MILITARY CONSTRUCTION AND VETERANS AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2007

TUESDAY, MAY 9, 2006

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

The subcommittee met at 2:28 p.m., in room SD–124, Dirksen Senate Office Building, Hon. Kay Bailey Hutchison (chairman) presiding.

Present: Senators Hutchison, Allard, and Feinstein.

DEPARTMENT OF DEFENSE

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

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

OPENING STATEMENT OF SENATOR KAY BAILEY HUTCHISON

Senator HUTCHISON. I will call our hearing to order and thank you very much for being with us today. We have the Honorable Tina Jonas, the Under Secretary of Defense, Comptroller, and of course the Honorable Philip Grone, the Deputy Under Secretary of Defense for Installations and Environment. We have certainly worked well with you and appreciate all the efforts that you are making.

The Defense Department is executing a very bold restructuring plan. I would have to say that I feel very good about what you are doing because I think our committee started really focusing on overseas basing and wanting to look at the overseas bases at the same time that we were looking at our domestic bases, and I think that the Department of Defense has now determined, because of that look, that we should have 50,000 or perhaps even as much as 70,000 troops, mostly Army, coming back to the United States.

The Army is in the midst of a huge reorganization effort to make its brigades more combat ready and we have the global war on terror, which is being fought, of course, in Iraq and Afghanistan and around the world. It is against this backdrop that we began to examine the budget request for military construction. At first glance it appears to be a robust request. The total requested is $16.7 billion, a 37.8 percent increase from last year's request. However, $3.75 billion of this is an increase in the BRAC account, which pro-

vides for realignment of troops, but does not address the backlog of facilities that need to be replaced or rebuilt.

In the military construction budget, the Army's $2.06 billion request is 39.2 percent over last year's request. I stated in our MILCON hearing last year that the Army should be investing in more infrastructure, so I am pleased to see this development. The Army continues to bear the brunt of the fighting in Iraq. Much is being asked of our soldiers and we need to be doing as much as possible to provide facilities that will help the Army recruit and retain quality soldiers and families.

I am also pleased to note that the Army National Guard and Army Reserve requests have continued last year's trend with good growth. The Guard and Reserve have been underfunded for so long and really have been asked to do a lot. So we have a long way to go to bring them into the right level, but their military construction budgets are improving.

The Navy has requested $1.162 billion for 2007 and that is a 12.9 percent increase over last year. This includes an increase in Marine Corps funding, including facilities for the newly established Marine Corps Special Ops Command and a special emphasis on barracks projects. Given the level of sacrifice our young marines have made in Iraq, I think it is most appropriate that we focus on providing them the quality housing for when they return.

The growth of the Air Force's budget has slowed this year and I think that too is the right approach. Most of this budget is traditional construction to provide housing at bases where privatization is not viable. I do hope the Air Force is going to continue to fully examine all of the tools available, including privatization and build to lease authorities to provide quality housing, before making large financial commitments such as housing projects, and we can certainly go into that in further detail later.

With that, I would like to call on my distinguished colleague Senator Feinstein, the ranking member of this committee.

STATEMENT OF SENATOR DIANNE FEINSTEIN

Senator FEINSTEIN. Thank you very much, Madam Chairman, and thank you for your leadership of this subcommittee. As you know, it is a great pleasure to work with you.

I also am pleased to welcome Secretary Jonas and Mr. Grone and look forward to their testimony. Obviously, the first consideration of this committee is to meet the needs of our military personnel, and hopefully that we pay particular attention, not only to mission support projects, but also the quality of life issues that are so important.

I note the very large amount that is added to our budget for the BRAC, the new round of BRAC, and I would like to commend the Department for the advances that it has made in military housing through privatization and express the hope that you will track this carefully and maintain careful oversight to ensure that projects are not only well planned and executed, but that it achieves its potential. My experience of this has been that you have to watch it over time and make some judgments based on a time line that is more than the time you cut the ribbon.

I also am concerned about the execution of the BRAC program and particularly about the pace of environmental remediation. I have been concerned about this for years and do the best I can to include additional dollars for remediation. My State, California, has huge needs in terms of environmental remediation and it has dramatically slowed down the transitioning of closed bases into the private sector. So I think it is very important that the Department finishes what it starts in terms of BRAC cleanup and do it as expeditiously as possible before we have a whole new host of requirements from the BRAC 2005 round.

I think Senator Hutchison has said it very clearly on global rebasing. I will not go over it again, but I think we are interested in an update on this with regard to recent agreements reached with Japan, Romania, and Bulgaria. I am interested in your assessment of recent Italian elections and whether that would impact any of the basing that the United States does in Italy and particularly to expansions at Vicenza.

Thank you very much and I look forward to the testimony.

Senator HUTCHISON. Well, thank you, Senator Feinstein.

One of the things that we are hearing in the underground, I guess you would say, is that the implementation of the BRAC recommendations is moving more slowly than predicted. There are, as you know, some major areas where there are going to be relocations. Two happen to be in my State, Fort Bliss, which will be taking some of the troops that will be coming home from Germany, and Fort Sam Houston, which is going to take so many of the medical training responsibilities from other areas of the country and consolidate them.

My question for you, Secretary Grone, is, are we moving as expeditiously as we need to be moving? Are you concerned that we are not going to be able to provide housing and facilities for the people to comply with the BRAC recommendations?

Mr. GRONE. Madam Chairman, that is a very important and comprehensive question. Let me provide the subcommittee with a sense of where we are today——

Senator HUTCHISON. My staff just reminded me that I did not let you make your opening statements. I apologize. Please, let me let both of you make your opening statements, and then you already know what the question is, so we will start the questioning right after. Excuse me.

Mr. GRONE. I thought that was a statement on value added.

Senator HUTCHISON. So Secretary Jonas.

STATEMENT OF TINA W. JONAS

Ms. JONAS. Maybe we can make this quick. I will just submit my statement for the record if that is all right with you. I just want to thank this committee for its support of our fiscal year 2007 budget request. Just to put in context where we are, our overall Department of Defense budget request was $439.3 billion, which of course is divided among the various committees. This committee has responsibility for $16.7 billion of military construction and family housing included in our request. I would just urge that the committee view this request favorably and I am going to submit the balance of the statement for the record.

[The statement follows:]

PREPARED STATEMENT OF TINA W. JONAS

Madam Chairman, members of the Committee, I am pleased to be here today to discuss the military construction component of President Bush's fiscal year 2007 budget request for the Department of Defense.

I would like to begin by saying thank you to the Committee for your continued strong support for the men and women of America's Armed Forces and their families. The Department looks forward to continuing to work with this Committee to ensure that our service members have everything they need to accomplish their mission.

The President's fiscal year 2007 budget request is $439.3 billion for the Department of Defense. This is a 7 percent increase over the fiscal year 2006 enacted level of $410.8 billion.

This Committee has jurisdiction over $16.7 billion for military construction and family housing. This is a $4.7 billion increase over the fiscal year 2006 enacted level of $12 billion.

STRATEGIC PRIORITIES

The budget supports the President's 2005 National Security Strategy, the long war against terrorist extremists, and the strategic priorities of the 2006 Report of the Quadrennial Defense Review. The budget invests in the capabilities and forces the Nation needs to:

—prevail in irregular warfare operations, including wars of long duration, like the global war on terror;
—defend the homeland, especially against catastrophic terrorism and other advanced threats;
—maintain America's military superiority, to ensure our ability to deter or defeat threats from other nation-states; and
—continue the Department's strong support of our military men and women and their families.

MILITARY CONSTRUCTION AND FAMILY HOUSING OVERVIEW

The military construction and family housing portion of the President's fiscal year 2007 request supports the Department's most pressing facilities requirements.

Through the maintenance and modernization of existing facilities, the request improves working and living conditions, replaces facilities that are no longer economical to repair, and advances the restructuring of bases and facilities, at home and abroad.

The budget funds 48 new barracks projects for unmarried personnel living on-base, as well as meets the Department's goal of funding the elimination of remaining inadequate military family housing units in the continental United States by 2007.

The Department's privatization program has been central to achieving our housing goal of providing high-quality accommodations for military families much sooner than would otherwise be possible. By the end of fiscal year 2007, the Department will have privatized 186,000 family housing units.

BASE REALIGNMENT AND CLOSURE (BRAC)

The fiscal year 2007 budget provides $5.6 billion to implement the decisions of the 2005 Base Realignment and Closure Commission.

Those decisions, which became law on November 9, 2005, support several of the Department's goals including: force transformation; a rebasing of our forces to address new threats, strategy, and force protection concerns; the consolidation of business-oriented support functions; and the promotion of joint and multi-Service basing.

CLOSING

Madam Chairman, I thank you for this opportunity to describe these components of the President's budget for fiscal year 2007. These funds will enhance the well being of our service members and their families, strongly support current requirements and missions, and provide needed streamlining and recapitalization of DOD facilities. I urge the Committee's support for the President's request.

Thank you.

Senator HUTCHISON. Thank you. I will say I have read your opening statements, so that might be why I was not focusing on your giving them. But I do want it to be a part of the record, so please, Mr. Secretary.

STATEMENT OF PHILIP W. GRONE

Mr. GRONE. Madam Chairman, I will likewise be brief and will also submit both the written and the oral statement for the record. I do want to make a couple of points, if I might.

You spoke of the robustness of budget request in general terms, but also spoke about the condition of facilities. I think it is important to point out that the budget request supports a facilities recapitalization rate of 72 years, which nearly achieves the Department's goal of a 67-year recapitalization rate cycle for our real property assets. In 2001 that rate stood at 192 years. So with the assistance of the Congress, we have brought our regular program very much with BRAC and with other investments here we are making to improve assets generally; and while we still have a lot of work to do, we are making significant progress with the support of this subcommittee.

You also spoke about, you and Senator Feinstein both spoke about, the importance of military housing privatization and certainly that remains a central part of our overall strategy to improve the quality of life for servicemen and women and their families. In the end state we expect about 89 percent of the Department's military family housing inventory to be privatized, and the response we are getting from a perspective of competition, new entrants to the market, we are very satisfied with what we are seeing in the market in terms of interrelationship with the services and I hope we will have an opportunity to explore some of the thoughts Senator Feinstein had in her opening remarks as we continue this afternoon.

With regard to BRAC, it's important to point out a couple of points. First, as you know, we are going to carry out 25 major base closures, 24 major realignments, and over 760 other actions across the total force, active, guard, and reserve, as a result of the recommendations that are now law. That is nearly twice the number of actions undertaken in all prior rounds of BRAC combined. So this is an important and extensive effort at installation transformation that supports the mission transformation of the armed forces.

Importantly in that regard, 40 percent of the recommendations affect more than one component. So there is a high level of cross-service, inter-service joint activity that is deeply embedded in the BRAC recommendations that we must carry out. So too, as the chairman spoke of, our global posture efforts and BRAC are also linked in the return of forces from abroad to places like Fort Bliss, Fort Riley, Fort Carson, and other locations. It is critically important that we are able to proceed with the resources on the time and the schedule that we have laid out in order to accomplish everything that needs to be accomplished by September 15, 2011, which is the legal deadline.

Importantly in relation to BRAC, because I know it is an interest of members, just last week we conducted our first comprehensive

conference with communities that are affected by this round of BRAC, both those communities that will go through closure and downsizing as well as those communities that are going to grow as a result of realignment activities. We brought together nearly 950 people from across the country, members of the Federal inter-agency, a full array of the Department's assets, to begin to work with communities in a comprehensive way to plan both for the transition of assets to effective civilian economic reuse, as well as to plan for the future for those assets and those installations that are going to be enduring to the Department's mission over the long term.

PREPARED STATEMENT

The investments that we have requested for BRAC are critical in that regard and we look forward to the support of the subcommittee and of the Senate for that request. In the end, we are working very hard, as both of you have indicated, working with you to reposition, reshape, and sustain our installations for the future, and we look forward to continuing to work with you to ensure that we can realize those objectives in the most cost efficient and effective way possible.

Thank you, Madam Chairman.

[The statement follows:]

PREPARED STATEMENT OF PHILIP W. GRONE

Madam Chairman, Senator Feinstein, and distinguished members of the Subcommittee, I appreciate the opportunity to appear before you today to address the President's Budget request for fiscal year 2007 and the management approach the Department of Defense has undertaken to reposition, to reshape, and to sustain the Nation's military installation assets.

In 2001, the Department issued its first ever Defense Facilities Strategic Plan. Three years later, in September 2004, a comprehensive, capabilities-based, and performance-oriented Defense Installations Strategic Plan was in place. 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. An update in 2005 reflected ongoing efforts, recent progress, and the changes resulting from decisions that produced the fiscal year 2006 President's Budget. The next full issue of the plan will be published in the fall of 2006. This new plan will more fully integrate environmental management systems, safety, and occupational health into a comprehensive approach to asset management.

For the past several years, the Department of Defense has been vigorous in its pro-active efforts in managing the Department's facilities and infrastructure. DOD's infrastructure investment strategy rigorously utilizes key metrics to provide the quality facilities that directly support mission and readiness. To that end, DOD developed advanced business processes that align more closely to warfighter mission area requirements. The rigor provided by these practices in planning, managing, and maintaining DOD installations improves overall efficiency while improving investment decision-making.

The President's budget request for fiscal year 2007 will permit the Department to continue its efforts to manage installation assets comprehensively and efficiently. Along with continued improvement in business practices and a focus on environmental sustainability, the Department is improving the quality of military installations.

Global Defense Posture Realignment

While the Department addresses better business practices, it is also working to realign infrastructure to effectively address military transformation and 21st Century security challenges. The Defense posture of the past 50 years reflected the Cold War strategy, with United States. forces forward deployed primarily to fight near where they were based. Today's challenges require a more agile, faster, and leaner

force that can project power into areas further from where they are based. This agility requires not only a shift in military forces, capabilities and equipment, but also a new strategy for United States global defense posture.

In September 2004, the Department completed a 2-year comprehensive review of its global posture strategy. This review led to the most thorough restructuring of U.S. military forces overseas since the major elements of the U.S. Cold War posture were set in 1953. The new posture will enable the Department to respond more quickly to worldwide commitments and make better use of its capabilities.

The Department has already begun the process of realigning or closing a number of large permanent bases in favor of small and more scalable installations better suited for rapid deployments. In July 2005, the return of eleven Army bases in Germany was announced as part of the 1st Infantry Division headquarters' redeployment plan, scheduled to occur in the summer of this year. The United States signed an agreement with the Government of Romania in December 2005 that will allow access for U.S. forces to Romanian training facilities. The United States and Japan issued the Security Consultative Committee document entitled, "U.S.-Japan Alliance: Transformation and Realignment for the Future," on October 29, 2005, outlining several initiatives, including posture realignments that will adapt the Alliance to today's regional and global security environment. In Korea, we are working closely with our partner to implement the 2004 Amended Land Partnership Plan and the Yongsan Relocation Plan. These efforts are reshaping United States presence on the peninsula significantly in recognition of the Republic of Korea's increasing lead in the conventional defense of the ROK and the evolving role of U.S. forces.

The Global Defense Posture realignment identified an overall plan for returning overseas forces back to military installations in the United States. This plan was integrated into the BRAC process regarding relocations from overseas to domestic bases during the prescribed BRAC time period. All Services factored requirements of returning forces into their domestic infrastructure requirements and this resulted in recommendations to accommodate forces at U.S. installations. Some overseas changes have already been implemented in accordance with ongoing Service transformation efforts and within the framework of negotiations with host nations. In many cases, the changes involve units that are inactivating or transforming with no significant BRAC impact. As we begin implementing the BRAC recommendations there are overseas changes still being developed or being phased to be implemented after the BRAC implementation period. DOD will continue to consult with Members of Congress on its plan and will seek your support as we implement these far-reaching and enduring changes to strengthen America's global defense posture.

Base Realignment and Closure 2005

The Department has effectively accounted for the domestic implications of the global posture review—with forces and personnel either returning to or moving forward from U.S. territory—within the BRAC decision-making process. 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 implementation process.

The 2005 Base Realignment and Closure (BRAC) process was designed to rationalize the Department's base infrastructure within the United States in support of the Department's long-term strategic capabilities. The Department's BRAC process addressed five key goals:

—Transforming the current and future force and its support systems to meet new threats,
—Eliminating excess physical capacity,
—Rationalizing the base infrastructure with defense strategy,
—Maximizing both warfighting capability and efficiency; and
—Examining opportunities for joint activities.

The Secretary of Defense transmitted his recommended closures and realignments to the 2005 Defense Base Closure and Realignment Commission and to the Congress on May 13, 2005, and published them in the Federal Register on May 16, 2005, pursuant to Public Law 101–510, as amended. The recommendations strengthen national security by reshaping the domestic installations at which U.S. military forces perform their assigned missions and aligns the Department's base structure with the force structure that is expected to be needed over the next 20 years, an unprecedented long view. Additionally, the recommendations accommodate the Department's global reposturing of its forces; facilitate the ongoing transformation of U.S. forces to meet the challenges and opportunities of the 21st Century; and restructure important support functions to capitalize on advances in technology and business practices.

The BRAC Commission reviewed the 222 recommendations submitted by the Secretary and accepted, without change, about 65 percent. The Commission's resulting recommendations will affect over 800 locations through 25 major closures, 24 major realignments, and 765 lesser actions. On November 9, 2005, the Department became legally obligated to close and realign all installations so recommended in the Commission's report to the President because the President accepted those recommendations and the congressional review period lapsed without enacting a resolution of disapproval. Although these recommendations are estimated to save the Department tens of billions of dollars over 20 years and significant amounts annually after implementation, the investment needed to support the transformation of domestic military infrastructure in support of the Total Force is substantial—estimated, based on our COBRA-based assessment of the Commission's actions, at $22.8 billion.

BRAC Implementation

The large number of transformation recommendations, particularly recommendations to establish joint operations, present significant implementation challenges. To meet these challenges, the Department initiated a process to develop Business Plans that lay out the requisite actions, timing of those actions, and associated costs and savings associated with implementing each recommendation. The Business Plans will serve as the high level foundation for the complex program management necessary to ensure BRAC 2005 recommendations are implemented efficiently and effectively.

The Department recently delivered its report describing the specific programs, projects, and activities for the $1.46 billion appropriated in fiscal year 2006 to begin implementing the BRAC recommendations. This initial spending plan will begin the planning and design and environmental studies that serve as the foundation for constructing and renovating facilities to accommodate missions at receiving sites. For fiscal year 2007, the Department is requesting $5.62 billion for BRAC 2005 implementation and $191.22 million for previous rounds.

The Department recognizes it has an obligation to assist communities affected by BRAC 2005; communities that have an honored heritage of support to the Armed Forces. The Defense Economic Adjustment Program will continue to assist 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 actively partners 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, the Department also recognizes the importance of ensuring communities have the capacity to support the Defense mission with adequate planning, housing, education, infrastructure, and community services, and the Department is working with these communities to enhance their ability to support DOD installations and our men and women in uniform. To facilitate these actions, resources from 22 Federal Agencies have been drawn together through the coordination of the Economic Adjustment Committee (EAC). The Secretary of Defense, through the DUSD (I&E), chairs the EAC. Secretaries of Commerce and Labor, through their designees, are Co-Vice Chairs. For these purposes, the budget request contains $60 million for the Department's Office of Economic Adjustment to enable affected communities to plan and carry out adjustment strategies, engage the private sector in ventures to plan and undertake economic and base redevelopment, and partner with the Military Departments as they implement BRAC actions. An important milestone took place last week in Atlanta, GA, as the Department held the OSD/Military/Community Conference that brought together hundreds of State and local representatives of BRAC 05 communities to obtain information from OSD and Military Service representatives regarding BRAC implementation.

Managing Infrastructure

Managing DOD real property assets is an integral part of comprehensive asset management. The Department currently manages nearly 507,000 buildings and structures with a plant replacement value of over $650 billion, and more than 46,000 square miles of real estate.

The quality of infrastructure directly affects training and readiness. To that end, the Department is incorporating installations more fully into the Defense Readiness Reporting System. This will allow us to measure the capability of defense installations and facilities and other elements of our infrastructure to provide appropriate support to forces in the conduct of their wartime missions. To better manage infrastructure investments, the Department developed models and metrics to predict funding needs: Sustainment and Recapitalization.

Facilities sustainment provides funds for maintenance and major repairs or replacement of facility components that are expected to occur periodically throughout the life cycle of facilities. Sustainment prevents deterioration, maintains safety, and preserves performance over the life of a facility. To forecast funding requirements, DOD developed the Facilities Sustainment Model using standard benchmarks for sustainment unit costs by facility type (such as cost per square foot of barracks) drawn from the private and public sectors. This model has been used to develop the Service budgets since fiscal year 2002 and for several Defense Agencies since fiscal year 2004. On January 24, 2006, DOD joined 16 other Federal agencies in signing a Memorandum of Understanding (MOU) for Federal Leadership in High Performance and Sustainable Buildings. The MOU indicates a commitment to incorporate sustainable design principles through a comprehensive approach to infrastructure management.

Full funding of facilities sustainment has been and continues to be the foundation of long-term facilities strategy and goal. In fiscal year 2006, the Department-wide sustainment funding rate is 92 percent. In balancing risk across the Department's program, the fiscal year 2007 budget request reflects a slight decrease in the department-wide sustainment funding rate to 90 percent. Our long term goal remains a department-wide sustainment funding rate of 100 percent to optimize our investment in facilities.

