go?

#### SECOND INFANTRY BATTALION

General WILLIAMS. Yes, ma'am. The siting of the second infantry battalion—that decision is being discussed and debated by senior leadership of our Commandant, as well as our Marine Forces Command, Atlantic and Marine Forces Pacific. As I understand it, the decision is, of course, based upon a number of things. Some of it is the installations' ability to accept the additional sites as well as having all the support structure required to support the increased manning of those facilities.

So as far as the actual location, we are looking at Camp Lejeune, North Carolina. I would say that that decision has been made that we would certainly look at them first in order to get that——

Senator FEINSTEIN. It is awful humid in the summer there.

General WILLIAMS. Yes, ma'am.

Senator FEINSTEIN. Thank you very much and thank you for your service to our country.

#### OUTLYING LANDING FIELD

Let me ask a question about the outlying landing field for Washington County, North Carolina. Mr. Secretary, Congress has provided a total of \$57.6 million for land acquisition and construction of facilities for the proposed F-18 outlying landing field for North Carolina.

You referenced in your prepared testimony last month's Federal court ruling which has barred the Navy from continuing to acquire land for this project. Given this most recent legal setback for the Navy on this, as well as the extent of local opposition to the project,

is the Navy reconsidering its decision to locate the OLF in Washington County? Are you looking at any other sites?

Mr. PENN. The Navy continues to believe that the EIS it prepared was based on sound science and rigorous analysis and met the requirements of NEPA. Nonetheless, the Navy is carefully examining the court's ruling and examining available alternatives.

Senator FEINSTEIN. In your testimony, you note that the 2006 budget includes \$26 million in available prior year funds for this project. As I mentioned, we have appropriated a total of \$57.6 million. Are you saying that the Navy has already obligated \$31.6 million for this project, or are you holding some of the previously appropriated funds in reserve for future activities beyond 2006?

Mr. PENN. No, ma'am. Thus far, the Navy has obligated \$8.1 million total, leaving \$25.5 million unobligated before the district court halted further expenditures. The 2006 budget includes \$23 million in prior year savings not related to OLF unobligated balances. We believe that the Navy will be successful in resolving the litigation and that these funds will be needed for execution in fiscal year 2006.

Senator FEINSTEIN. So you have spent \$8 million. Is that what you are saying?

Mr. PENN. Yes, ma'am, thus far.

Senator FEINSTEIN. Is that of the \$30 million that we appropriated in 2005, or is it of earlier money?

Mr. PENN. Fiscal year 2004 and 2005, \$33.6 million in fiscal year 2004, 2005.

Senator FEINSTEIN. I have that we appropriated \$30 million in 2005, is that correct, for this project?

Admiral SHEAR. Yes, ma'am.

Senator FEINSTEIN. So that money is still there. Is that correct?

Mr. PENN. Yes, ma'am. That is correct.

Senator FEINSTEIN. And that money is not obligated. Is that right?

Mr. PENN. To the best of my knowledge, yes, ma'am.

Senator FEINSTEIN. So is there more than \$30 million in unobligated funds for this project?

Mr. PENN. No, ma'am, there is not.

Senator FEINSTEIN. Okay, just \$30 million. Well, I was just told it is \$27.6 million in 2004 that is unobligated. It is appropriated but not used.

Mr. PENN. As I mentioned, ma'am, Congress appropriated a total of \$33.6 million fiscal year 2004 and fiscal year 2005 for OLF acquisition and horizontal construction. The Navy has obligated \$8.1 million total, leaving \$25.5 million unobligated before the district court halted our further expenditures.

Senator FEINSTEIN. See, we have different figures. Our total appropriation already done is \$57.6 million, of which the Navy has obligated \$31.6 million. And you are telling me that the \$30 million which was appropriated in 2005, is still there. It has not been spent. I think we need to get together and go over this and see exactly where that is.

Mr. PENN. Yes, ma'am. I agree. I was told that fiscal year 2005 rescinded \$24 million of the fiscal year 2004 funds. So we will get together and coordinate those numbers.

Senator FEINSTEIN. Yes. So that would be appreciated. Thank you all very much. I appreciate it.  
Thank you, Madam Chairman.

SUBCOMMITTEE RECESS

Senator HUTCHISON. Thank you. That ends the hearing. We thank you very much. Welcome aboard. After 1 week, you have just passed your first test, your rite of passage, and we very much appreciate the information we have gotten today.

Mr. PENN. Well, thank you very much and thank you for all you are doing for our great country.

Senator HUTCHISON. Thank you.

[Whereupon, at 4:23 p.m., Tuesday, March 8, the subcommittee was recessed, to reconvene subject to the call of the Chair.]