Recapitalization, which includes restoration and modernization, provides resources for improving facilities, and is the second element of our facilities strategy. Recapitalization is funded primarily with either operations and maintenance or military construction appropriations. Restoration includes repair and replacement work to restore facilities damaged by inadequate sustainment, excessive age, natural disaster, fire, accident, or other causes. Modernization includes alteration of facilities solely to implement new or higher standards, to accommodate new functions, or to replace building components that typically last more than 50 years.

Similar private sector industries replace their facilities every 50 years, on average. The current DOD goal is 67 years, based upon an assessment of the Department's inventory in the late 1990's. In fiscal year 2001, the Department's recapitalization rate was 192 years. This budget request supports a recapitalization rate of 72 years, and includes investments associated with BRAC and Global Defense Posture realignment. The Defense Department remains committed to achieving a rate of investment in facilities recapitalization that will improve, modernize, and restore its facilities consistent with expected future service lives. Currently, DOD is in the process of developing and fielding a new recapitalization model for assessing the replacement cycle that will improve upon the existing recapitalization metric through the inclusion of depreciation schedules and other benchmark improvements.

SUSTAINMENT AND RECAPITALIZATION REQUEST

[President's budget in millions of dollars]

	Fiscal year	
	2006 Request	2007 Request
Sustainment (O&M-like) [1]	6,529	6,267
Restoration and Modernization (O&M-like) [1]	1,008	984
Restoration and Modernization (MilCon)	3,474	6,093
Total SRM	11,011	13,344

[1] Includes O&M as well as related military personnel, host nation, and working capital funds.

In 1998, the Department undertook a 6-year program to eliminate 80 million square feet of obsolete and excess facilities. Six years later, DOD concluded that effort by exceeding its target—removing a total of 86 million square feet. In a continuation of that effort, the Department completed a survey of disposal requirements in December 2004. Based on that survey, the military services and selected Defense agencies have established new targets to rid the Department of an additional 50 million square feet of unneeded facilities by the year 2013. These demolition targets are not included as part of BRAC disposal.

The Department has established a common definition for Facilities Operation, formerly referred to as "Real Property Services." The budget request includes $6.06 billion for this program, to address utilities, leases, custodial services, ground maintenance, and other related functions. A prototype model for Facilities Operation will be fielded in the coming year.

Installations Support

The Defense Installations Strategic Plan articulates the need to define common standards and performance metrics for managing installation support. Our objective is to introduce capabilities-based programming and budgeting within a framework for the Common Delivery of Installations Support framework which will link installation support capabilities to warfighter requirements. To that end, we are developing common definitions for Facilities Operation.

The Common Delivery of Installations Support will form the basis for implementing guidance for twelve Joint Base sites identified in BRAC 2005. Guidance for implementing Joint Basing is being developed in coordination with the Military Components and using input from installation level leadership.

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

The Military Construction appropriation is a significant source of facilities investment funding. The fiscal year 2007 Defense Military Construction and Family Housing appropriation request totals $16.7 billion. This budget request will enable the Department to rapidly respond to warfighter requirements, enhance mission readiness, and provide for our people. This is done, in part, by restoring and modernizing enduring facilities, acquiring new facilities where needed, and eliminating those that are excess or obsolete.

COMPARISON OF MILITARY CONSTRUCTION AND FAMILY HOUSING REQUESTS

[President's budget in millions of dollars—budget authority]

	Fiscal year 2006 appropriation	Fiscal year 2007 request
Military Construction	6,161	6,385
NATO Security Investment Program	177	221
Base Realignment and Closure IV	255	191
Base Realignment and Closure 2005	1,504	5,626
Family Housing Construction/Improvements	1,811	2,092
Family Housing Operations & Maintenance	2,206	1,990
Chemical Demilitarization	.....	131
Family Housing Improvement Fund	3	3
Energy Conservation Investment Program	50	60
Total	12,167	16,698

Housing Revitalization

At the outset of this Administration, the President and Secretary Rumsfeld identified elimination of inadequate family housing and revitalizing housing, largely through privatization, as a central priority for the Department. An aggressive target of 2007 was established to meet that goal. The Administration has relied on three pillars to improve housing thereby, enhancing the quality of life for our Service members: (1) Provide the basic allowance for housing (BAH) at zero-out-of-pocket expense for the average Service member living in private sector housing (achieved in 2005, now maintaining); (2) Privatization of family housing, where feasible; and, (3) Military Construction funding for all other domestic and all overseas locations. Sustaining the quality of life for our military families is vital to recruitment, retention, readiness, and morale.

Through the expanded use of the privatization authorities granted under the fiscal year 1996 Military Housing Privatization Initiative, the Department has achieved the elimination of inadequate housing at U.S. based installations where those authorities apply. The fiscal year 2007 budget funds elimination of all inadequate domestic family housing by 2007, and eliminates remaining inadequate houses overseas by 2009.

The Department relies on a "community first" (private sector) policy to provide quality housing to its members and their families. Only when the private market demonstrates that it cannot supply sufficient levels of quality, affordable housing does the Department provide housing to our military families; first through the use of privatization, and where that is not feasible through government-owned and

leased housing. For example, in the absence of privatization authorities overseas, we address our housing needs there through military construction and leasing.

To ensure the Department is making the best investment decisions when determining the appropriate level of housing, the government provides a single and consistent methodology for calculating its housing requirement. This methodology was introduced in January 2003 and is being utilized extensively by the Services. Currently, 75 percent of military families living in CONUS, Alaska, and Hawaii receive Basic Allowance for Housing (BAH) (with 60 percent living in the local community, and 15 percent in privatized housing). An additional 22 percent of our military families are provided government-owned housing and 3 percent live in leased housing.

The Department has skillfully used privatization to more quickly eliminate inadequate housing and to provide additional housing where shortfalls existed. As of May 2006, the Department has awarded 60 privatization projects. This includes over 124,000 military family housing units privatized. The total number of units privatized has increased by more than 35 percent, over this same time last year. DOD policy requires that privatization yield at least 3 times the amount of housing as traditional military construction for the same amount of appropriated dollars. The 60 awarded projects have permitted the Department, in partnership with the private sector, to provide housing for about $1.2 billion in military construction investment. The same level of construction activity would otherwise have required over $14 billion if the traditional military construction approach was utilized. This reflects an average ratio of over 14 to 1, well exceeding program expectations.

Additionally, the private sector's cumulative contribution to the 60 awarded deals totals over 90 percent of the $14 billion in total project costs. Prudent business practice requires the private sector to be committed to each project with a significant financial investment in the project's ultimate success. The Services have funded the remaining $1.2 billion in development costs primarily through equity investment or government direct loans. (The Total Project Funding graph (Enclosure 1) depicts the cumulative total contribution of the private sector and government.)

The Department's privatization plans in the fiscal year 2007 budget will ultimately result in the privatization of 87 percent of its domestic family housing inventory, or roughly 186,000 units privatized by the end of fiscal year 2007. By the end of fiscal year 2006, we will have privatized 153,000 housing units. The overall goal is to privatize 89 percent of the domestic housing inventory or about 195,000 housing units by the end of fiscal year 2010.

For fiscal year 2007, the Department requests $4.081 billion in new budget authority for family housing construction and operations and maintenance:

—$1.94 billion to construct 3,073 new/replacement units and improve 3,330 existing units.

—$1.99 billion to operate and maintain approximately 95,052 government-owned family housing units, and lease another 25,935 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 2007 construction account requests a total of $154 million in funding for privatization. This amount, anticipated to be transferred to the Family Housing Improvement Fund during fiscal year 2007 along with $261 million in previously appropriated construction funds. This $415 million will be used to finance the privatization of approximately 32,377 units.

Competitive Sourcing

The Department of Defense continues to strongly support the President's Management Agenda Initiative for Competitive Sourcing. Introducing private sector competition into commercial functions performed by the Department improves business efficiency and reduces cost to the taxpayer. Public/private competitions using the procedures of OMB Circular A–76 have demonstrated substantial savings whether the in-house or private sector wins the competition. During the fiscal years 2000 through 2005, the Department completed 848 such competitions encompassing about 87,018 positions. These competitions will have resulted in over $10 billion in savings (cost avoidance) over the life of the resulting performance periods, normally about 5 years. The Department currently has an additional 2,800 positions undergoing competition and expects to increase competitions in fiscal year 2006.

These new competitions use the procedures of the revised OMB Circular A–76, which evaluates public and private proposals concurrently using the Federal Acquisition Regulations. As the Department's designated Competitive Sourcing Official (CSO), my office is working to improve the competition process. For example, competitions that used to take up to 48 months to complete should now be completed

in as little as 12 months. Such improvements will reduce stress on our workforce and will make savings available earlier to reinvest in priorities for our war fighters.

Utilities Privatization and Energy Management

The Department seeks to reduce its energy consumption and associated costs, while improving utility system reliability and safety. To that end, DOD developed a comprehensive energy strategy and issued updated policy guidance incorporating the new provisions and goals of the Energy Policy Act of 2005. This strategy 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 deteriorated and outdated utilities infrastructure where economically feasible.

DOD, as the largest single energy consumer in the Nation, consumed over $2.97 billion of facility energy in fiscal year 2005. Conserving energy and investing in energy reduction measures makes good business sense and frees up resources for higher DOD priorities, such as readiness and modernization. Our program includes investments in cost-effective renewable energy sources or energy efficient construction designs, and aggregating bargaining power among regions and the Services to achieve more effective buying power.

The Department's efforts to conserve energy are paying off. In fiscal year 2005, military installations reduced consumption by 3.3 percent despite a 6 percent increase in the cost of energy commodities from fiscal year 2004. With a 28.3 percent reduction in standard building energy consumption in fiscal year 2005 from a 1985 baseline, the Department fell just short of the 2005 and 2010 facility energy reduction goals stipulated by E.O. 13123 (see Energy Progress Chart, Enclosure 2). This is mostly attributable to the lapse of Energy Savings Performance Contract (ESPC) authority in fiscal year 2004. Energy conservation projects accomplished through ESPC contracts typically account for more than half of all facility energy savings. However, with ESPC authority reauthorized in the fiscal year 2005 National Defense Authorization Act and extended for an additional 10 years in the Energy Policy Act of 2005, DOD has launched an aggressive awareness campaign and is well on its way to meeting the new goals established in the Energy Policy Act of 2005. DOD reduced energy consumption in energy intensive and industrial facilities by 21.6 percent from the 1990 baseline, exceeding the 20 percent goal of E.O. 13123 (See Energy Progress Chart, Enclosure 3).

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 in fiscal year 2005, $17 million in fiscal year 2006, and $17 million in fiscal year 2007. The fiscal year 2007 program for ECIP also contains $2.6 million in hydrogen fuel cell projects. The Department easily exceeded the E.O. 13123 renewable energy goal of 2.5 percent in fiscal year 2005. The Department's total renewable energy purchases and generation accounted for 8.3 percent of all electricity use. Also, while E.O. 13123 did not articulate a specific water reduction goal, the Department has saved an impressive 28.3 percent since the fiscal year 2000 baseline year.

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. Of 2,601 utility systems serving the DOD, the Department has privatized 512 systems. When taken together with the 736 systems that were already owned by other entities, that reflects a significant portion of systems serving the Department that benefit from private sector ownership. Over 475 additional systems are currently under evaluation as each Service and the Defense Logistic Agency continue aggressive efforts to reach privatization decisions on all systems.

Environmental Management

The Defense Department continues to lead in every aspect of environmental management. The Department is proud of and committed to its environmental program in support of the global basing mission. Developing natural infrastructure capacity tools and models for installation planning and sustainment is a priority.

Environmental Management Systems

DOD is implementing environmental management systems (EMS) as required by Executive Order 13148 at all appropriate facilities, except for six installations affected by hurricane Katrina. This transformation embeds environmental manage-

ment as a systematic process, fully integrated with mission planning and sustainment and is essential for continued successful operations at home and abroad. Implementing EMS will help preserve range and operational capabilities by creating a long-term, comprehensive program to sustain capability while maintaining healthy ecosystems.

ENVIRONMENTAL PROGRAM—SUMMARY OF REQUEST [1]

[President's budget in millions of dollars—budget authority]

	Fiscal year	
	2006 request	2007 request
Environmental Restoration	1,370	1,403
BRAC Environmental [2]	449	553
Compliance	1,561	1,527
Pollution Prevention	143	128
Conservation	205	195
Technology	206	200
International [3]	3	3
Total	3.934	4.006

[1] Includes operations & maintenance, procurement, RDT&E, and military construction funding.
[2] Funding levels reflect total requirement.
[2] International is included in Pollution Prevention and Compliance.

For fiscal year 2007, DOD's budget request includes $4.006 billion for environmental programs. This includes $1.403 billion for cleanup, $0.553 billion for BRAC environmental, $1.527 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 cleaning up property that, as the result of past military activities, is contaminated with hazardous substances, pollutants, or military munitions. DOD has achieved "remedy in place" or "restoration complete" status at 78 percent (16,591 out of 21,192) of its contamination sites on active installations. As of the end of fiscal year 2005, 83 percent (4,287 out of the 5,183) of the contamination sites at BRAC locations closed or realigned by the first four rounds of BRAC have a cleanup remedy constructed and in place and operating successfully, 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) has achieved "remedy in place" or "restoration complete" status at 49 percent (2,263 out of the 4,668) of known sites.

Leading Compliance through Pollution Prevention

The Department continues its commitment to going beyond compliance in executing its environmental initiatives. Using compliance as the baseline the Department has instituted processes that effectively and efficiently execute compliance using pollution prevention (P2) strategies and focusing on sustaining the warfighter mission. The Department issued DOD Directive 4715.1E on Environment, Safety, and Occupational Health (ESOH) Management, delineating policies and responsibilities that enable the Department to invest in initiatives that support mission accomplishment, enhance readiness, reduce future funding needs, prevent pollution, prevent illness and injury, and ensure cost-effective compliance.

One example is the Department's risk management approach to integrating ESOH considerations into systems acquisitions. DOD successfully integrated MIL-STD 882D (Standard Practice for System Safety) into the acquisition process to ensure that Program Managers identify know their ESOH risks and take the measures necessary to manage or mitigate those risks early in the design process, reducing environmental burdens and mission impacts throughout the life-cycle of the system.

Another example is the DOD Green Procurement Program. The DOD Green Procurement Program was established to ensure DOD compliance with Federally mandated green procurement programs, yet DOD enlarged its program to consider such factors as energy use, conservation of resources, price, performance, and safety to support both DOD's mission and protection of the environment. DOD demonstrated its commitment to going beyond mere compliance by signing the Federal Agency

Memorandum of Understanding on electronic stewardship; actively participating in the Federal Electronics Challenge; and participating in the Green Suppliers Network to incorporate process, energy, and material efficiencies into the supply chain—all of which can lead to substantial environmental benefits and reductions in costs.

Range Sustainment

The sustainability of military installations, particularly testing and training ranges, is critically important to readiness. The often accelerating pace of development in the vicinity of our installations and ranges poses ongoing challenges and leads to secondary effects including loss of habitat for endangered species; more noise complaints from new neighbors; diminished usable airspace due to new structures or increased civil aviation; and a compromised ability to test and train with the frequency resources needed in time of war.

Exacerbating the encroachment challenge, the demands of the military mission are not static in nature and a number of factors are changing the way the Department will need to test and train in the future. Upcoming mission adjustments and relocations associated with the recent BRAC decisions and the return of large numbers of troops and their families to bases in the United States as a part of global rebasing will require expanded training opportunities and place a growing demand on receiving installations. And the integration of training opportunities necessary to satisfy joint mission requirements, combined with the increasing testing and training battlespace needs of new weapons systems and evolving tactics associated with force transformation, point to a military need for more, rather than less range space. The confluence of these competing trends makes it clear that encroachment remains a powerful challenge to military readiness, and requires a comprehensive and continuing response.

Sustainable Ranges Initiative.—The White House Conference on Cooperative Conservation, held last summer in St. Louis, Missouri, brought together land managers and conservation advocates from Federal agencies, states, academia, and industry to look for a new path towards collaborative conservation of the Nation's natural resources.

Consistent with its desire to balance its duty to conduct life-saving military training with its stewardship responsibilities, the Department has been very active in its efforts to mitigate encroachment effects and to ensure the long-term sustainability of both its military test and training missions and the natural resources entrusted to DOD's care. In 2006, DOD's range sustainment initiative will focus on addressing emerging encroachment issues and taking advantage of opportunities to extend our outreach and partnering gains. At the same time, DOD will build on past efforts to institutionalize capabilities, tools, and processes that will support range sustainment goals well into the future.

—*Conservation Partnering and Buffer Program Expansion.*—Congressional support for DOD's Readiness and Environmental Protection Initiative has enabled DOD to establish an effective and growing program to partner with conservation entities to protect key lands in the vicinity of military ranges that offer the dual promise of preserving natural resource values and allowing more flexible use of DOD lands inside the fence line. In 2005, the first year of this funded program, DOD used the $11.5 millions appropriated by Congress to execute a number of landmark conservation buffer projects near Army and Marine Corps ranges and installations. Buffering successes at Fort Carson, CO; Marine Corps Base Camp Lejeune, NC; and the Navy's La Posta Mountain Warfare Training Facility, CA, are notable 2005 program accomplishments. Congress has allocated $37 million to expand the Conservation partnering program in fiscal year 2006. Projects are still being finalized, but will include a significantly greater number of projects supporting Army, Marine, and Navy buffering priorities across the United States.

—*Regional Partnering Initiatives.*—In 2005, the Department participated in a pilot partnership effort called the Southeast Regional Partnership for Planning and Sustainability, or SERPPAS. Teaming Service flag officers with leaders from the State governments of Florida, Georgia, South Carolina, and North Carolina, this effort has demonstrated potential as a vehicle for effective communication and joint action to identify issues and implement solutions of mutual benefit to the partners. This pilot offers promise not only in the Southeast, but as a model for regional action elsewhere.

—*Range Assessments.*—Military use of munitions on its ranges is an elemental aspect of effective testing and training. However, to ensure that the effects of our ongoing and legacy use of munitions do not harm public health or the environ-

ment, DOD is actively assessing all its ranges to ensure there is no off-range migration of munitions' constituents into surrounding lands or waters.

Warfighter Support through Safety and Health

The Nation's leading businesses see the prevention of injuries and illnesses as a core business value that reduces human, social, financial, and productivity costs and improves the bottom line. DOD also has a bottom line: operational readiness.

The Department's efforts to integrate safety and health into every aspect of the mission, gives commanders the flexibility they need to make informed risk decisions—decisions that enable them to eliminate, modify, or accept risks based on the situation they are encountering. In March of 2005 DOD published policy requiring safety and occupational health management systems at all management levels. This industry proven approach horizontally integrates safety across all of our business areas. The Department is accelerating this initiative by partnering with the DSOC (Defense Safety Oversight Council) to establish a Center of Excellence to help installations achieve OSHA VPP (Voluntary Protection Program) recognition. DOD has also issued policy to include Military Flight Operations Quality Assurance. This process, gives pilots the ability to "review the game tape" of virtually every mission they fly and identify potentially dangerous tendencies that can be corrected before they become habits.

The Department is also transforming explosives safety. The Department of Defense Explosives Safety Board (DDESB) continually assesses and improves explosives safety throughout the ammunition and explosives life cycle, proactively seeking early awareness and consideration of explosive safety in operational and contingency planning activities. This year DOD updated its policy to assist commanders in making informed risk decisions involving explosives while ensuring maximum operational capabilities and the protection of personnel, property, and the environment from the damaging effects of explosives.

Integrating the Business Enterprise

As our Nation's security challenges become more complex, our military must become an increasingly agile joint force that is dominant across the full spectrum of operations. The highly flexible, yet precise, Armed Forces of the 21st Century require an equally flexible and responsive business and financial support infrastructure that can adapt to rapidly changing conditions in both peace and war. Defense Business Transformation is being driven by a series of strategic objectives, which include: supporting a joint warfighting capability; enabling rapid access to information for strategic decisions; reducing the cost of Defense business operations; and improving the financial stewardship of assets.

To support the Department's process of identifying joint needs, analyzing capability gaps, and implementing improvements, the DOD Business Mission Area is aligned with the warfighting mission. This new unifying framework, documented in the DOD's roadmap for transformation, the Enterprise Transition Plan, is a capabilities and lifecycle-based approach to enterprise business planning and execution, and consists of five integrated Core Business Missions, or CBMs: Human Resources Management; Weapon System Lifecycle Management; Real Property & Installations Lifecycle Management; Material Supply & Service Management; and Financial Management. The Deputy Under Secretary of Defense (Installations & Environment) is the leader of the Real Property & Installations Lifecycle Management CBM. Working with the Military Components, considerable progress has been made in transforming business processes over the last 2 years.

Last year, DOD completed a Business Process Reengineering (BPR) effort for managing the Department's real property inventory. The inventory reform effort will provide the DOD warfighter and business mission with relevant access to needed information on real property. The Services and Defense Agencies have begun to re-architect their business processes and systems to ensure that they will be able to comply with the standard business processes and data elements identified during the BPR. Together, these processes and data elements will enable greater visibility of real property assets and associated financial resources. The Department has also completed a thorough assessment of information systems that will support the inventory. The Military Components are developing plans for economic and timely investment in, and achievement of, this new information environment.

In addition to the inventory, these efforts led to development of a site-unique identifier, or UID registry that will improve the visibility of our real property assets. The process of assigning a UID to sites has already begun. This year the registry effort will be expanded to address real property assets, such as facilities, runways, and piers. Ultimately, this registry will provide a link between real property re-

sources and their locations to our warfighting and business personnel and the property they operate.

Organizing the Department's extensive geospatial and imagery assets through the Defense Installation Spatial Data Infrastructure program, or DISDI, has enabled business transformation on many fronts. For example, the innovative use of commercial satellite imagery combined with locally validated mapping features significantly heightened the quality of the fiscal year 2005 Base Realignment and Closure, or BRAC, deliberations. During this first year of operations, DISDI saved more than $20 million across the business mission simply by sharing commercial satellite imagery across the Department. 2005 also saw DISDI completing the first worldwide inventory of geospatial assets. This, in turn, is enabling Defense-wide software licensing agreements which will reduce future software costs by more than 25 percent.

Reengineering of environment, safety, and occupation health focused on two initiatives. First, DOD completed reengineering associated with recognizing, valuing, and reporting environmental liabilities, and created a standard data model for the majority of these liabilities. The Department will finish the remaining environmental liabilities this year, resulting in a complete, accurate, and visible inventory of environmental liabilities reconciled with asset records. Completion of this project will also eliminate a material weakness. Second, DOD began re-engineering the management of hazardous materials throughout the Department. Although the Services and Agencies handle many hazardous materials, different processes are in place to manage the products and their support information. These reengineering efforts are designed to eliminate the costly, redundant, and ultimately unsafe practices associated with these multiple processes.

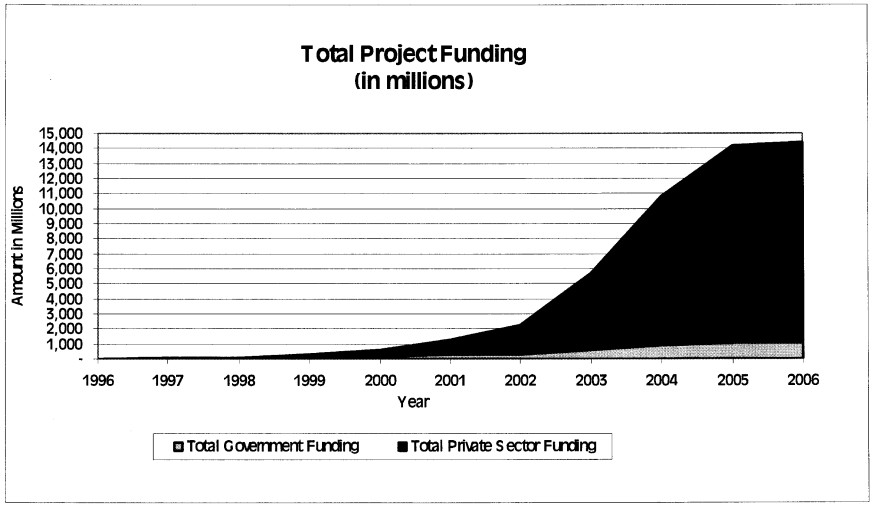
The Department's plans for this fiscal year, also documented in the Enterprise Transition Plan, will see the continuation of the unique identification implementation through the continued population of the site registry. The DISDI program will complement the site registry development effort by accurately mapping the physical extent of DOD's sites, based on their legal descriptions. Of greater significance, the Department will build and deploy the infrastructure to manage asset UIDs, and begin the process of assigning them to facilities in our portfolio. In addition, two new reengineering efforts will be undertaken, focusing on construction in progress and explosives safety management.

Conclusion

In closing, Madam Chairman, 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.

Military Housing Privatization Initiative

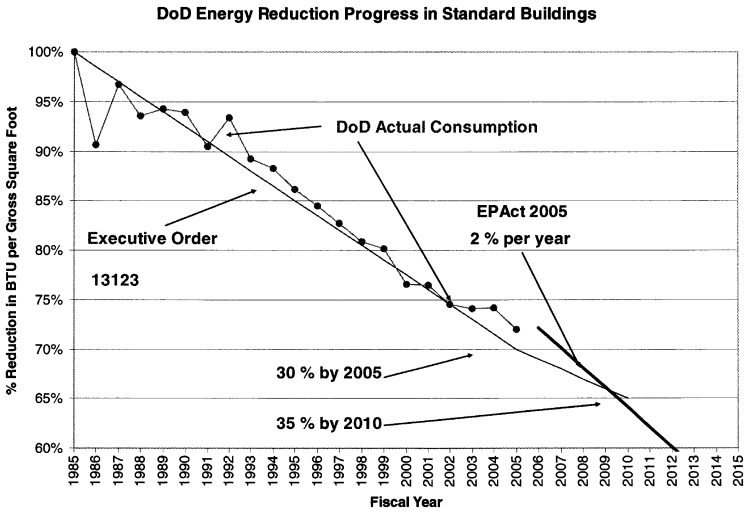
Acquisition, Technology and Logistics



Enclosure 1

Standard Building Energy Reduction

Acquisition, Technology and Logistics

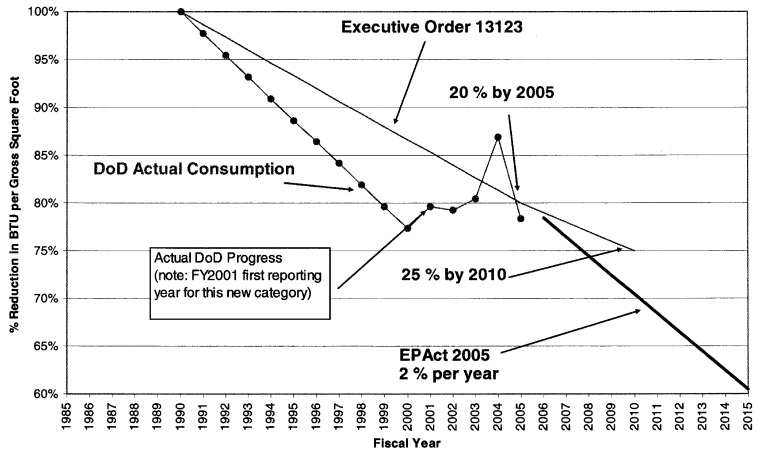


Enclosure 2

Industrial Facility Energy Reduction

Acquisition, Technology and Logistics

Energy Reduction Goals for Industrial, Laboratory, Research, and Other Energy-Intensive Facilities



Enclosure 3

Senator HUTCHISON. Thank you.

Now, I will open with my questions on what seems to be a slow start, at least, in providing for the people who are going to be adding, as opposed to obviously you do need to take care of the people that are being subtracted from. But can you tell me how you are going to deal with people who are scheduled to be coming in and are not having the facilities for them and what are you doing to address that?

Mr. GRONE. Well, we are addressing that through our planning process. The planning process that we undertook, keeping in mind given where we are now in May 2006, the recommendations became law in November, our first Congressional appropriation was secured in December. In the intervening months we have gone about a fairly robust planning scenario for the execution, particularly for those moves that are involved in the fiscal 2006-fiscal 2007 timeframe. We have a number of critical approved business plans, and certainly for the Army, for everything that has been requested and appropriated for fiscal 2006, as well as for those things we are working through in fiscal 2007.

We have business plans and a planning process that can begin to lay out the schedule and the expenditure of those funds. I fully expect that we are going to obligate all of the fiscal year 2006 money by the end of the fiscal year, based on what I know today. Certainly the fiscal year 2007 funds are critical in that regard as well.

From a community perspective, the Army and the components are engaged, but particularly the Army, in a fairly intensive dialogue with local communities. It is important that we have facilities in place, ready to receive forces, with a minimal use of temporary facilities. We do not want temporary facilities to be the permanent solution. But we are also working critically with local communities, particularly in West Texas, but certainly not exclusively in West Texas, on key questions involving housing, schools, transportation, and the like. We believe that we have a very good handle working with the community there on what the needs are and how we might sort of tier that so that we schedule the moves in such a way that we can take the maximum use of the time that we have, the resources that we have, but parallel that with a community planning process which is very important to our overall success.

Senator HUTCHISON. Well, I think we need to—I hope that you are going to be really carefully looking at that and monitoring it, because there are concerns.

Secretary Jonas, your budget request for the NATO security investment program is up 25 percent from last year's enacted levels. Could you explain why there is such a large increase?

Ms. JONAS. I will. My understanding of the increase of $14 million is due to missions associated with Iraq and Afghanistan. Phil may be able to clarify further on those points, but that is my understanding of the increase over the enacted level.

My understanding is that a number of projects of the funding is to support the infrastructure program are also not just for the standard infrastructure that we require for the capability packages that we build inherently, but also for those things that are needed to stand up and help stand up the NATO response force as a long-

term NATO investment in alliance-wide security. We can certainly provide for the subcommittee in whatever level of detail is required the assumptions for that, for that increase.

But in order to ensure that the alliance continues with its ongoing transformational activity to meet ongoing needs, needs of the United States and the allies for infrastructure, as well as to support the stand-up of the NATO response force, this was the level of funding that was judged to be necessary to support that. But certainly we can provide whatever else is necessary to help you with that.

[The information follows:]

NATO has substantially increased the amount of funds to support operations and missions. The NATO operations and missions in Afghanistan, Iraq and the Balkans directly support the GWOT.

Below are the NSIP expenditures for NATO Missions/Operations for 2005 and prior and the estimated expenditures for 2006 and 2007. The NSIP expenditures have increased and are expected to continue to do so. The total operations and mission expenditures (NATO-wide) are:

—2002—$53 million
—2003—$61 million
—2004—$77 million
—2005—$108 million
—2006—$143 million (estimated)
—2007—$226 million (estimated)

In addition to the above, we also anticipate substantial expenditures during 2007 for two capability packages to provide the deployable assets to support the NATO Response Force (NRF). The NRF is NATO's immediate reaction force with Notice to Move of 5 days (concept briefed to the Staffers in April) and would be the initial forces deployed for any new GWOT operations. The total NSIP estimated expenditures are $244 million for NRF deployable communications assets (recently approved) and $176 million for the NRF deployable facilities (this CP under review not yet approved) and the anticipated NSIP expenditure profile is as follows:

—2007—$31 million
—2008—$124 million
—2009—$223 million

NATO's contribution to coalition operations could allow the United States to draw down forces in Afghanistan by as many as 3,000. Additional U.S. forces in Afghanistan could transition from a war-fighting to a peacekeeping role.

Senator HUTCHISON. Well, I would want to be assured that these facilities would be used for the war on terror, for Iraq and Afghanistan, because I think, while NATO is beginning to be more helpful in Afghanistan and somewhat in Iraq, it has been a slow start. I do not want to build a lot more infrastructure for NATO that does not go for our mutual threat. I consider the war on terror our mutual threat, but NATO has been perfectly willing to let America carry the major share of this burden.

So what I would like is backup that in fact this is all going for Iraq and Afghanistan and the war on terror, which is legitimate and I am hopeful that NATO will take a major role. But if it is for more NATO facilities that are just European-based, then I would have a problem. So I would like that backup and assurance that it is for the war on terror.

My last question to you, Ms. Jonas, is, I have been working with General Hobbins, commander of the U.S. Air Forces, Europe, to get the Air Force to pursue more creative options for housing around Spangdahlem, and particularly to get the German government to be more helpful. He tells me that they are working on getting extensions of loan guarantees on build-to-lease housing agreements that would go up to 15 years, to make build-to-lease more attrac-

tive to private developers. The German standards are very high. It is very expensive. I have talked to General Hobbins on several occasions about it, as well as General Jones.

I just want to ask you if you are also looking at this issue with the Air Force and at the Department-wide level trying to assure that we get some of the same help from the German government that the Army has gotten and that we have gotten from other governments where they desire our troops to be there?

Ms. JONAS. Madam Chairman, I appreciate the question and of course the Secretary is very interested in making sure that we get proper host Nation support in all types of areas. So I'm sure this would be no different. My understanding is that legislation has been submitted to the Congress to extend the lease period to 15 years. Some of the committees I guess have acted on that already. But we will certainly do whatever we can to try to get the best deal for the taxpayers. So you have my assurance that we will work with the Air Force to try to get the very best outcome we can.

Senator HUTCHISON. Thank you.

Mr. GRONE. Madam Chairman, if I might. There was one piece in the answer to your question I want to make sure that the subcommittee understands, the question of the dialogue and the oversight. When Ms. Jonas's deputy and I delivered the budget justification materials earlier this year, we committed to all of the oversight committees that we would periodically come back up and give you sort of an in-progress report on where we were, both in terms of where we were having successes and where we were hitting hard spots.

It is my view that we not simply make that an annual discussion at the time of the budget request, but as a matter of our commitment we will be up here every quarter or so to have conversations with you and your staff about exactly where we are in the implementation process in order to address any questions or concerns that you may have. So I want to make sure that the subcommittee understands that we view this as an important part of the dialogue to ensure that we can execute implementation as effectively as we can. I neglected to mention that earlier and I appreciate the opportunity to clarify that.

Senator HUTCHISON. Thank you very much.

Senator Feinstein.

Senator FEINSTEIN. Thank you very much, Mr. Madam Chairman.

I wanted to just ask you a question about northern Italy, particularly the Vicenza area and Camp Ederle, which I had the pleasure of visiting. It is my understanding that additional property has been acquired nearby because Ederle is just packed, and the new site, which runs as I understand it, next to an air strip, would also be very full.

What is the position of the new Italian government, or is there a position, on these facilities and how do you see the MILCON coming down for this new base?

Mr. GRONE. Well, Senator Feinstein, I am not aware of any particular position, change in position, certainly. We have an understanding with the government of Italy for the rebasing of the 173d in the Vicenza area. I am certainly not aware of anything that

would upset that, would upset that understanding and that commitment between allied partners.

The combatant commander, EUCOM, and the Army looked very carefully at the siting for those units and came to the conclusion that for both purposes of efficiency, cost, and schedule and performance to be able to get those units based when they need to be resited, as well as the ability to access the savings that would accrue from getting out of non-enduring sites in Germany, which is about a $22 million a year savings, that the current siting in the Dal Molin area was the appropriate location.

I understand that some of the members have, including yourself, have some questions about that and we will work with EUCOM to provide whatever backup you require. But it is the combatant commander and the Army's judgment that this is the right site for the mission as they see it for the foreseeable future.

Senator FEINSTEIN. It would be interesting to watch and see what happens.

Let me ask you a BRAC question. You testified before the Armed Services Readiness Subcommittee in March on the outlook for funding in the 2005 BRAC program through completion. In response to a question as to whether the Pentagon had identified enough funding in its long-term spending plan to cover the cost of the program in the out years, you were quoted as saying, quote: "I cannot tell you how short or imbalanced the program might be."

Have you now completed the detailed planning for the 2005 round and can you tell this committee whether the Defense Department has allocated sufficient resources in the out years to fully fund the program?

Mr. GRONE. Well, Senator Feinstein, we have allocated significant resources over the program.

Senator FEINSTEIN. How much?

Mr. GRONE. $18 billion.

Senator FEINSTEIN. Is it not estimated at $23 billion?

Mr. GRONE. Yes. In the period in which I answered the question, although we know more today, we are not quite finished with all of the business plans. For those things that require near-term funding, in 2006 and 2007, to support the budget request we have very solid plans and planning processes to support the execution of those funds, as we have detailed to the committees in the budget justification documents. For those things that are beginning to be implemented 2008 and out, we were working through them and we are still in the tail end of working through all of the cost structure. I expect it will be somewhere around that $23 billion figure in the end, but whether it will be a little bit more or a little bit less we are still not yet prepared to say. We likely will be prepared to say so in a matter of weeks as we finish some of the more complex business plans.

Senator FEINSTEIN. Would you be willing to provide this committee with a detailed BRAC funding plan, much like a FYDP, essentially for the years 2005 to 2011?

Mr. GRONE. Well, we will be able to tell you in the near term an estimate of what we expect the total program costs to be. What we will sort out in the program review is exactly which money will go in what year, but the leadership is committed, after we have done

all of this reestimation of the costs, to marry that up against detailed implementation plans to fully fund the program. So that when you receive the fiscal 2008 budget request it will reflect a fully funded program from 2008 to the balance of the program.

We have resources in every year of the FYDP for BRAC today. We will have more when we bring up the next budget request. As I indicated to Senator Hutchison a few moments ago, this is part of the continuing dialogue between the Department and the oversight committees, to ensure that you have a sense of where we are at any one given point in time.

So we will continue to work the costs. One of the issues here is that we want to make sure that BRAC dollars are being expended solely to execute BRAC decisions and that there are not other facility requirements or other things that sort of get in there as people see an opportunity here to perhaps get well at the installation level, which is understandable. But we owe it to ourselves and we owe it to the oversight committees to ensure that all we are doing with BRAC dollars is the things that are required from a facility perspective to implement the BRAC decisions, and that is what we are working through right now.

Senator FEINSTEIN. Well, now that people are beginning to come back from Iraq, are there adequate places to put them?

Mr. GRONE. Yes.

Senator FEINSTEIN. So you will not need any additional funds for that?

Mr. GRONE. I think that is a divisible question from the BRAC question.

Senator FEINSTEIN. It is different, I understand.

Ms. JONAS. With regard to your overall question, Senator, about fully funding BRAC, I can assure you that this is one of the highest priorities of the Deputy Secretary as we begin to go into our programming period for the 2008 and beyond program. He is well aware of the requirements. So we commit to you to fully fund the program.

Senator FEINSTEIN. Okay. Let me ask you about the housing and particularly the GAO report on management issues involving the military housing privatization program. I gather they found that 36 percent of the 44 awarded housing projects had occupancy rates below expectations, rates below 90 percent. For example, the GAO flagged one Air Force project, Patrick Air Force Base in Florida, in which the occupancy rate by military families was only 29 percent. They raised the concern that significantly below expected occupancy rates could impact the financial viability of housing projects, private housing projects, and could impact the amount of money the Department needs to budget for military housing allowances.

What are you doing to ensure that these privatization projects are really used fully?

Mr. GRONE. Well, certainly, Senator, housing privatization is a key to our overall strategy. In recent years we have continued to refine our housing requirements process to ensure that as we bring projects on line they fill in the gap between what is already provided by the private sector and what we truly require in terms of housing privatization.

The occupancy rates are interesting in the sense that they give you sort of a snapshot in time of how well they are occupied by military families. But in no case of which I am aware, and I went back as recently as yesterday to look at this question—there is no project that is in fiscal or financial distress as a result of occupancy rates. Each of the projects has a waterfall associated with them that allows occupancy by non-military personnel, usually starting with DOD civilians, retired military personnel and the like.

Senator FEINSTEIN. So in other words, in the Florida case, that 29 percent is military families, the rest is replaced by others?

Mr. GRONE. Well, I do not know in that case and I would have to go back and look at it, and I would be happy to do that for the record——

Senator FEINSTEIN. Would you do that?

Mr. GRONE [continuing]. How many of the other units were off line due to renovation and reconstruction schedules. So to say that 29 percent or 30 percent or whatever, 80 percent or 90 percent, is occupied by military families is only part of the snapshot. The question is what is happening in the rest of those units and is it along the schedule that the developer expected when they were turning the units over. That is something we would have to go back into each project and look at. We would be happy to do that.

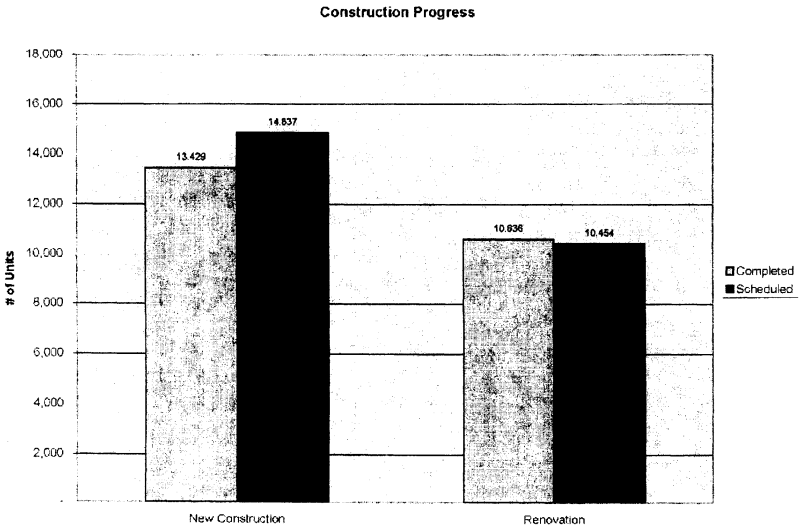
Generally, the work we have done with GAO, frankly, has been very positive. They have been very helpful, provided a very helpful oversight perspective on a number of aspects of the program, and we have improved program implementation, program evaluation and oversight over the months and years as a result of some of that independent look. So I actually view that GAO report a little bit more positively in terms of the direct suggestions that they have for program improvement, many of which we are going to take on board.

[The information follows:]

Patrick AFB housing privatization project was awarded in October 2003, at that time, the Air Force transferred 960 inadequate housing units to the new ownership, who planned to replace 552 units and demolish 408 units without replacement. A total 592 family housing units were consistently "online" during the reporting period covered in the GAO Report (Military Housing: Management Issues Require Attention as Privatization Program Matures). The family housing units off-line at Patrick AFB were quickly demolished by the developer to clear an area for new construction prior to the GAO reporting period. The only other units off-line temporarily were those in transition between tenants for approximately 1 week for change of occupancy maintenance (COM). They are considered available/online for rental and were often rented while in COM.

Responding to the larger question concerning construction/renovation schedules, MHPI developers have achieved 90 percent of their new construction goals and over 100 percent of their renovation goals identified in their original proposals. The achievement of over 100 percent in renovations is related to some re-scoping of projects, in terms of shifting from deficit reduction (new unit construction) to an emphasis on accelerating renovations, as is the case at Fort Meade, Maryland.

Please see the attached MHPI Project construction/renovation progress graph.



Senator FEINSTEIN. I do not want to waste a lot of time, but my point is that if you would take a look at this and get back to us I would appreciate it.

Mr. GRONE. Absolutely.

Senator FEINSTEIN. Let me ask one other question. Has the Department identified adequate resources to fully fund the environmental cleanup of the 2005 BRAC round?

Mr. GRONE. That will be part of the fully funded program as we bring it forward.

Senator FEINSTEIN. I bet the answer is no.

Mr. GRONE. In all honesty, Senator Feinstein, I understand from prior rounds of BRAC we expended about $24 billion to date on all activities associated with that. About $8 billion of that is in the environmental remediation category. For this round of BRAC, we are not closing significant operational ranges. Some of the installations that might have had some remediation challenges associated with them the commission chose to leave open. So we are frankly expecting in this round a far more manageable, far more understood in terms of the universe of environmental remediation challenge.

I think the cost to complete, based on what we know today, is somewhat on the order of less than $1 billion. We would be happy to keep you up to date on that as we go forward. But I think——

Senator FEINSTEIN. Total cost is under $1 billion?

Mr. GRONE. For the 2005 decisions. That is not the cost to complete from prior rounds. That is a different question. We are looking at the discrete decisions that were made for the BRAC 2005 round. The environmental liability associated with that is far less than it was in prior rounds of BRAC, because of the nature of the installations that were closed and the investments we have made to date in environmental cleanup at those locations. They are two different sets of installations and we would be happy to parse that for you so you understand it as well as you can.

Senator FEINSTEIN. Thank you, Madam Chairman.

Senator HUTCHISON. Senator Allard.

STATEMENT OF SENATOR WAYNE ALLARD

Senator ALLARD. Thank you, Madam Chairman.

Briefly, I just want to comment that people in Colorado and particularly around the Colorado Springs area, where we have a number of bases down there, are particularly pleased with the results of the BRAC round. They were apprehensive about it, and we were not all winners, there were some losers, but I think overall they were pleased with it.

I think they are viewing that the implementation of that, at least up to this point, has been successful from their perspective. So I just wanted to let you know that.

Colorado Springs as a community has been extremely supportive of their military personnel and they have a lot of supportive programs there. I think that Fort Carson in particular is one of the bases that is desirable as far as the Army is concerned and I think that is reflected in the reenlistment rate. Fort Carson has one of the highest reenlistment rates of any of the bases in the country. So there are a lot of positive things that are really happening there.

One of the things that is being discussed is actually expanding Fort Carson, particularly expanding its training area. The head of the Fort Carson mentioned that possibility and I encouraged him to go ahead and begin to talk to residents that would be affected to expand the Pinion Canyon area. That is where a large—it is about 235,000 acres there for training.

I do believe that there is a necessity there because of the increased number of Army units who will be coming into Fort Carson, as well as the high technology that is now on the ground. You have to have more training area in order to be able to train with the high technology. So I like the—I generally have encouraged them to move ahead with that, but with the caveat they need to talk with the land owners down in that area.

They are looking at an area that is more than 5 times, I think, what the original training area down there. So there is a lot of land to look around. It is going to be difficult, I think, for any one ranch, for example, to block an expansion because you can always go in another direction.

So acting on some assurances from the commander there at the Air Force, he said he did not think it was going to be necessary to require any eminent domain. They had enough choices there and enough different directions, he did not think that would be a problem.

So the first question I want to place to you, Secretary Grone, has to do with land acquisitions as far as the Army is concerned. Eminent domain is not a good word as far as the West is concerned. I would like to know, do you support the use of eminent domain for expanding military installations?

Mr. GRONE. Senator, that is a very complex question. My view is—and we have done this, as you know, in the context of the readiness and environmental protection initiative, where we have re-

cently as part of that program worked with some willing sellers around the Fort Carson, around Fort Carson proper——

Senator ALLARD. Yes.

Mr. GRONE [continuing]. To provide buffer and some additional area within which——

Senator ALLARD. That is moving along very successfully.

Mr. GRONE [continuing]. The service can conduct its mission.

As a general rule we always prefer to work with willing sellers. I would not want to say that in all cases eminent domain should be ruled out as an option or a tool. Sometimes it is a necessary tool, depending on the circumstances, the specific circumstances of a case.

Senator ALLARD. Sure.

Mr. GRONE. So I would never want to take any legally available tool to the Department for the execution of its national security mission off the table. But in general, as you know, our presumption as we have gone through a good deal of these activities has been to work with willing sellers, and we have had a lot of success in doing so.

So I frankly would defer a specific answer to the question without knowing context.

Senator ALLARD. I think that is a reasonable response and it is what I would have expected in response. So then, looking at the Pinon Canyon area, do you see any real need for using eminent domain in the Pinon Canyon area?

Mr. GRONE. Well, I cannot comment on that because I know what I have read in the press, frankly, about the case. The Army has not yet presented an option or a plan for acquisition.

Senator ALLARD. So it has not been approved by DOD or anything like that?

Mr. GRONE. No, not at this time. The Secretary has not been presented with a set of options on that question.

Senator ALLARD. Do you like the idea that when you make the property purchases that you go with fair market value?

Mr. GRONE. We have executed a good deal of our land acquisitions at fair market value.

Senator ALLARD. Yes. The reason for my questions is that I have introduced some legislation that addresses the eminent domain issue, but it also says that you will not pay more than fair market value. The idea is that you do not want anybody holding out with the idea that they are going to get some super price over here. So if we legislatively say you are not going to get it, maybe that would discourage that type of behavior.

We want this to be fair. We want a willing seller, we want a willing buyer. We want to be fair to the taxpayers. We do not want to overpay on some of the property in that. Do you have any concerns about that kind of approach?

Mr. GRONE. It is very difficult to comment specifically until we have a plan or a request to proceed from the Army. So I think I would like, frankly, to defer the answer to the question until we get to the point where we are actually talking about a specific proposal. We can have an appropriate discussion about it at that time. I just do not know enough about the context to know whether it is the right answer or the wrong answer. It is too early.

Senator ALLARD. Okay. Madam Chairman, I see my time has expired.

Senator HUTCHISON. No, go ahead and finish, because if you have something else——

Senator ALLARD. Yes, there is another follow-up I wanted, if I might.

Senator HUTCHISON. Sure.

Senator ALLARD. Also in there, we have put in the legislation that you study the economics of the area, impact on the economics and the environmental impact on the area. I would assume this is something you are going to do anyhow. Am I correct in that?

Mr. GRONE. Certainly from an environmental perspective, with any major land acquisition we would have to conduct the appropriate NEPA analysis, whether it is a full EIS or an EA depending upon the circumstances and concerns. We would have to do an environmental analysis in any event.

Senator ALLARD. Now, I am going to move on to another subject and that has to do with the Department of Defense's request for an assembled chemical weapons alternative program. You provided money here for the first year and we appreciate what you have done here in the first year. Again the question is on the out years, similar to what Senator Feinstein had brought up.

Can I have some assurances that you are going to be looking at at least a similar amount of appropriations as you put in this year—I think it is $100 million if I am correct—and for the next 2 years trying to sustain that level of funding?

Mr. GRONE. I do not have the—go ahead.

Ms. JONAS. Senator, we will be working with——

Senator ALLARD. Yes, maybe it is Secretary Jonas. That should be directed to you.

Ms. JONAS. Obviously, this is a high priority program, and I know Secretary Krieg has worked this very hard. So it will be one of the things that is on our mind as we work the 2008 and out process. I am not sure how that is going to turn out, but I know that the Deputy Secretary is well aware of your concerns on this and we want to move positively forward.

Senator ALLARD. Now, also to Secretary Jonas, on the readiness and environmental protection initiative, which again was mentioned earlier here, about the buffer around Fort Carson so that we do not have urban encroachment onto that base and continue to carry out their missions there. I think you had $20 million was put in there. I do not think that is adequate. From what I understand, there are a lot of bases that are beginning to understand the impact of urban encroachment on their bases and their mission.

I am pleased that the House and Senate Armed Services Committee agreed to add $30 million to the program. I guess it brings it up to a total of $50 million altogether. Why did the Department of Defense provide only $20 million for the readiness and environmental defense initiative when there is a clear need for that money and agreed—not only would I agree with that, but the House Armed Services Committee as well as the Senate Armed Services Committee agreed that there was a greater need?

Mr. GRONE. Well, Senator, based on the resource trades we had to make as we were building the budget, $20 million was the

amount that we came to in the last program review. I think you agree that it is proving to be a very effective program, although it is a young program.

Senator ALLARD. Yes.

Mr. GRONE. A number of the activities we had—I do not want to call them pilots because they are beyond pilots. But it is a new program. We are having great success with it. Frankly, it is a program that I would like to continue to see us work to expand as necessary if we have defined requirements. That is one of the sort of key aspects of this.

It is not the only way in which we resource that program because the components have the ability to marry those funds up or on their own initiative use their operations and maintenance funding to take advantage of unique opportunities that arise in the year of execution, working with willing sellers. We are building the program around the priorities of the components. I appreciate very much the support that the committees have given us for the program and I think as we mature the program, continue to have success with it, continue to build the right relationships locally and among the States for partnership and cooperation in this area, the program will settle in at a level that is reasonable.

But for the purposes of the President's budget, looking at all the other requirements that we had in front of us, that was the amount of money we settled on for the President's budget. I understand what the authorizers have done and we will continue to work with you on that.

Senator ALLARD. We are very pleased with the program, the way it is starting out with Fort Carson. We do have a lot of open space around there, but people are starting to build homes right up to the edge of the fort, and the next thing you know there are complaints about the gunfire and everything else that is going on. So I think this is a vital program and the sooner we can get to this and deal with it, not only in Colorado but I think throughout the country, we will sort of have a buffer zone and try and work out a relationship with the conservation, wildlife conservation groups and whatnot, there might be a way of kind of coming to a solution here that would benefit the military as well as those who want open space. It is reasonable, I think, to say that somebody should not be building their home right next to a base and then complain about the loud noise when they do. But people do it. They build up to airports the same way. I do think that we need to do everything we can to prevent that from happening, to sustain the bases we have left, because there are fewer of them and they become more vital, I think, to the function of our military.

Thank you, Madam Chairman.

Senator HUTCHISON. Thank you, Senator Allard, and I thank this panel. I appreciate your time and the efforts you are making, and you are excused.

Mr. GRONE. Thank you, ma'am.

Senator HUTCHISON. I would like to call the second panel: the Honorable Keith Eastin, the Assistant Secretary of the Army; the Honorable B.J. Penn, the Assistant Secretary of the Navy; and the Honorable William C. Anderson, the Assistant Secretary of the Air Force.

Secretary Eastin, would you like to start.

STATEMENT OF HON. KEITH E. EASTIN, ASSISTANT SECRETARY OF THE ARMY, INSTALLATIONS AND EQUIPMENT, DEPARTMENT OF THE ARMY

Mr. EASTIN. Yes, I have an opening statement and I also have a longer statement. I would request that be included in the record today.

Senator HUTCHISON. Without objection.

Mr. EASTIN. In the interest of saving the committee's time, I will try to abbreviate what my clever staff has put here in these many, many pages, just to say that the Army has a very ambitious program. The BRAC program, which started last year, includes not only the traditional BRAC, which is closing bases, realigning bases, making things more efficient, but it also includes bringing back approximately 52,000 soldiers from Korea and Europe. It includes resetting the force from a division-centric force to a brigade-centric force. It also includes the actions bringing back and rotating troops in and out of Iraq and Afghanistan, as well as some other actions. So it is a very complicated process and, I might add, an ambitious process that I think the Army has well planned.

PREPARED STATEMENT

It takes care of our soldiers. We see that they have places to come home to when they come home from Europe and Korea, and it takes care of our soldiers' families.

So we would hope that you would see this as an integrated and ambitious plan, but one that is necessary in the pursuit of the defense of the Nation, and would support it as you have before, and we appreciate it. Thank you.

[The statement follows:]

PREPARED STATEMENT OF KEITH E. EASTIN

INTRODUCTION

Madam Chairman and members of the Subcommittee, it is a pleasure to appear before you to discuss the Army's Military Construction budget request for fiscal year 2007. We have a robust budget that is critical to the success of the Army's new initiatives and sustainment of ongoing programs of critical importance to the Army. We appreciate the opportunity to report on them to you. We would like to start by thanking you for your unwavering support to our Soldiers and their families serving our Nation around the world. They are and will continue to be the centerpiece of our Army, and they could not perform their missions so successfully without your steadfast support.

OVERVIEW

TRANSFORMING INSTALLATIONS WHILE THE ARMY IS AT WAR

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

The tremendous changes in our national security environment since the terrorist attacks on our Nation clearly underscore the need for a joint, integrated military force ready to defeat all threats to United States interests. To meet these security challenges, we require interrelated strategies centered on people, forces, quality of life, and infrastructure. Regarding infrastructure, we need a global framework of Army installations, facilities, ranges, airfields, and other critical assets that are properly distributed, efficient, and capable of ensuring that we can successfully

carry out our assigned roles, missions, and tasks that safeguard our security at home and abroad.

Army infrastructure must enable the force to fulfill its strategic roles and missions in order to generate and sustain combat power. As we transform our operational forces, so too must we transform the institutional Army and our installation infrastructure to ensure this combat power remains relevant and ready.

STATIONING

To transform from a forward-deployed to a U.S.-based power projection force, we are consolidating overseas units at enduring locations and bringing back units to the United States through the effort we collectively call "stationing." Our stationing effort is an integrated plan driven by the convergence of three distinct initiatives: Base Realignment and Closure (BRAC) 2005, Integrated Global Presence and Basing Strategy (IGPBS), and the Army Modular Force (AMF) Initiative. Stationing will allow the Army to focus its resources on installations that provide the best military value and to best posture units for responsiveness and readiness. Eliminating Cold War era infrastructure and employing modern technology to consolidate activities allows the Army to free financial and human resources that we can then focus on our core warfighting mission. The stationing initiative is a massive undertaking, requiring the synchronization of base closures, realignments, military construction and renovation, unit activations and deactivations, and the flow of forces to and from current global commitments. Our decisions to synchronize activities associated with restationing and realigning our global basing posture have been guided by the following key criteria:

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

The completion of this combined set of stationing initiatives will result in an Army that is better positioned to respond to the needs and requirements of the 21st Century security environment, with our Soldiers and families living at installations that are truly "Flagships of Army Readiness."

INFRASTRUCTURE QUALITY

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

The quality of our installations is critical to the support of the Army's mission, its Soldiers, and their families. Installations serve as the platforms we use to train, mobilize, and rapidly deploy military power. When forces return from deployments, installations enable us to efficiently reset and regenerate combat power for future missions. In the past year, the Army has made tremendous progress in enhancing training and improving its ability to generate and reset the force. Through its stationing plans, the Army will be able to focus future resources on key installations that provide the most value to our mission and provide the quality of life that our Soldiers and families deserve.

BASE REALIGNMENT AND CLOSURE (BRAC) 2005

BRAC 2005 is the fifth round of BRAC actions that is now approved for implementation beginning in fiscal year 2006. BRAC 2005 actions are designed to optimize the Army's infrastructure assets in concert with, and in support of, the operational capacity and warfighting capabilities of the Army. BRAC 2005 is also designed to enhance the opportunities for joint activities with the creation of joint installations and joint operations that create more efficient and effective common business-oriented functions within the Department of Defense. As with prior rounds, the Army will achieve savings by divesting of installations that are no longer needed and are less efficient and effective in supporting a Joint and Expeditionary Army. BRAC 2005 goes beyond savings and provides transformational facilities and new

opportunities for Joint operations and Joint business functions. As we reposition forces from overseas, our installations must support a Joint and Expeditionary Army.

BRAC recommendations became law on November 9, 2005, and by law, all recommendations must be completed by September 14, 2011. The Department of Defense and the Army recommended 12 major and 1 minor Army base closures and 53 Army base realignments. In addition, 176 Army Reserve and 211 National Guard facilities will close across 39 States and territories whose units will relocate to 125 new Armed Forces Reserve Centers.

BRAC execution should contribute to the following Army goals:

—Reducing cost and generate savings which can be reinvested
—Optimizing military value
—Advancing the Army Modular Force Initiative
—Accommodating the rebasing of overseas units
—Enabling the transformation of both the Active and Reserve Components as well as rebalancing the forces
—Contributing to joint operations

INTEGRATED GLOBAL PRESENCE AND BASING STRATEGY (IGPBS)

IGPBS will relocate over 50,000 Soldiers and their families from Europe and Korea to the United States over the next 5 to 6 years. These moves are critical to ensure Army forces are properly positioned worldwide to respond in support of our National Military Strategy. The majority of the moves/restationing actions are incorporated within the BRAC Budget, but IGPBS also includes intra-theater moves. These include moves within Korea relocating units from north of Seoul to Camp Humphreys; within Germany from numerous installations to our major hub at Grafenwoehr/Vilseck, and moves from Germany to Italy to support the standup of a full Airborne Brigade Combat Team in Vicenza.

ARMY MODULAR FORCE

The fiscal year 2007 budget includes projects to ensure that our facilities continue to meet the demands of force structure, weapons systems, and doctrinal requirements. As of fiscal year 2006, we have funded 93 percent of the Military Construction requirements for the Stryker Brigade Combat Teams, including National Guard requirements in Pennsylvania. Remaining construction funding for both the Active Army and Army National Guard will be requested in future budget requests.

The Army Modular Force (AMF) initiative transforms the Army from units based on the division organization into a more powerful, adaptable force built on self-sufficient, brigade-based units that are rapidly deployable. These units, known as Brigade Combat Teams (BCTs), consist of 3,500 to 4,000 Soldiers. BCTs increase the Army's combat power while meeting the demands of global requirements without the overhead and support previously provided by higher commands.

New facility requirements for transforming units are being provided, where feasible, through the use of existing assets. Where existing assets are not available, the Army is programming high-priority projects to support Soldiers where they live and work. The Army is requesting $242 million in fiscal year 2007, to support BCTs. The remaining AMF requirements will be addressed in future budgets.

BRAC 2005 IMPLEMENTATION STRATEGY

The Army will execute BRAC 2005 by implementing interrelated events starting with realignment of the operational forces of the Active Army, both inside and outside the United States, at installations DOD-wide, capable of training modular formations at home station. The Army will create Joint and Army Training Centers of Excellence to enhance coordination, doctrine development, training effectiveness, and improve operational and functional efficiencies.

The Army will transform the Reserve Components by realigning and closing facilities to reshape the command and control functions and force structure and to create Joint or multi-functional installations. The Army will close 387 Army Reserve and National Guard facilities and build 125 new multi-component Armed Forces Reserve Centers distributed throughout the United States and Puerto Rico. The new Armed Forces Reserve Centers will improve the readiness and ability of Reserve and National Guard units to train, alert, and deploy in support of current and future contingency operations, including homeland defense. In addition, the Army will disestablish ten Army Reserve Regional Readiness Commands and establish four Regional Readiness Sustainment Commands and six new deployable warfighting units.

In the United States, the Army will consolidate four Installation Management Agency regions into two and also consolidate the Installation Management Agency,

Army Community and Family Support Center, and the Army Environmental Center in San Antonio, Texas.

The Army will partner with DOD to consolidate DOD Research, Development, Test, and Evaluation organizations to enhance support of DOD transformation and Joint Operations and realign or close installations to co-locate headquarters with subordinate commands or to station organizations with their service counterparts to provide responsive, quality, and cost-effective medical and dental care. Finally, the Army will transform materiel and logistics operations by realigning or closing installations to integrate critical munitions production and storage, manufacturing, depot-level maintenance, and materiel management to enhance Joint productivity and efficiency and to reduce cost.

BRAC 2005 BUDGET

The Army will apply all the necessary resources to accomplish the BRAC 2005 mission. In fiscal year 2006, the Army will execute over $865 million to initiate both BRAC and IGPBS, and begin required National Environmental Policy Act actions for all BRAC 2005 requirements. The Army will begin planning and design for projects in fiscal years 2006, 2007, and 2008, and begin construction of ten projects in fiscal year 2006. The Army will execute $3,608 million to continue actions for BRAC 2005 requirements in fiscal year 2007.

PRIOR BRAC

In 1988, Congress established the Defense Base Realignment and Closure Commission to ensure a timely, independent, and fair process for closing and realigning military installations. Since then, the Department of Defense has successfully executed four rounds of base closures to reduce infrastructure and align the military's infrastructure to the current security environment and force structure. Through this effort, the Army estimates approximately $10.7 billion in savings through 2006—more than $900 million annually from previous BRAC rounds..

The Army is requesting $51.3 million in fiscal year 2007 for prior BRAC rounds ($6.2 million to fund caretaking operations of remaining properties and $45.1 million for environmental restoration). In fiscal year 2007, the Army will complete environmental restoration efforts at two installations, leaving eight remaining BRAC installations requiring environmental restoration.

To date, the Army has spent $2.5 billion on BRAC environmental restoration. We have disposed of 229,129 acres (89 percent of the total acreage disposal requirement of 258,607 acres), with 29,478 acres remaining to dispose of at 15 installations.

THE WAY AHEAD

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

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

Barracks.—Providing safe, quality housing is a crucial commitment the Army has made to its Soldiers. We owe single Soldiers the same quality housing that is provided to married Soldiers. Modern barracks are shown to significantly increase morale, which positively impacts readiness and quality of life. The importance of providing quality housing for single Soldiers is paramount to success on the battlefield. The Army is in the 14 year of its campaign to modernize barracks to provide 136,000 single enlisted permanent party Soldiers with quality living environments. The new complexes meet DOD "1+1" or equivalent standard by providing two-Soldier suites, increased personal privacy, larger rooms with walk-in closets, new furnishings, adequate parking, landscaping, and unit administrative offices separated from the barracks.

Family Housing.—This year's budget continues our significant investment in our Soldiers and their families by supporting our goal to have contracts and funding in place to eliminate inadequate housing at enduring installations by fiscal year 2007 in the United States and by fiscal year 2008 overseas. For families living off-post, the budget for military personnel maintains the basic allowance for housing that eliminates out of pocket expenses.

Workplaces.—Building on the successes of our family housing and barracks programs, we are moving to improve the overall condition of Army infrastructure by

focusing on revitalization of our workplaces. Projects in this year's budget will address requirements for operational, administration, instructional, and maintenance facilities. These projects support and improve our installations and facilities to ensure the Army is deployable, trained, and ready to respond to meet its national security mission.

LEVERAGING RESOURCES

Complementary to these budget strategies, the Army also seeks to leverage scarce resources and reduce our requirements for facilities and real property assets. Privatization initiatives such as the Residential Communities Initiative (RCI), Utilities Privatization, and build-to-lease family housing in Europe and Korea represent high-payoff programs which have substantially reduced our dependence on investment funding. We also benefit from agreements with Japan, Korea, and Germany where the Army receives host nation funded construction.

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

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

MILITARY CONSTRUCTION

The Army's fiscal year 2007 budget request includes $7.63 billion for Military Construction appropriations and associated new authorizations, Army Family Housing, and Base Realignment and Closure.

Military Construction Appropriation	Authorization Request	Authorization of Appropriations Request	Appropriation Request
Military Construction Army (MCA)	$1,982,432,000	$2,059,762,000	$2,059,762,000
Military Construction Army National Guard (MCNG)	N/A	473,197,000	473,197,000
Military Construction Army Reserve (MCAR)	N/A	166,487,000	166,487,000
Army Family Housing Construction (AFHC)	594,991,000	594,991,000	594,991,000
Army Family Housing Operations (AFHO)	676,829,000	676,829,000	676,829,000
BRAC 95 (BCA) [1]	51,340,000	51,340,000	51,340,000
BARC 2005 (BCA) [1]	3,608,234,000	3,608,234,000	3,608,234,000
TOTAL	6,913,826,000	7,630,840,000	7,630,840,000

[1] BRAC Fiscal Year 2007 Budget will be submitted by OSD in March 2006.

MILITARY CONSTRUCTION, ARMY (MCA)

The Active Army fiscal year 2007 Military Construction budget request is $1,982,432,000 for authorization and $2,059,762,000 for authorization of appropriations and appropriation. These projects will provide the infrastructure necessary to ensure continued Soldier readiness and family well-being.

Soldiers as our Centerpiece Projects.—The well-being of our Soldiers, civilians, and families is inextricably linked to the Army's readiness. We are requesting $934 million or 46 percent of our MCA budget for projects to improve well-being in significant ways.

The Army continues to modernize and construct barracks to provide enlisted single Soldiers with quality living environments. This year's budget request includes 24 barracks projects to provide improved housing for 5,450 Soldiers and new barracks in support of major stationing moves. With the approval of $840 million for new barracks in this budget, 89 percent of our requirement will be funded at the "1+1" or equivalent standard.

We are requesting the second increment of funding, $135 million, for four previously approved, incrementally funded, multiple-phased barracks complexes. In addition, we are requesting full authorization of $408 million for an incrementally funded brigade complex, but only requesting $102 million in appropriations for this project in fiscal year 2007. Our plan is to award this complex subject to subsequent appropriations, as single contracts to gain cost efficiencies, expedite construction, and provide uniformity in like facility types. The fiscal year 2007 budget also includes a $26 million physical fitness center, which incorporates a child development center, and eight additional child development centers for $68 million. This will provide more than 1,800 child spaces to allow Soldiers to focus on their missions, knowing their families are being provided for.

Overseas Construction.—Included in this budget request is $526 million in support of high-priority overseas projects. In Germany, we continue our consolidation of units to Grafenwoehr as part of our Efficient Basing—Grafenwoehr initiative. This is our fifth and next to last year of funding. Funding requested this year will bring us to 89 percent funded for this initiative. This initiative allows us to close numerous installations as forces relocate to the United States and within Europe saving base support and enhancing training. In Korea, we are again requesting funds to further our relocation of forces on the peninsula. This action is consistent with the Land Partnership Plan agreements entered into by the United States and Republic of Korea Ministry of Defense. Our request for funds in Italy is IGPBS related and relocates forces from Germany to Vicenza to create a full Airborne BCT as part of the Army's transformation to a modular force. The Airborne BCT complex also includes new barracks to house 570 Soldiers. Additional locations in Germany will close as construction is completed.

Current Readiness Projects.—Projects in our fiscal year 2007 budget will enhance training and readiness by providing deployment and maintenance facilities, brigade complexes and headquarters, other operational and administration facilities, and an overseas Forward Operating Site base camp for $34.8 million that will provide a brigade (minus)-sized operational facility to support rotational training, allow for increased U.S. partnership training, and promote new military to military relationships.

We will also construct a battle seminar facility, combined arms collective training facilities, shoot houses, digital multipurpose training ranges, and purchase land to support collective training. These facilities will provide our Soldiers realistic, state-of-the-art live-fire training. We are requesting a total of $613 million for these high-priority projects. We are also requesting the second and final phase of funding of $13 million for a defense access road.

Army Modular Force Projects. Our budget supports transformation of the Army to a modern, strategically responsive force. Our budget request contains $276 million for five brigade complexes and other facilities. Additionally, there are eight child development centers, and new barracks to house 1,130 Soldiers in support of the Army Modular Force.

Other Support Programs.—The fiscal year 2007 MCA budget includes $192 million for planning and design of future projects. As executive agent, we also provide oversight of design and construction for projects funded by host nations. The fiscal year 2007 budget requests $21 million for oversight of approximately $800 million of host nation funded construction for all Services in Japan, Korea, and Europe.

The fiscal year 2007 budget also contains $23 million for unspecified minor construction to address unforeseen critical needs or emergent mission requirements that cannot wait for the normal programming cycle.

MILITARY CONSTRUCTION, ARMY NATIONAL GUARD

The Army National Guard's fiscal year 2007 Military Construction request for $473,197,000 (for appropriation and authorization of appropriations) is focused on Current Readiness, Transformation, and other support and unspecified programs.

Current Readiness.—In fiscal year 2007, the Army National Guard has requested $161 million for eight projects to support current readiness. These funds will provide the facilities our Soldiers require as they train, mobilize, and deploy. Included are four maintenance facilities, two training projects, one Readiness Center, and an Armed Forces Reserve Center.

Army Modular Force.—This year, the Army National Guard is requesting $234 million for 32 projects in support of our new missions. There are 12 projects for the Stryker Brigade Combat Team initiative, eight for our Army Division Redesign Study, seven Range projects to support the Army Range and Training Land Strategy, and five Aviation Transformation projects to provide facilities for modernized aircraft and change unit structure.

Other Support Programs.—The fiscal year 2007 Army National Guard budget also contains $57 million for planning and design of future projects and $21 million for unspecified minor military construction to address unforeseen critical needs or emergent mission requirements that cannot wait for the normal programming cycle.

MILITARY CONSTRUCTION, ARMY RESERVE

The Army Reserve's fiscal year 2007 Military Construction request for $166,487,000 (for appropriation and authorization of appropriations) is for Current Readiness and other support and unspecified programs.

Current Readiness.—In fiscal year 2007, the Army Reserve will invest $125.1 million to construct five new Army Reserve Centers and two Armed Forces Reserve Centers; and invest $13.7 million to construct a general purpose warehouse—for a total facility investment of $138.8 million. Construction of the seven Reserve Centers will support over 3,800 Army Reserve Soldiers and civilian personnel. In addition, the Army Reserve will invest $5.2 million to construct three training ranges, which will be available for joint use by all Army components and military services.

Other Unspecified Programs.—The fiscal year 2007 Army Reserve budget request includes $19.5 million for planning and design for future year projects and $3.0 million for unspecified minor military construction to address unforeseen critical needs or emergent mission requirements that cannot wait for the normal programming cycle.

ARMY FAMILY HOUSING CONSTRUCTION (AFHC)

The Army's fiscal year 2007 family housing request is $594,991,000 (for authorization, authorization of appropriation, and appropriation). It continues the successful Whole Neighborhood Revitalization initiative approved by Congress in fiscal year 1992 and our Residential Communities Initiative (RCI) program.

The fiscal year 2007 new construction program provides Whole Neighborhood replacement projects at five locations in support of 538 families for $241.8 million using traditional military construction.

The Construction Improvements Program is an integral part of our housing revitalization and privatization programs. In fiscal year 2007, we are requesting $180.1 million for improvements to 1,084 existing units at four locations in the United States and three locations in Europe, as well as $156.8 million for scoring and direct equity investment in support of the privatization of 1,615 units at five RCI locations.

In fiscal year 2007, we are also requesting $16.3 million for planning and design for future family housing construction projects critically needed for our Soldiers.

Privatization.—RCI, the Army's Family Housing privatization program, is providing quality, sustainable housing and communities that our Soldiers and their families can proudly call home. This highly successful program is a critical component of the Army's effort to eliminate inadequate family housing in the United States. The fiscal year 2007 budget request of $156.8 million provides equity investment to privatize housing at two installations and revise development plans to build new housing at three previously privatized installations.

We are leveraging appropriated funds and Government assets by entering into long-term partnerships with nationally recognized private sector real estate development/management and homebuilder firms to obtain financing and management expertise to construct, repair, maintain, and operate family housing communities.

The RCI program currently includes 43 installations with a projected end state of over 82,000 units—over 90 percent of the family housing inventory in the United States. The Army has privatized over 60,000 homes through December 2005, and by the end of fiscal year 2007, we will have privatized housing at 36 installations with an end state of more than 76,000 homes.

ARMY FAMILY HOUSING OPERATIONS (AFHO)

The Army's fiscal year 2007 family housing operations request is $676,829,000 (for appropriation and authorization of appropriations), which is approximately 53 percent of the total family housing budget. This account provides for annual operations, municipal-type services, furnishings, maintenance and repair, utilities, leased family housing, demolition of surplus or uneconomical housing, and funds supporting management of the Military Housing Privatization Initiative.

Operations ($125 Million).—The operations account includes four sub-accounts: management, services, furnishings, and a small miscellaneous account. All operations sub-accounts are considered "must pay accounts" based on actual bills that must be paid to manage and operate family housing.

Utilities ($106 Million).—The utilities account includes the costs of delivering heat, air conditioning, electricity, water, and wastewater support for family housing units. While the overall size of the utilities account is decreasing with the reduction in supported inventory, per-unit costs have increased due to general inflation and the increased costs of fuel.

Maintenance and Repair ($205 Million).—The maintenance and repair (M&R) account supports annual recurring projects to maintain and revitalize family housing real property assets. Since most Family Housing operational expenses are fixed, M&R is the account most affected by budget changes. Funding reductions result in slippage of maintenance projects that adversely impact Soldier and family quality of life.

Leasing ($215 Million).—The leasing program provides another way of adequately housing our military families. The fiscal year 2007 budget includes funding for 12,091 housing units, including existing Section 2835 ("build-to-lease"—formerly known as 801 leases) project requirements, temporary domestic leases in the United States, and 6,387 units overseas.

RCI Management ($26 Million).—RCI management program provides operating funds for the privatization of military family housing. RCI costs include pay and travel of Army personnel, selection of private sector partners, environmental studies, real estate surveys, consultants to assist with developing and implementing projects, and oversight and analyses of the privatized housing portfolio.

OPERATION AND MAINTENANCE

The fiscal year 2007 Operation and Maintenance budget includes $2.384 billion in funding for Sustainment, Restoration, and Modernization (S/RM), $30.6 million for demolition, and $6.396 billion in funding for Base Operations Support (BOS). The S/RM and BOS accounts are inextricably linked with our Military Construction programs to successfully support our installations. The Army has centralized the management of its installations assets under the Installation Management Agency to best utilize this funding.

Sustainment, Restoration, and Modernization (S/RM).—S/RM provides funding for the Active and Reserve Components to prevent deterioration and obsolescence and restore the readiness of facilities on our installations.

Sustainment is the primary account in installation base support funding responsible for maintaining the infrastructure to achieve a successful readiness posture for the Army's fighting force. It is the first step in our long-term facilities strategy. Installation facilities are the mobilization and deployment platforms of America's Army and must be properly maintained to be ready to support current missions and future deployments.

The second step in our long-term facilities strategy is recapitalization by restoring and modernizing our existing facility assets. Restoration includes repair and restoration of facilities damaged by inadequate sustainment, excessive age, natural disaster, fire, accident, or other causes. Modernization includes alteration or modernization of facilities solely to implement new or higher standards, including regulatory changes to accommodate new functions, or to replace building components that typically last more than 50 years, such as foundations and structural members.

Base Operations Support.—This account funds programs to operate the bases, installations, camps, posts, and stations for the Army worldwide. The program includes municipal services, government civilian employee salaries, family programs, environmental programs, force protection, audio/visual, base communication services, and installation support contracts. Army Community Service and Reserve Component family programs include a network of integrated support services that directly impact Soldier readiness, retention, and spouse adaptability to military life during peacetime and through all phases of mobilization, deployment, and demobilization.

HOMEOWNERS ASSISTANCE FUND, DEFENSE

The Army is the DOD Executive Agent for the Homeowners Assistance Program (HAP). This program provides assistance to eligible military and civilian employee homeowners by providing some financial relief when they are not able to sell their homes under reasonable terms and conditions as a result of DOD announced closures, realignments, or reduction in operations when this action adversely affects the real estate market. For fiscal year 2007, HAP will maintain a baseline program. The fiscal year 2007 baseline program will be sustained with prior year unobligated funds and revenue from sales of acquired properties. The HAP baseline program assistance will be continued for personnel at installations that are impacted by non-

BRAC DOD closure or realignment activities resulting in adverse economic effects on local communities.

SUMMARY

Madam Chairman, our fiscal year 2007 budget is a balanced program that supports our Soldiers and their families, the Global War on Terrorism, Army transformation, readiness, BRAC 2005, and DOD installation strategy goals. We are proud to present this budget for your consideration because of what this $7.63 billion fiscal year 2007 budget will provide for our Army:

—New barracks for 7,150 Soldiers
—New housing for 1,622 families
—Management of 76,668 privatized homes
—Operation and sustainment of 45,454 government-owned and leased homes
—New or improved Readiness Centers for over 3,300 Army National Guard Soldiers
—New Reserve Centers for 3,800 Army Reserve Soldiers
—$175 million investment in training ranges
—Facilities support for two Stryker Brigades
—Facilities support for the Integrated Global Presence and Basing Strategy, European Theater
—Facilities support for six Modular Force Transformations

Our long-term strategies for installations will be accomplished through sustained and balanced funding, and with your support, we will continue to improve Soldier and family quality of life, while remaining focused on Army and Defense transformation goals.

In closing, we would like to thank you again for the opportunity to appear before you today and for your continued support for America's Army.

Senator HUTCHISON. Secretary Penn.

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

Mr. PENN. Madam Chairman, members of the subcommittee: I am honored to represent the sailors, marines, and civilians who serve in harm's way, along with those who provide critical support roles, to defend our freedom in far-away places and under difficult circumstances.

I would like to talk about one specific aspect that is of great interest. That is implementation of BRAC 2005. BRAC 2005 recommendations differ from previous rounds in that there are fewer closures and many more realignments. We have put in place the management structure, oversight, and funding to accomplish all our closures and realignment actions within the 6-year statutory timeframe. Once implemented, we predict savings in excess of $1 billion per year for the Department of the Navy.

For those locations we are departing due to closure or realignment, the Department of the Navy is deeply grateful for the support communities have given us over the years. They understand our unique mission needs and made our sailors, marines, and their families feel at home and a part of the community during your typical 2- to 3-year assignment.

Whether closing or realigning, change inevitably brings turbulence and uncertainty. That turbulence can be felt at bases we are saying goodbye to or at our new receiver base locations. To the affected communities, we will work with each of you to find equitable solutions during the 6-year statutory implementation period. To our sailors, marines, and particularly our dedicated civilian employees, we will work with you to ease your transition.

I recognize the concern by some members of Congress and communities regarding whether the substantial revenues the Department of Navy has obtained from the sale of property closed under the four previous BRAC rounds will lead us to seek property sale as the primary or exclusive disposal method for BRAC 2005. I want to emphasize that we will tailor a disposal strategy for each individual closing base in close consultation with local community representatives. We will not resort to one size fits all pursuit of public sale.

For example, in the less than 2 years since closing the former Naval Station Roosevelt Roads, Puerto Rico, the Local Redevelopment Authority has progressed rapidly in developing a reuse plan that uses just about all the disposal actions available—public benefit conveyances for conservation areas, port, airport, hospital and medical clinics, economic development conveyance for a science and research park, property transfer to the Army and the Coast Guard, along with a portion for public sale.

PREPARED STATEMENT

For properties appropriate for sale, we will work with the local municipality regarding any entitlements, land use zoning, or timing concerns before initiating the sale. Any revenue from land sale will be deposited in the BRAC 2005 account and used to defray BRAC 2005 implementation costs.

I look forward to working with the members of this committee and I wish to thank you for what you do for us. Thank you, ma'am.

[The statement follows:]

PREPARED STATEMENT OF B.J. PENN

Madame Chairman and members of the committee, I am pleased to appear before you today to provide an overview of the Department of Navy's shore infrastructure.

The Navy-Marine Corps team continues to operate in a complex, uncertain, and threatening global security environment. We must capitalize on our strengths as a rotational, forward-deployed, surge-capable force if we are to meet the challenges of a new era. We demonstrated our capabilities last year as we continued efforts to win the Global War On Terror while responding to major natural disasters, the Indonesian Tsunami and Hurricane Katrina, while continuing recovery efforts from Hurricane Ivan in 2004. We have a well skilled, highly motivated military, civilian and contract workforce; with the help of this committee, we must provide them the necessary tools to accomplish the mission.

HURRICANE RECOVERY EFFORTS

Hurricane Ivan

Ivan ravaged the Florida panhandle on mid September 2004, damaging 570 housing units, 850 structures, and destroying 100 buildings across Naval Air Station Pensacola and Naval Air Station Whiting Field. A facilities task force, led by RADM Shear, worked rapidly to restore critical mission capabilities and initiated the deliberate planning required to restore both bases.

As we look back, the Hurricane Ivan recovery is a tremendous success story. In parallel with initial recovery actions, we sought not simply to rebuild, but to reshape our facilities footprint to improve operational effectiveness, consolidate functions, and eliminate on-base excess capacity. Using the Navy Ashore Vision 2030 as a guiding vision and other strategic host and tenant planning documents, we project an overall 900,000 square foot reduction, along with reduced operating and maintenance costs, and efficiency improvements such as consolidating like functions from damaged facilities, and relocating destroyed facilities to more storm resistant locations.

The fiscal year 2005 Disaster Supplemental provided $468 million in Operations and Maintenance and $139 million military construction funds for our recovery ef-

forts. We have obligated all Operations and Maintenance funds, and five of the eight planned construction projects. We plan to award the remaining three construction projects by May 2006. Despite additional damage from Hurricane Katrina, NAS Pensacola and Whiting Field are fully mission capable.

Hurricane Katrina

Hurricane Katrina and subsequent storms severely impacted seven major bases, destroying buildings, rendering thousands homeless, and effectively shutting down operations for weeks while recovery began in earnest. Less than 20 percent of the 1,160 buildings across the seven affected bases escaped damage. Using techniques developed after Hurricane Ivan, we were prepared to promptly initiate recovery actions to ensure mission requirements were met while being good stewards of taxpayer funds.

The Department of Navy has received $1.5 billion in Operations and Maintenance funds, of which $853 million provided immediate facility and base support needs. Over 60 percent of these funds have been obligated to date. We have received an additional $411 million in military construction to support 34 construction projects. We expect to award all of these construction projects by the end of this fiscal year and I am confident that our facility execution is on pace to meet requirements and support recovery efforts.

The Administration recently requested a fourth Supplemental for Hurricane Recovery, which included $43 million in Operations and Maintenance and $78 million military construction. These funds will replace collateral equipment, complete facility repairs, and provide military construction funds at Naval Air Station Joint Reserve Base Belle Chase LA; Construction Battalion Center, Gulfport MS; and John C. Stennis Space Center, MS. This Supplemental request also includes important fund transfer authority that will allow us to more effectively use available funds as we continue recovery efforts.

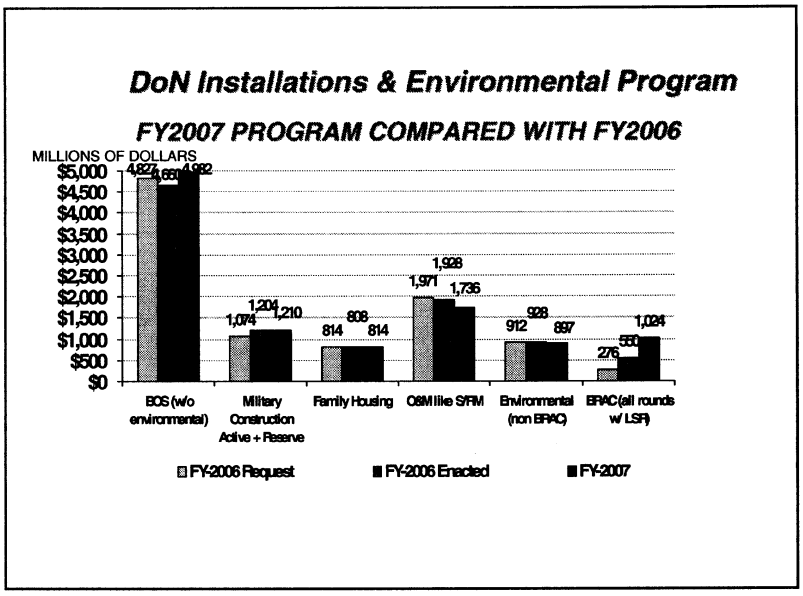
Task Force Navy Family

The devastation to our infrastructure wrought by the recent spate of hurricanes has also left a wide swath of devastation in the personal lives of our military, civilian, retirees and their families as they tackle their own recovery efforts. The Navy established Task Force Navy Family immediately after the hurricane to provide personalized assistance to help our Navy family members return to a sense of normalcy. A case manager helps family and service members on all aspects of personal recovery, from securing accommodations, replacing vital documents, filing insurance claims, or reuniting with their pets. As we transition Task Force Navy Family functions into our existing Navy personnel support architecture, we will continue to help each member and family through this time of crisis until all needs are met.

THE NAVY'S INVESTMENT IN FACILITIES

The Department of Navy's shore infrastructure is a critical factor in determining our operational capabilities and shaping our security posture. It's where we train and equip the world's finest Sailors and Marines, while developing the most sophisticated weapons and technologies. The Department of Navy manages a shore infrastructure with a plant replacement value of $180 billion on 4 million acres. Our fiscal year 2007 shore infrastructure budget totals $10.3 billion, representing about 8 percent of the Department of Navy's fiscal year 07 request of $127 billion.

The Base Operating Support request of $5.0 billion, excluding environmental, comprises the largest portion of the Navy's facilities budget request. This account funds the daily operations of a shore facility, e.g., utilities, fire and emergency services; air and port operations; community support services; and custodial costs.



Our request for fiscal year 2007 of $5.0 billion reflects a $321 million increase from the enacted fiscal year 2006 level. This change is due in part to pricing changes as well as transfer of Norfolk and Portsmouth Naval Shipyards to mission funding.

Fiscal year 2007 military construction request of $1.2 billion is the same as the enacted fiscal year 2006 level. The request includes $48 million for Navy and Marine Corps reserve construction efforts. This level of funding keeps us on track to eliminate inadequate bachelor housing, and provides critical operational, training and mission enhancement projects.

While our fiscal year 2007 Family Housing request of $814 million is about the same as fiscal year 2006 enacted level of $808 million, there are substantial changes within the account: construction funds increase, including seed funds for Navy and Marine Corps privatization, and operations and maintenance funds decline as government owned inventory falls by 4,820 homes due to privatization.

Sustainment, Restoration and Modernization (S/RM) includes military construction and operation and maintenance funds. Our fiscal year 2007 request of $1.7 billion represents only the amount of S/RM funded with Operations and Maintenance, and is $192 million below the enacted fiscal year 2006 level due to efficiencies.

Our $897 million environmental program at active and reserve bases is comprised of operating and investment appropriations, which combined are $31 million below the fiscal year 2006 enacted level. Most of the reduction is due to reduced shipboard procurement needs and not continuing one-time Congressional adds in research and technology development.

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

—Our prior BRAC request is $334 million, an increase of $31 million over our fiscal year 2006 program of $303 million. The entire prior BRAC effort is financed with revenue obtained from the sale of prior BRAC properties.

—This fiscal year 2007 budget continues to implement the BRAC 2005 recommendations. The Department of Defense recently submitted the fiscal year 2006 plan to the Congress, including $247 million for the Department of Navy. The fiscal year 2007 request rises to $690 million.

Here are some of the highlights of these programs.

MILITARY CONSTRUCTION

Military Construction Projects

The Department of Navy's fiscal year 2007 Military Construction program requests appropriations of $1.2 billion including $67.8 million for planning and design

and $9 million for Unspecified Minor Construction. The authorization request totals $825.6 million. The Navy and Marine Corps Reserve Military Construction appropriation request is $48.4 million.

The active Navy program consists of:

—$85 million for four quality of life projects for Homeport Ashore, Great Lakes Recruit Training Command recapitalization and the Naval Academy.

—$348 million for ten waterfront and airfield projects. $207 million of this is for six projects supporting new weapons platforms such as H60R/S, SSGN, F/A 18 E/F/G, and T-AKE.

—$48 million for four special weapons protection projects.

—$88 million for six Operational Support projects such as the Joint Deployment Communications Center in Norfolk, VA.

—$29 million for two Research, Development, Testing and Evaluation (RDTE) projects supporting new VXX and MMA weapons platforms; and

—$30 million for three training facilities supporting simulators for MH60 and a Damage Control Wet Trainer.

The active Marine Corps program consists of:

—$180 million for five bachelor quarters, three dining facilities and a battle aid station;

—$85 million for seven operations and training facilities;

—$33 million for continuing an environmental compliance project at Marine Corps Base Camp Pendleton;

—$60 million to provide six maintenance facilities at Marine Corps Air Station New River, Camp Pendleton CA, and Marine Corps Air Ground Task Force Center Twentynine Palms CA;

—$51 million for a variety of projects including land acquisition, armories, a missile magazine, ammunition supply point upgrades, and a fire station;

—$62 million for the final settlement for acquiring Blount Island property

The Navy and Marine Corps Reserve program consists of two Administrative and Boat Storage Facilities for Inshore Boat Units, five Reserve Centers, and an Aviation Joint Ground Support Facility.

Incremental funding of Military Construction Projects

Military construction projects are said to be incrementally funded when full authorization and only partial appropriation is sought in the first year. None of the annual appropriation requests provide a "complete and usable" portion of the facility. The Office of Management and Budget directed a new policy beginning with the fiscal year 2007 budget submission that permits incremental funding of new construction projects only on an exception basis. Previously approved incrementally funded projects, and construction projects for BRAC are exempted. This new policy replaces the previous policy, which allowed incremented projects in part if the cost exceeded $50 million and construction was expected to exceed 2 years. Our fiscal year 2007 budget request includes only one new incrementally funded project, the National Maritime Intelligence Center.

Marine Corps Special Operations Command (MARSOC)

On 28 October 2005, the Secretary of Defense approved a Marine component within the Special Operations Command. The new Marine component will provide approximately 2,600 Marine and Navy billets within U.S. Special Operations Command (SOCOM), led by a Marine Brigadier General. The MARSOC will conduct direct action, special reconnaissance, counterterrorism and foreign internal defense. MARSOC will have an initial operational capability this fall and full operational capability by 2010. The budget request includes $152 million for construction projects at Camp Lejeune and Camp Pendleton for the standup of MARSOC.

Certification of fiscal year 2007 construction costs

The Conference Report accompanying the Military Quality of Life and Veterans Affairs Appropriations Act of 2006 directed each Assistant Secretary with responsibility for installations to certify that the impact of natural disasters on project costs had been considered in preparing the budget submission. Our fiscal 2007 military construction request includes a directed 3.1 percent inflation cost adjustment. While we have been experiencing up to a 30 percent cost increase for construction costs in the Southeast and Gulf Coast, our fiscal year 2007 request contains relatively few projects in this area. We expect that labor and material costs will stabilize by the time these projects are ready to be executed in fiscal year 2007.

FACILITIES MANAGEMENT

Facilities Sustainment, Restoration and Modernization (SRM)

The Department of Defense uses a Sustainment model to calculate life cycle facility maintenance and repair costs. These models use industry-wide standard costs for various types of building and geographic areas and are updated annually. Sustainment funds in the Operation and Maintenance accounts are used to maintain facilities in their current condition. The funds also provide for preventative maintenance, emergency responses for minor repairs, and major repairs or replacement of facility components (e.g. roofs, heating and cooling systems) that have reached the end of their service life. Both the Navy and the Marine Corps are budgeting and nearly achieving the Department of Defense goal of 95 percent sustainment.

[Percent]

Percent sustainment	Fiscal year		
	2005	2006	2007
USN Budget	95	95	95
USN Actual/Plan	90	92	.....
USMC Budget	95	94	93
USMC/Actual/Plan	94	92	.....

Restoration and modernization provides major recapitalization of our facilities using Military Construction, Operation and Maintenance, Navy Working Capital Fund, and Military Personnel 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 Department of Defense goal is to attain a 67-year rate by fiscal 2008. This is a relatively coarse metric, as demonstrated by the dramatic improvement in execution from the substantial investment of the fiscal year 2005/2006 Hurricane Supplemental, which substantially improved only those bases affected by the storm. We are working with the Office of the Secretary of Defense and the other Components to develop a recap model similar to the Sustainment model.

Recap years	Fiscal year		
	2005	2006	2007
USN Budget	136	105	83
USN Actual/Plan	78	56	.....
USMC Budget	95	102	112
USMC Actual/Plan	72	94	.....

Base Operating Support Models

The Navy uses business-based models and capabilities based approach to budget for Base Operating Support costs. The models use defined metrics and unit costs that are benchmarked against historic performance and industry standards, and link resources to definable, variable levels of outputs. Funding requirements are identified for at least three levels of output (or capability level) for each major shore service and support function, and the cost and risk of each output level. This new CBB process allows us to set funding levels on needed output levels, deliverables, and associated risks rather than prior funding levels. In a resource-constrained environment, it is imperative that we program, budget and execute the right resources at the right time for the right service.

Naval Safety

Navy Secretary Winter has continued former Navy Secretary England's commitment to making mishap reduction one of the top five Department of Navy performance objectives. We want safety to be an active—not passive—aspect of our work and play. In addition to keeping our people safe, there are substantial cost avoidance through robust risk management. Fiscal year 2005 produced solid progress in Navy and Marine Corps mishap reduction. At the end of fiscal year 2005, we performed better than the 5-year average in two-thirds of the mishap categories.

One very successful effort has been the Occupational Safety and Health Administration (OSHA) Voluntary Protection Program (VPP), which focuses on management leadership and employee involvement teaming together to improve safety. Portsmouth VA , Norfolk VA, and Puget Sound WA Naval Shipyards have successfully achieved VPP STAR recognition from OSHA, while Pearl Harbor Naval Shipyard's

application is under review. Lost workday rates due to injury have been reduced by 50 percent at Norfolk and 60 percent at Puget Sound in 3 years, 37 percent at Pearl Harbor in 2 years, and Portsmouth has consistently exceeded the Department of Defense 50 percent mishap reduction goal.

Facilities Management Consolidation

Commander, Navy Installations (CNI) has now successfully completed its second year and has made significant improvements to Navy shore services. Among the many significant CNI efforts this year was the hurricane disaster recovery response in the Gulf Coast Region. Recovery and assessment teams responded promptly to restore infrastructure, make immediate repairs and capture critical data to plan for long term rebuilding of devastated bases like the Seabee Base in Gulfport, MS; Stennis Space Center in Bay St. Louis, MS; Naval Bases in New Orleans as well as several Reserve Centers in the Gulf Region.

Similarly, the Marine Corps is transforming its bases from singularly managed and resourced entities to ones strategically managed in geographic regions. Our bases and stations (except recruit training depots) will fall under the direction of five Marine Corps Installation Commands with the majority of the installations under the oversight of Marine Corps Installation Command—East and Marine Corps Installation Command—West. Regionalization will enhance warfighter support, improve alignment, enhance the use of regional assets, return Marines to the Operating Forces, and reduce costs.

Encroachment mitigation

We are successfully applying the recent authority to enter into agreements with state and local governments and eligible non-government organizations to address potential development near our installations and ranges that could limit our ability to operate and train. In the past 2 years we have acquired restrictive easements from willing sellers covering over 3,360 acres in the vicinity of Marine Corps Base Camp Lejeune NC, Marine Corps Air Station Beaufort SC, Mountain Warfare Training Facility La Posta CA, Naval Air Station Pensacola FL, and Outlying Landing Field Whitehouse FL. We have used our Operation and Maintenance funds and Department of Defense Readiness and Environmental Protection Initiative (REPI) funds. Our partners have used our contributions together with their own resources to acquire property interests from willing sellers and re-conveyed restrictive easements to us.

We expect that this program will continue to grow. Navy and Marine Corps are developing service-wide encroachment management programs to guide future priorities. Marine Corps is participating in conservation forums across the country with a variety of state and local governments and conservation organizations. The fiscal year 2007 President's budget includes $8.5 million for Navy and $5 million for Marine Corps encroachment protection initiatives, and we expect allocation of a share of the fiscal year 2007 $20 million REPI funds

Energy

Through the end of fiscal year 2005 the Department of Navy reduced its energy consumption, compared to a fiscal year 1985 baseline, by nearly 30 percent, thus meeting Executive Order 13123 goals.

Last year the Navy opened a wind/diesel power plant at Naval Station Guantanamo Bay, Cuba. The four—950 KW windmills generate 30 percent of the base's electrical needs. The Navy also awarded a geothermal power plant at NAS Fallon, NV that will generate a minimum of 30 MW of power. Similar to the Navy's existing 270 MW geothermal power plant at Naval Air Warfare Center China Lake, CA these power plants generate electricity from the earth's heat without creating pollution. The Navy is testing a wave power buoy off Marine Corps Base Kaneohe, HI and is finalizing the design of an Ocean Thermal Energy Conversion (OTEC) plant off Diego Garcia that will produce the island's electrical and potable water requirements using the temperature difference between warm surface water and cold, deep ocean water. These projects will reduce the Department of Navy's use of foreign oil, reduce greenhouse gas production and improve energy security.

HOUSING

Our fiscal year 2007 budget continues progress in improving living conditions for Sailors, Marines, and their families. We have programmed the necessary funds and expect to have contracts in place by the end of fiscal year 2007 to eliminate all of our inadequate family and virtually all inadequate unaccompanied housing.

Family Housing

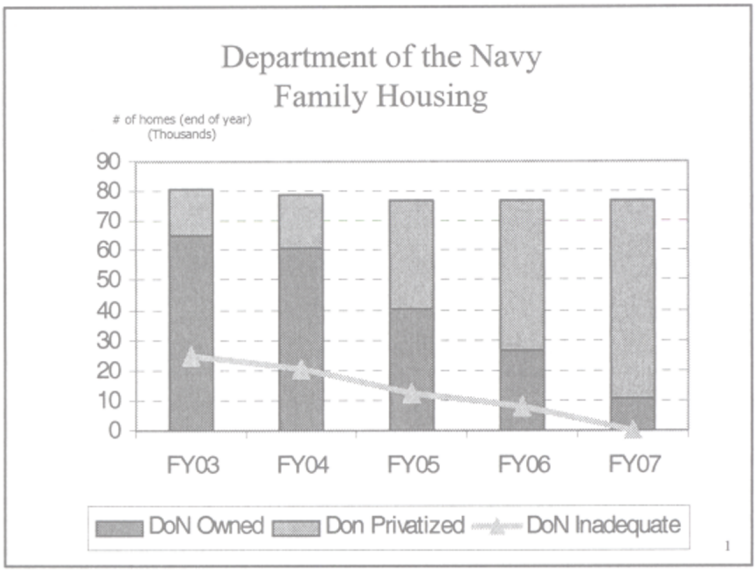
Our family housing strategy consists of a prioritized triad:

—*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 Basic Allowance for Housing 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.

As of March 1, we have awarded 19 projects totaling over 38,000 units. As a result of these projects, over 24,000 homes will be replaced or renovated. Additionally, close to 3,000 homes will be constructed for Navy and Marine Corps families. Through the use of these authorities we have secured about $4 billion in private sector investment from $453 million of our funds for the 19 projects. This represents a leverage ratio of over nine to one.



During fiscal year 2006 and 2007, we plan to award ten Navy and Marine Corps family housing privatization projects totaling almost 28,000 homes. By the end of fiscal 2007, the Navy and Marine Corps will have privatized 97 percent and 98 percent, respectively, of their U.S. housing stock.

Planned Privatization Awards

Location	# homes
Fiscal Year 2006	
San Diego (Phase 3)	4,268
Navy Hawaii (Phase 2)	2,520
Marine Corps Base Hawaii	1,175
Camp Lejeune/Cherry Pt (Phase 2)	960
Camp Pendleton (Phase 4)	3,359
FY 2006 Total	12,282
Fiscal Year 2007	
Southeast Region	8,038
Southwest Region	3,959
MCB Hawaii (Phase 2)	917
Camp Lejeune/Cherry Pt (Phase 3)	2,477
Camp Pendleton (Phase 5)	147
FY 2007 Total	15,538
Total FY 2006-2007	**27,820**

Our fiscal year 2007 family housing budget request includes $305 million for family housing construction and improvements. This amount includes $175 million proposed for use as a Government investment in family housing privatization projects planned for fiscal year 2007 award. It also includes the replacement or revitalization of inadequate housing located at locations where privatization is not planned, most notably Guam and Japan. Finally, the budget request includes $509 million for the operation, maintenance, and leasing of Government-owned inventory.

Unaccompanied Housing

Our budget request of $207 million for milli unaccompanied housing 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 13,000 E1–E3 unaccompanied Sailors worldwide who live aboard ship even while in homeport. The Navy's goal remains to program funding through fiscal year 2008 to achieve its' "homeport ashore" initiative by providing ashore living accommodations for these Sailors. We intend to achieve this goal through a mix of military construction, use of privatization authorities and, for the interim, more intensive use of our unaccompanied housing capacity by assigning two or more Sailors per room. Our fiscal year 2007 budget includes one "homeport ashore" construction project for $21 million to complete Naval Station Everett, WA (410 Spaces).

—*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 a private 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 16; the Marine Corps by fiscal year 2012. We have also been granted a waiver to the "1 + 1" standard to allow us to build an enlisted unaccompanied housing project in Norfolk to private sector standards. We believe this will provide better housing for unaccompanied Sailors without increasing the average housing cost.

—*Eliminate gang heads.*—The Marine Corps has programmed all necessary funding, through fiscal year 2005, to eliminate inadequate unaccompanied housing with gang heads[1] for permanent party personnel. The Navy will achieve over 99 percent of this goal by fiscal year 2007.

Unaccompanied Housing Privatization

We continue to pursue unaccompanied housing pilot privatization. We are in exclusive negotiations with a private partner for our first pilot project at San Diego. This project would build 700 apartments for unaccompanied E4s and above and privatize 254 existing Government-owned unaccompanied housing modules. Although the construction of new units does not directly target the Homeport Ashore requirement (unaccompanied E1–E3s assigned to sea duty), it will help by freeing up existing rooms as other Sailors move out of Government-owned unaccompanied housing and move into privatized housing. We expect to award this project this spring.

We have also started procurement for a second pilot project at Hampton Roads, Virginia. This project would build 725 apartments at up to three different sites and privatize 806 existing unaccompanied housing modules. All housing will be targeted to unaccompanied shipboard E1–E3 personnel. We recently selected four highly qualified teams and invited them to submit detailed technical and financial proposals. We expect to award this project in April 2007.

Last year we were evaluating the Pacific Northwest as a third pilot site. We have since concluded that the Pacific Northwest is not viable because the requirement is linked with one large ship (unlike San Diego and Hampton Roads which are fleet concentration areas), the private partner cannot recapitalize the housing over the long term given projected cash flows. We will now proceed to use the fiscal year 2005 appropriated and authorized funds as a MILCON project at Bremerton. We are evaluating opportunities at other locations.

ENVIRONMENT

Marine Mammals/Sonar R&D investments

The Navy recognizes the need to protect marine mammals from anthropogenic sound in the water and has budgeted $10 million in fiscal year 2006 and 2007 for research and development efforts. Funding will focus on techniques to track the location of marine mammals, their abundance and movement (particularly beaked whales); determining sound criteria and thresholds; and developing new mitigation and monitoring techniques. The Navy has expanded its research on the effects of mid-frequency sonar to include effects on fish. Navy's Protective Measures Assessment Protocol (PMAP) has become a routine operating procedure during all exercises. PMAP measures include surface vessels using trained look-outs in marine mammal areas, and submarines monitoring passive acoustic detection for vocalizing marine mammals.

Shipboard Programs

The Navy continues to convert air conditioning and refrigeration plants on its surface fleet from ozone depleting CFCs to environmentally friendly coolants. We plan to spend a total of $400 million on this effort, including $22 million in fiscal year 2007. We expect to complete the conversion of nearly 900 CFC–12 plants by the year 2008, and over 400 CFC–114 plants by the year 2014.

The Navy has also been installing pollution prevention equipment on 16 ship classes. We will have spent $35 million to install suites of pollution prevention equipment (e.g., aqueous parts washers, cable cleaners/lubricators, paint dispensers) on ships upon completion this September.

[1] Gang heads remain acceptable for recruits and trainees.

Natural and Cultural Resources

The Department spends about $30 million per year on natural and cultural resources at Navy and Marine Corps installations. Resources are invested in preparing, updating, and implementing Integrated Natural Resources Management Plans (INRMPs). Protecting threatened and endangered species and their habitats is a major aspect of the INRMPS at many bases. The National Defense Authorization Act of 2004 included a provision that allowed the Secretary of Interior to forgo designation of critical habitat on military lands upon a determination that the INRMP provided sufficient species and habitat protection. I am pleased to report that all final critical habitat designations since 2004 have excluded designations on Navy and Marine Corps property.

Our cultural resources provide a tangible link with our past while supporting the mission of today's Navy and Marine Corps warfighters. Both Navy and Marine Corps are developing Cultural Resources Management Plans similar to INRMP. A major effort is to prepare broad based programmatic alternatives to case-by-case consultation similar to the highly successful program comments on Capehart-Wherry era family housing. DON is also working to expand its efforts to make cultural resources management an integral part of our broader asset management program.

Alternative Fuel Vehicles

In fiscal year 2005 the Department of the Navy met or exceeded the Alternative Fuel Vehicle (AFV) acquisition mandates from the Energy Policy Act and Executive Order 13149. The Department was named winner of the National Biodiesel Board's National Energy Security Award and the U.S. Marine Corps won a White House Closing the Circle Award for meeting Executive Order 13149 requirements 3 years earlier than required. Among the AFV related initiatives are increased use of Biodiesel (B–20), increased fleet fuel economy, increased procurement of hybrid vehicles and increased use of neighborhood vehicles. Ethanol (E-85) is becoming a more significant alternate fuel. The Navy has approximately 7,000 vehicles capable of operating on E-85. We are also investigating the use of hydrogen fuel cell vehicles.

Installation Restoration Program (IRP)

The Department of the Navy has completed cleanup or has remedies in place at 75 percent of our 3,700 contaminated sites. We plan to complete the program by the year 2014. The cost-to-complete the installation restoration program continues a downward trend with efficiencies of $600 million over the past 10 years. Use of new technologies, land use controls, remedy optimizations, contract efficiencies, and a dedicated professional staff has contributed to these efficiencies. Our fiscal year 2007 request of $304 million consists of $219 million for IRP, $41 million for program management, and $44 million for Munitions response.

Munitions Response Program (MRP)

This relatively new program provides cleanup actions for Munitions and Explosives of Concern (MEC) and Munitions Constituents (MC) at all Department of the Navy locations other than operational ranges. We plan to complete preliminary assessments at all 213 known sites on 56 active installations by 2007. Site inspections (which include sampling) will be completed by 2010. We will not have credible cleanup cost estimates until these assessments are completed in 2010. We are conducting major cleanups at the former range on Vieques, Puerto Rico and at Jackson Park Housing Complex in Washington State, in addition to efforts at prior BRAC locations.

PRIOR BRAC CLEANUP & PROPERTY DISPOSAL

The BRAC rounds of 1988, 1991, 1993, and 1995 were a major tool in reducing our domestic base structure and generating savings. The 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.

Last year we conveyed the last 427 acres at the former Naval Complex, Charleston, SC and the last acre at Naval Air Station, Key West, FL. Additionally, at the former Hunters Point Naval Shipyard in San Francisco, the DON conveyed 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, excluding Roosevelt Roads) left to dispose by the end of this fiscal year.

Land Sale Revenue

We have continued our success in using property sales to assist in environmental cleanup and property disposal as well as recover value for taxpayers. We have used General Services Administration (GSA) on-site auctions, GSA Internet auctions, and Internet auctions using commercial real estate brokers. Through a combination of cost Economic Development Conveyances, Negotiated Sales, and Public Sales, the DON has received over $1.1 billion in revenues. We have applied these funds to finance and accelerate our entire fiscal year 2006 and fiscal year 2007 environmental cleanup at the remaining prior BRAC locations.

Last year the DON completed its largest public sale via Internet auction consisting of four parcels totaling 3,720 acres at the former Marine Corps Air Station, El Toro in Irvine, CA, for a total of $649.5 million. The Internet auction public sale of 62 acres at the former San Pedro housing site in Los Angeles, CA, sold for $88 million. We also completed a GSA internet auction for the former Naval Hospital Oakland, CA. Known as Oak Knoll, we anticipate closing escrow for $100.5 million in early March 2006. These sales have provided the communities with taxpayer and community benefits 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. These sales enabled the buyers to work with the homeless assistance organizations to provide the type of services needed in that community, either in land and buildings or funds for needed programs. In addition, the El Toro sale enabled the community to fulfill its vision of creating a public park without using local tax dollars.

We are pursuing disposal of the former Naval Station Roosevelt Roads through a mix of public benefit, economic benefit, property transfer to Army, as well as property sale planned for late 2007.

Prior BRAC Environmental Cleanup

The DON has spent over $2.6 billion on environmental cleanup at prior BRAC locations through fiscal year 2005. We estimate the remaining cost to complete cleanup at about $482 million for fiscal year 2008 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.

Significant environmental progress is planned for fiscal year 2006/2007, with nearly half of the funding planned for three bases. At Alameda Naval Air Station, progress will include funding environmental planning, design, and construction activities for the majority of active sites. Hunters Point Shipyard's progress will include completion of the radiological program for all land parcels and completion of all Remedial Investigations and Feasibility Studies. Progress at the former Moffett Federal Air Field includes completion of all remaining environmental construction activities.

BRAC 2005 IMPLEMENTATION

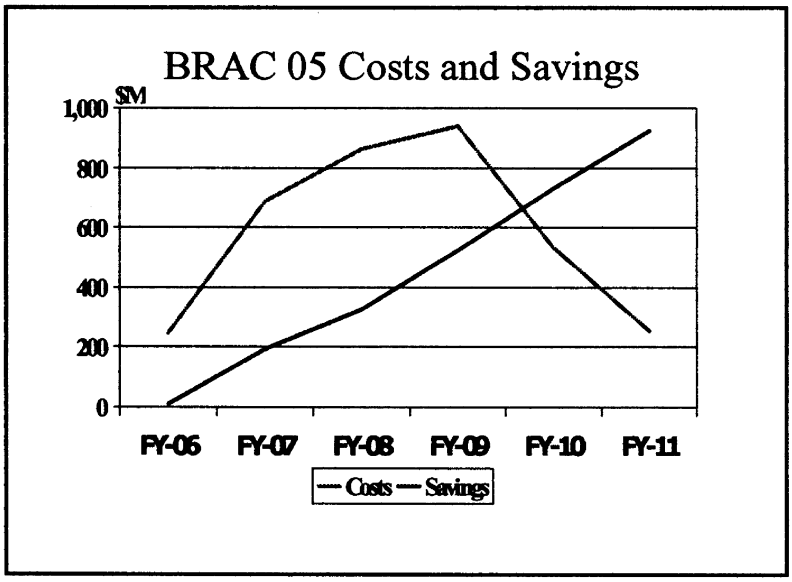
The BRAC 2005 Commission recommendations became legally binding on the Department of Defense on 9 November 2005. In contrast to prior BRAC commissions, the BRAC 2005 recommendations have fewer closures and more realignments, particularly realignments that involve more than one military Service or Defense Agency. The Department of Navy has 6 "fence line" closures and 81 realignment recommendations involving 129 bases.

BRAC 2005 Implementation Funds

I am pleased to report that the Department of the Navy has fully financed its BRAC 2005 implementation plans across the FYDP. We have put in place the management structure, oversight, and funding to accomplish all closure and realignment actions within the 6 year statutory time frame.

We are financing our implementation plans through a combination of (1) funds previously set aside by OSD for this purpose and recently allocated in all years of the FYDP (i.e., the BRAC wedge); (2) identification, capture, and reinvestment into the BRAC account of savings (primarily infrastructure and civilian personnel savings) generated by closure and realignment actions; (3) investment of $500 million in Navy funds. Additional savings, notably MILPERS savings and realignment of

Fleet Readiness Centers, are being used to finance other Department of the Navy priorities. Annual savings exceed annual costs in fiscal year 2010. The budget reflects only modest savings in fiscal year 2007, but it is expected that overall savings will exceed $1 billion annually after fiscal year 2011.



Preparing to Implement BRAC 2005

Due to the complexity of the many joint recommendations, the Department of Defense is using detailed business plans for each BRAC recommendation to ensure consistent, timely execution and all necessary coordination across the Components. Each of our business plans, which averages 40 pages in length, includes extensive details on costs and savings, schedules, and supporting Form DD1391s for each construction project. Each business plan must be reviewed and approved by the Infrastructure Steering Group[2] prior to any expenditure of funds for a given recommendation. We expect approval of the first Navy business plans in the near future. In the meantime, the first BRAC 2005 funds are being released by OSD to begin formal planning efforts, beginning construction design and prepare contracting documents, and initiate National Environmental Policy Act (NEPA) studies for disposal and receiver sites.

We prioritized our fiscal 2006 and fiscal year 2007 implementation plans to give priority to actions with higher savings, funding all NEPA requirements, initiating the necessary military construction planning and design, and incrementally funding larger MILCON projects based on how much work can be accomplished in each fiscal year. All construction projects in fiscal year 2006 use design/build as the acquisition methodology and qualify as a NEPA categorical exclusion. Fiscal year 2007 projects are primarily design build, and require no more than a NEPA Environmental Assessment before construction can begin. We are working closely with the other Components to establish firm requirements, schedules, and the scope and funding for required military construction for implementing joint recommendations.

The table below depicts our fiscal year 2006 and fiscal 2007 plans. At several receiver sites, design and construction will begin in 2006 in conjunction with planning of closure actions at the respective closing installations. Realignments of several commands from leased space to owned space in the National Capital Region will

[2] The Infrastructure Steering Group is chaired by the Under Secretary of Defense for Acquisition and Technology and Logistics, and includes the Deputy Under Secretary of Defense and Service Assistant Secretaries for Installations and Environmental, and the Service Vice Chiefs of Staff.

begin in fiscal 2006. Five major realignments will start in fiscal 2007. Other smaller closure and realignments begin in fiscal yeaer 2006 and continue in fiscal year 2007.

[Millions of dollars]

Significant Action	Fiscal year	
	2006	2007
BRAC planning, design and management	60	59
NEPA environmental planning & cleanup	17	6
Design/build MILCON & closure efforts:		
Naval Air Station Brunswick, ME	23	95
Naval Support Activity New Orleans, LA	55	125
Naval Station Pascagoula, MS	17	2
Naval Station Ingleside, TX	5	103
Closure efforts at Naval Air Station Atlanta, GA		36
Closure efforts at Naval Supply Corps School Athens, GA		23
Initiate relocations from leased space in National Capitol Region		23
Initiate realignments:		
Fleet Readiness Centers at various locations	1	36
NAVFAC EFD/EFAs, various locations	14	37
Naval Station Newport, RI		28
San Antonio Regional Medical Center, TX		49
Naval Integrated Weapons & Armaments RDAT&E Center		42
Other closure/realignment efforts	23	49
Total	247	690

BRAC 2005 Significant Actions.

We are building on our experience with cleanup and property disposal from prior BRAC rounds. A BRAC Program Management Office has overall responsibility for coordination of BRAC actions, as well as for completing cleanup and disposal of the remaining property from all BRAC rounds.

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. In contrast to prior BRAC, the cost to cleanup environmental contamination at BRAC 2005 locations is about $60 million. 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. We expect to take advantage of these private sector capabilities.

The Department will use a mix of public and economic benefit conveyances, transfers to other Components or Federal agencies, as well as public sale for property disposal. We expect developers with the experience and expertise to complete the cleanup during redevelopment. Communities get the property onto local tax rolls and redeveloped more quickly, and controls development through traditional land use planning and zoning.

MEETING THE EXECUTION CHALLENGE

The ambitious programs I have outlined above, encompassing military and family housing construction, continuing recovery efforts in the Gulf Coast, and BRAC-related construction, represent an execution effort of over $3.4 billion over the fiscal year 2006/2007 timeframe. A daunting challenge, but one that the Navy is well-positioned to meet. The global pre-positioned presence of a highly trained workforce that offers the full spectrum of products and services allows us to shift execution outside of traditional regional boundaries to balance spikes in workload caused by events such as the natural disasters of 2004 and 2005 and BRAC. The Navy has a wide array of contracting tools and in-place capacity to efficiently address substantial workload increases. We will work to master the challenges with the supply of a competitive contractor workforce, and market conditions affecting costs of materials and equipment.

CONCLUSION

We cannot meet the threats of tomorrow by simply maintaining today's readiness and capabilities of our physical plant. We must continue to transform and recapitalize for the future without jeopardizing our current readiness and the strides we have made—and continue to make—in managing our shore infrastructure. With our partners in industry, the acquisition community, and with the continuing support

of the Congress, the Department of Navy will build and maintain installations that are properly sized, balanced—and priced for tomorrow.

Senator HUTCHISON. Thank you.

Secretary Anderson.

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

Mr. ANDERSON. Madam Chairman and members of the committee: I will make my remarks brief here this afternoon.

The Air Force has three main challenges: winning the long war on terror, developing and caring for our airmen, and recapitalizing and modernizing our air and space systems. I will quickly highlight how we plan to meet these challenges in military construction, environmental, and base realignment and closure programs.

Our first challenge is winning the long war on terror. As I testify today we have approximately 2,400 deployed Air Force civil engineers. About a 1,000 of those are deployed outside the wire in direct support of coalition missions. To date the Air Force civil engineers have overseen repair of 469 schools, the construction of 11 clinics, the rebuilding of three airports and numerous military facilities such as barracks and dining halls.

Our second challenge is developing and caring for our airmen. Our total force MILCON, family housing, sustainment, restoration and modernization programs are paramount to supporting operational requirements and maintaining a suitable quality of life for our men and women in uniform and their families.

One program that is particularly successful for the troops is eliminating inadequate dorms. With your help, the Air Force is on track to replace all inadequate dorms and the budget request before you will complete the funding of those efforts.

Another success story is family housing. The Air Force's budget request completes funding for stateside housing and continues our progress overseas. Combined with our highly successful privatization program, we think this is a good news story for the airmen and their families.

Being good stewards of the environment is another way we develop and care for our airmen. For example, the Air Force is testing, evaluating, purchasing, and using green technologies with alternative non-hazardous products in aircraft painting, de-icing, and other operational areas to reduce the generation of waste and eliminate worker exposure to hazardous substances. We are expanding the usage of alternative fuels, like ethanol, in our military and Government fleet vehicles. In 2005 the Air Force was the Nation's largest purchaser of renewable power from wind, solar, geothermal, and other green sources.

We are diligently implementing an Air Force-wide comprehensive safety and health program. By benchmarking industry best in class programs and to leverage our own experience, the Air Force is reducing the risk of injuries and keeping the environment free of contaminants.

Finally, our military construction and realignment and closure programs are vital to optimizing our weapons systems capabilities and effects. The latest round of base realignments and closures will provide more opportunities to improve our Air Force. Our BRAC

activities for fiscal years 2006 and 2007 are fully funded and we have begun implementation of these actions.

In conclusion, Madam Chairman, I thank the committee for strong and continued support. The readiness of our airmen and the capabilities of our weapons systems depend upon the infrastructure we support with the Air Force's military construction, housing, environmental and safety programs. I welcome any questions the committee may have.

[The statement follows:]

PREPARED STATEMENT OF WILLIAM C. ANDERSON

Madam Chairman, Senator Feinstein, and distinguished members of the committee, as the Air Force continues to transform, we have three major priorities: winning the Global War on Terror, developing and caring for our Airmen, and maintaining, modernizing and recapitalizing our aircraft and equipment. The Quadrennial Defense Review (QDR) guides and supports Air Force transformation and enables us to deliver more sovereign options for the defense of the United States of America and its global interests. We will fund transformation through organizational efficiencies, process efficiencies, and reduction of legacy systems, which will ultimately reduce our manpower requirements. Our military construction (MILCON) and Base Realignment and Closure (BRAC) programs are vital to achieving our vision to develop and care for our Airmen, as well as optimizing our weapon systems' capabilities and effects. Quality bases, facilities and dwellings are the foundation of developing and caring for our Airmen.

The Air Force fiscal year 2007 MILCON submission represents our commitment to these three priorities. A key and essential enabler in Air Force transformation, MILCON continues critical weapon system beddowns and improves the Quality of Life (QOL) of our Airmen. This year's Air Force MILCON budget request is the largest in 15 years, over $1.3 billion, with increases across the spectrum of air and space operations and throughout our Total Force. Our fiscal year 2007 family housing submission will keep us on target to eliminate inadequate housing and enables us to exceed our goal to privatize 60 percent of our CONUS housing by the end of fiscal year 2007. The risk taken in facility recapitalization and facility sustainment allows the Air Force to support modernization and transformation. However, even with the risks taken we continue to fund our most critical requirements: (1) new missions, (2) depot transformation, (3) housing and dormitories, (4) fitness centers and (5) child care centers. The facility recapitalization rate for fiscal year 2007 is 125 years. OSD's Strategic Planning Guidance directs meeting the 67-year recap rate metric in fiscal year 2008 and maintaining thereafter, and Air Force proposals over the remainder of the Future Years Defense Plan (FYDP) have us on track to meet that guidance.

Sound investment in our installations allows us to take care of our people and their families through quality of life and work place improvements. We believe the fiscal year 2007 President's Budget (PB) proposal will provide the construction bedrock for continued success of our mission.

Introduction

Air Force facilities and housing are key components of our support infrastructure. At home, our installations provide a stable training environment and a place to equip and reconstitute our force. Both our stateside and overseas bases provide force projection platforms to support Combatant Commanders. Because of this, the Air Force has developed an investment strategy focused on supporting QDR transformational decisions, providing quality dorms for Airmen, providing quality family housing for our families, implementing BRAC, properly sustaining our infrastructure, striving to recapitalize our aging infrastructure, and working to build an appropriate installation support baseline. Our total force MILCON, family housing, and sustainment, restoration, and modernization programs are paramount to supporting operational requirements and maintaining a suitable quality of life for our men and women in uniform and their families.

The Air Force fiscal year 2007 PB request of just over $1.3 billion for Total Force MILCON reflects our highest construction priorities. It balances transformation, QOL improvements, new mission requirements, future project designs, and limited funding for emergency requirements. This request includes $1.16 billion for active MILCON, $126 million for the Air National Guard, and more than $45 million for the Air Force Reserve.

The Air Force's fiscal year 2007 PB request of $1.18 billion for the Military Family Housing investment program balances new construction, improvements, and planning and design work. Combined with our highly successful privatization program, we think this is a good news story for Airmen and their families. While we continue to strive to eliminate inadequate housing, we cannot allow more housing to fall into disrepair. We need your support to keep our housing operations and maintenance submission intact.

In fiscal year 2007, we will bolster our operation and maintenance (O&M) investment in our facilities infrastructure. This investment has two components: Sustainment (S) and Restoration and Modernization (R&M), which we refer to together as our SRM program. Sustainment funds are necessary in order to keep "good facilities good." R&M funding is used to fix critical facility deficiencies and improve readiness. In this request we have dedicated $1.68 billion to Total Force sustainment. That is 86 percent of the requirement from OSD's Facilities Sustainment Model. Additionally, in fiscal year 2007 the Air Force's Total Force R&M funds is only $310 million. This means we must defer some R&M requirements, which has a cumulative effect on Air Force facilities and infrastructure that we must reverse. In the out years we hope to invest more heavily in critical infrastructure maintenance and repair through our O&M program in order to achieve the Department of Defense goal of a facility recapitalization rate of 67 years by 2008 and to fully fund facility sustainment by 2008. At the same time, we will incorporate the principles contained within the Air Force Smart Operations for the 21st Century (AFSO 21) to modernize tools we use to manage our infrastructure management function, thereby reducing costs. This effort will include a focus on operational efficiency and a holistic view of Air Force asset management.

Accommodate Transformation

Our Airmen are without a doubt the best in the world, but superior weapons have also played a key role in recent joint warfighting successes in the Global War on Terror. Transformational and advanced weapon systems enable our Combatant Commanders to respond quickly in support of national security objectives, and the military construction budget directly supports many of the transformational QDR decisions. The fiscal year 2007 Total Force military construction program consists of 29 projects that are essential to transformation, totaling $544 million. The Global Hawk beddowns in Guam and Europe, and Predator beddowns at Creech AFB, Nevada; March ARB, California; Ellington Field, Texas; and Hector IAP, North Dakota support QDR decisions to vastly increase Unmanned Aerial Vehicle coverage and to boost Intelligence, Surveillance and Reconnaissance (ISR) capabilities to identify and track moving targets in denied areas. The Combat Search and Rescue Group headquarters at Davis-Monthan AFB, Arizona helps to enable our Special Operations Forces to perform the most demanding and sensitive missions worldwide. The Distributed Common Ground Systems at Langley AFB, Virginia; Beale AFB, California; and Osan AB, Korea harness the power of information and allow us to conduct integrated, net-centric warfare that our enemies cannot match. The C–130J tactical airlift beddown at Ramstein AB, Germany improves our Joint Mobility capability to operate in irregular warfare environments. Depot Maintenance Reengineering and Transformation at Hill AFB, Utah, and Robins AFB, Georgia is transforming our industrial base to support warfighter requirements more effectively. Integrated Global Presence and Basing Strategy projects at Andersen AFB, Guam provide the foundational infrastructure for our joint air strike and reconnaissance capabilities in the Pacific. F–22A Raptor aircraft beddown at Elmendorf AFB, Alaska; Hill AFB; and Tyndall AFB, Florida ensures fifth generation stealth capabilities are available when and where they are needed.

The Global War on Terror has changed the role of Airmen in how we provide effects and capabilities to Combatant Commanders. Our Airmen now work and live "outside the wire", and to ensure our Airmen have the right skills and more efficiently wage the war on terrorism we are standing up the Common Battlefield Airmen Training Complex. Training will include weapons proficiency, land navigation, small units tactics, physical conditioning, and further instill the warrior mindset in our Pararescuemen, Combat Controllers, Tactical Air Control Party personnel, Battlefield Weathermen, and other Battlefield Airmen career fields. Additionally, to ensure seamless integration into the joint battlefield, we are constructing Tactical Aircraft Control Program facilities at Fort Bliss, Texas, and Fort Knox, Kentucky.

A significant portion of our 2007 MILCON budget goes toward expediting our transformation into a fully integrated (joint and coalition) planning and operational environment. These facilities enable and enhance QDR requirements for improved Joint Command and Control capabilities. Strategic Planning facilities at Hurlburt Field, Florida for Air Force Special Operations Command, and Andrews AFB, Mary-

land for the National Capital Region are key links to our highly networked, virtual environment that enables real-time collaboration and rapid production of high quality planning products. At MacDill AFB, Florida the Air Force is constructing a consolidated Joint Intelligence Center for United States Central Command (USCENTCOM). USCENTCOM's area of responsibility is the geographic and ideological heart of the Global War on Terror. A war without borders, it spans 27 countries in the Central Asian region of the world. The Joint Intelligence Center provides the USCENTCOM Commander with the situational awareness and long range analysis needed to defeat adversaries within the AOR, promote regional stability, support allies, and protect United States national interests.

Beddown new Missions

In addition to the transformational new missions, we continue to beddown missions that capitalize on existing capabilities. One of the key enablers of the national defense is our strategic airlift capability. We are continuing our investment to beddown C–5s at Memphis IAP, Tennessee, and Martinsburg, West Virginia. The extensive beddown program for the C–17s continues at Elmendorf AFB; Travis AFB and March ARB, California; Dover AFB, Delaware; Hickam AFB, Hawaii; Jackson Air Guard Station, Mississippi; and Lakehurst Naval Air Station, New Jersey. Thanks to your support, the construction funding requirements for Charleston AFB, South Carolina, and McChord AFB, Washington are complete. The request for fiscal year 2007 includes thirteen C–17 beddown projects worth over $184 million.

Continue to Invest in Quality of Life Improvements

The Air Force sees a direct link between readiness and quality of life. We strive to provide quality family housing for our families, quality "Dorms-4-Airmen", functional fitness centers, and safe child development centers. When Airmen deploy, time spent worrying whether their families are safe and secure is time not spent focusing on the mission. Our QOL initiatives are critical to our overall combat readiness and to recruiting and retaining our country's best and brightest. Our QOL initiatives reflect our commitment to our Airmen.

Family Housing

The Air Force Family Housing Master Plan details our housing MILCON, O&M, and privatization efforts. It is designed to ensure safe, affordable, and adequate housing for our members. To implement the plan, our fiscal year 2007 budget request for the family housing investment program is $1.9 billion, the largest in Air Force history. Department of Defense Strategic Planning Guidance is to eliminate inadequate family housing units in the United States by 2007 and overseas family housing units by 2009. The fiscal year 2007 budget request completes our efforts to meet the goal in the CONUS, and continues our progress overseas. In fiscal year 2007 our installations in Germany, Japan, and the United Kingdom have housing projects that not only support our Airmen directly, but also spur additional private investor interest to provide quality housing for years to come. We thank you for your assistance in helping keep us on the path to meet these goals.

For fiscal year 2007, the $1.18 billion requested for our housing investment program will provide approximately 2,300 new homes at 10 bases and improve more than 2,200 homes at 13 bases. An additional $755 million will be used to pay for operations, maintenance, utilities and leases to support the family housing program.

Dormitories

We are just as committed to providing adequate housing for our unaccompanied junior enlisted personnel. We are making great progress in our Dormitory Master Plan, a three-phased dormitory investment strategy. Phase I, eliminating central latrine dormitories, is complete and we are now concentrating on the final two phases of the investment strategy. In Phase II, we are building dormitories in a new configuration called "Dorms-4-Airmen," a four-person module, to eliminate our room shortage. This is a Chief of Staff approved standard for future dormitories. This new module design increases privacy by offering a private bathroom within the occupant's private living area and increases social interaction space in the kitchen and living room. Finally, in Phase III, we will replace existing dormitories at the end of their useful with the new Dorms-4-Airmen module to improve the QOL of our young Airmen.

The total Air Force requirement for dormitory rooms is 60,200. With the fiscal year 2007 proposal, we are on track to replace all inadequate permanent party dormitory rooms by fiscal year 2007 and all inadequate technical training dormitories by fiscal year 2009. This request includes $159 million for nine dormitory projects—creating 1,426 new rooms for unaccompanied personnel at both stateside and over-

seas bases. We anticipate our requests in fiscal year 2008 and fiscal year 2009 to only include technical training dormitories.

Community Support

Our MILCON program also supports the Air Force holistic approach to wellness. The four pillars of Air Force Wellness are social, emotional, physical and spiritual aspects of life. Our "Dorms-4-Airmen" design underpins on our Wingman concept by keeping our dorm residents socially and emotionally fit. Our fitness centers are a critical component of the Air Force's QOL and mission accomplishment. Our expeditionary nature requires that Airmen deploy to all regions of the world, and into extreme environments, and they must be physically prepared to deal with these challenges. In 2007, we will construct a fitness center at Eielson AFB, Alaska. Our focus on QOL improvements links directly with the Air Force overall modernization and transformation program and will support our Airmen and their families as they prepare to meet the challenges of an ever-changing world.

Sustain, Restore, and Modernize our Infrastructure

The Air Force remains focused on sustaining, restoring, and modernizing our infrastructure. As I stated previously, in 2007, we have focused sustainment funding on preserving our existing investment in facilities and infrastructure and targeted limited R&M funding to fix critical facility deficiencies to maintain readiness.

Our sustainment program is aimed at maximizing the life of our infrastructure and preserving our existing investment. Without proper sustainment, our infrastructure wears out more rapidly. In addition, Commanders in the field use O&M accounts to address facility requirements that impact their mission capabilities.

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

The Air Force Total Force fiscal year 2007 sustainment funding is $1.68 billion and R&M funding is $310 million. This budget carefully balances SRM, and MILCON programs to make the most effective use of available funding in support of the Air Force mission.

I am concerned about the potential impact of a change in the appropriation acts that separates the SRM Account from the rest of the O&M appropriation. This would, in effect, create a fence around SRM. In past years, all O&M was funded from the Defense Appropriation. Commanders used the flexibility to move money between O&M accounts to effectively manage budget shortfalls and unexpected requirements such as utility rate increases, natural disasters, infrastructure failures, or mission-driven requirements. Without legislation that would permit the movement of funds between all O&M accounts, Commanders would face serious challenges addressing these emergent requirements. Let me say, I share the concern expressed by members of Congress about the use of SRM or Base Support accounts as "bill payers." However, for 19 of the past 21 years the Air Force has obligated more in SRM than was requested in the President's Budget. Air Force Commanders are committed to taking care their mission, people, AND facilities. Accordingly, if any legislative action is necessary, I believe combining legislative language allowing free movement of funds among all O&M accounts, with obligation floors for SRM and Base Support is the most effective solution. In this way, Commanders will have the ability to best allocate resources to meet an increasing set of challenges, including support for critical facility repairs. A critical component of the Commander's effort will include driving greater efficiencies and higher productivity by reforming our business practices under AFSO 21, there by driving more value out of every taxpayer dollar we spend.

Continue Demolition of Excess, Obsolete Facilities

In addition to modernizing and restoring worn out facilities, we also demolish excess and obsolete facilities. This ensures funds are focused on facilities we need, not on sustaining ones we do not. For the past eight years, the Air Force has aggressively demolished or disposed of facilities that were unneeded or no longer economically viable to maintain. From fiscal year 1998 through fiscal year 2005, we demolished 20.3 million square feet of non-housing facilities and infrastructure at a cost of $238 million in O&M funding. This is equivalent to demolishing more than three average size Air Force installations and has allowed us to target our infrastructure funding on facilities we need for the long-term mission. For fiscal year 2007 and beyond, the Air Force will continue to aggressively identify opportunities to eliminate excess and obsolete facilities.

Mission Support

The Air Force MILCON program is carefully shaped to reflect the most urgent priorities. We have decentralized the process for existing mission projects so that MAJCOM Commanders have more input into which construction priorities get executed. We provide them a funding target based on their percentage of Air Force Plant Replacement Value, and they have flexibility in prioritizing the projects most important to their mission. This is appropriate because they are closer to the missions and uniquely situated to determine priorities. The 2007 MILCON program has 16 mission support projects worth $155.3 million. These projects range from the most basic electrical and water distribution infrastructure on one end of the spectrum to high tech space test and evaluation facilities on the other end of the spectrum.

Planning and Design/Unspecified Minor Construction

This year's Air Force MILCON request includes $124.6 million for planning and design (P&D), of which $13.2 million is for military family housing. The request includes $87.5 million for active duty, $18.8 million for the Air National Guard, and $5.1 million for the Air Force Reserve. These funds will allow us to complete the design work for fiscal year 2007 construction programs and to start the designs for fiscal year 2008 projects, allowing us to award contracts in the year of authorization and appropriation.

This year's request also includes $25.5 million for the Total Force unspecified minor construction program which is our primary means for funding small, unforeseen projects that cannot wait for the normal military construction process. Because these projects emerge over the course of the year, it is not possible to predict the total funding requirement. When unspecified minor construction requirements exceed our funding request, we augment them by reprogramming available MILCON construction funds.

Optimize use of Public and Private Resources

Housing Privatization

Air Force Airmen and their families appreciate your staunch commitment to their quality of life. We have used privatization authorities to accelerate our housing program. To date, we have awarded 17 privatization projects providing 16,200 privatized homes for our Air Force families. That translates to the Air Force leveraging an investment of $209 million with private sector funding to provide $2.4 billion in total development, yielding a leverage of approximately $11 of private investment for each public tax dollar.

Since last year, the Air Force completed construction of our fifth privatization project, Phase I of the Wright-Patterson AFB, Ohio, privatization project, joining the four previously completed projects at Dyess AFB, Texas; Elmendorf AFB (Phase I); Lackland AFB (Phase I), Texas; and Robins AFB (Phase I), providing a total of 3,856 homes for our Air Force families. Additionally, the Air Force has eight projects under various stages of construction at Buckley AFB, Colorado; Elmendorf AFB (Phase II); Hanscom AFB, Massachusetts; Hickam AFB (Phase I); Kirtland AFB, New Mexico; Little Rock AFB, Arkansas; Moody AFB, Georgia; and Patrick AFB, Florida. When these eight ongoing projects are complete, we will have 12,352 more new homes available for families. Recently, the Air Force awarded four more privatization projects at Dover AFB, Hill AFB, Offutt AFB, Nebraska, and Scott AFB, Illinois, which are mobilizing for construction this Spring.

Three years ago the Air Force committed to a goal of privatizing 60 percent of U.S.-based family housing by 2007; we are proud to say we will eclipse that mark by an additional 15 percent and will privatize 75 percent of our (government-owned) housing in the United States and its territories. In total, the Air Force will leverage $575 million in MILCON dollars, yielding total construction development expenditures on and around Air Force installations exceeding $7.9 billion and providing over 47,000 quality homes for our Air Force families.

Utility Privatization

In addition to privatizing housing, the Air Force is interested in privatizing utilities where it makes economic sense and does not adversely affect readiness, security, or mission accomplishment. Our installations are key to our operational capabilities. Our network of bases provides necessary infrastructure for deploying, employing, and sustaining air and space operations and re-deploying and reconstituting the force afterwards. Our bases are also the training platforms from which skilled Airmen learn their trades and prepare for deployment. Reliable utility services are essential to operations at every Air Force base.

To date, the Air Force has conveyed 16 utility systems: 10 under OSD's utilities privatization program (10 U.S.C. 2688) and 6 under previous efforts. Some 275 systems are currently in the solicitation process. By the time the program is complete, we anticipate as many as 100 of about 500 systems could be privatized. During the course of this process, we expect that many competitive solicitations will end up as sole source procurements from local utility companies.

Base Realignment And Closure 2005

The Secretary of Defense transmitted his recommended closures and realignments, to include those recommendations developed by and affecting the Department of the Air Force, to the Defense Base Closure and Realignment Commission and to the Congress on May 13, 2005, and published them in the Federal Register on May 16, 2005, pursuant to Public Law 101–510, as amended. The Air Force recommendations reaffirmed the Department of Defense's commitment to defend the homeland, to establish a capabilities-based defense strategy, and to challenge the military departments to transform themselves to better meet new threats in a changed security environment. Consistent with the goals outlined by the Secretary of Defense, the Department of the Air Force established four BRAC goals to support right-sizing of its force and to enhance its capabilities:

—Maximize warfighting capability efficiently,
—Transform the Total Air Force by realigning infrastructure to meet future defense strategy,
—Maximize operational capability by eliminating excess physical capacity, and
—Capitalize on opportunities for joint activity.

These goals were formulated with a Total Force perspective—active duty, Air Force Reserve and Air National Guard—to optimize operational capability in response to a projected declining force structure given a 20-year view. In turn, these facilitated ongoing transformation within the Air Force to meet the challenges and opportunities of the 21st Century, and restructure important support functions that capitalize on advances in technology and business practices. Of the 222 recommendations submitted by the Secretary of Defense, the BRAC Commission accepted, without change, about 65 percent. In all, the Commission revised 34 percent of the recommendations regarding the Air Reserve Component, and 37 percent of the Joint Cross-Service Group recommendations that affected Air Force installations. While the Commission's final decisions fell short of the Air Force's overall goals for BRAC—particularly in eliminating excess physical capacity—they did, however, help us take a major step towards reshaping our Total Force structure. For example, as a result of BRAC, Air Reserve Component flying squadrons are increased to a more effective operational size, such as from 15 aircraft per fighter squadron to 18 per squadron after BRAC, and from 8 aircraft per mobility squadron to 12 after BRAC. This increases the percentage of Reserve Component squadrons that are optimally-sized from the current 4 percent to 59 percent. Additionally, the Air Force will cease flying operations at 23 locations in response to a declining fighter and mobility force, and the Air Force will realize new operational synergies through Joint recommendations that pair Air Force and Army forces at locations such as Eglin AFB, Florida and Shaw AFB, South Carolina. As the Air Force continues to transform, BRAC is but one tool we will use to align our force to future defense strategy.

Brac Implementation

The Air Force has begun to develop an implementation schedule for its BRAC 2005 recommendations, and is working in close partnership with the Air National Guard, the Air Force Reserve, and our active duty major commands to further develop and refine this schedule. In the previous four rounds of BRAC, the Commission recommended 22 major closure and 17 major realignment actions of Air Force installations. In comparison, the 2005 BRAC Commission recommended 5 major closures and 12 major realignments of Air Force installations. Additionally, there were numerous other smaller realignment actions at Air Force installations, many of which were transformational in nature. Given the transformational nature of this BRAC round, these types of recommendations, particularly those that consolidate or co-locate joint activities, or those that establish joint operations, pose new implementation challenges for the Air Force. To implement these joint recommendations, and to best realize their full intent and operational payoff, we are working hand-in-hand with our sister Services, the affected defense agencies, and the Office of the Secretary of Defense. As directed by the Deputy Under Secretary of Defense (Installations and Environment), we are developing 64 BRAC Business Plans to effect those actions for which the Air Force was designated as the lead military department for implementation. These Business Plans serve as a high-level foundation to

outline required actions, the timing of these actions, and the associated costs and savings associated with implementing each recommendation, and will ensure our BRAC 2005 recommendations are implemented efficiently and effectively.

The Department of Defense recently delivered its budget justifications reports describing the specific programs, projects, and activities for the $1.46 billion appropriated in fiscal year 2006 to begin implementing its BRAC actions. This figure includes $231 million for Air Force BRAC 2005 activities during fiscal year 2006, which will begin the P&D phases and requisite National Environmental Policy Act (NEPA) environmental studies that precede the construction and renovation of facilities needed to relocate functions, missions, and weapons systems.

Our fiscal year 2007 BRAC MILCON program includes a robust 76 projects totaling $508.8 million, including P&D and the Air Force share of Joint Cross-Service Group projects.

With respect to the BRAC Commission's language on Cannon AFB, New Mexico, the Air Force is leading the Department of Defense's review on potential reuse of the installation. This action is consistent with the Commission's recommendation that, after disestablishing the host fighter wing, the Air Force "shall establish an enclave at Cannon Air Force Base that shall remain open until December 31, 2009 during which time the Secretary of Defense shall seek other newly-identified missions with all military services for possible assignment to Cannon Air Force Base. If the Secretary does not find a mission for Cannon Air Force Base by December 31, 2009, Cannon Air Force Base and the enclave shall be closed." The Air Force has aggressively pursued the Commission's direction to seek potential re-use, and expects to provide the Secretary of Defense with its findings and recommendations this summer.

As the Air Force begins to gauge the impact of other processes external to BRAC, such as the results of the QDR and the Air Force's Total Force Integration implementation plan, it will continue to refine its facility requirements needed to implement BRAC actions as a direct result of these and other transformational influences. While it is yet unknown what impact the projected end strength reductions might have, or the exact facility requirements that are needed for emerging Total Force missions, be assured the Air Force will continue to adjust its infrastructure footprint to best align its infrastructure as efficiently for the future in full compliance with all statutory obligations.

Downsizing infrastructure during BRAC was a difficult task, as all Air Force bases are outstanding installations that stand as a credit to our Nation and to the exceptional communities that support them. However, we had to make hard infrastructure decisions to posture ourselves for new security challenges, and to preserve limited resources for readiness and modernization. As such, the Air Force recognizes it has an obligation to assist its partner communities affected by BRAC 2005. In previous rounds of BRAC, the Air Force established an excellent record of closing bases as quickly as possible. This aggressive approach provided the quickest savings to the Air Force and assisted local communities in their efforts to begin economic revitalization. The Air Force will continue to maximize savings at closure installations and work closely with local communities to facilitate a prompt transition and the best reuse opportunities. The Defense Economic Adjustment Program will continue to assist communities to plan for the civilian redevelopment of available real property, and implement local adjustment actions to assist impacted workers, businesses, and other affected community interests. The Air Force also recognizes the importance of ensuring that those communities whose Air Force installations gain new missions under BRAC have the capacity to support these new missions with adequate planning, housing, education, infrastructure, and community services. The Air Force is working with these communities to plan and carry out adjustment strategies that will enhance their ability to support both our Airmen and other uniformed men and women at the receiving installations.

Environmental Cleanup And Property Transfer

Environmental clean up and transfer of BRAC real property is often technically challenging and has involved extended timeframes to complete. At the end of fiscal year 2005, the Air Force has deeded approximately 75 percent of 87,000 acres of BRAC property from previous BRAC rounds. Our real property disposal efforts have led to the creation of over 54,000 reuse jobs in the affected communities. To complete the clean up and transfer of the remaining property, the Air Force is attempting to leverage private sector experience in developing former industrial property similar to Air Force facilities. Privatization and guaranteed fixed price contracting are two promising examples of this type of process innovation. Our objectives remain clear: (1) providing reuse opportunities that best meet the needs of the Air Force and local communities, (2) moving the process along smartly in each situation

to get property back into commerce as soon as practical and (3) providing transparency in the process.

As we transfer BRAC real property for civic and private reuse, the Air Force has a continuing responsibility for environmental clean up from past industrial activities. The Air Force takes our responsibility to protect human health and the environment seriously, and, since 1991, we have spent more than $2 billion on environmental clean up at our BRAC installations. For fiscal year 2007, the Air Force is requesting $116 million for clean up activities.

At our remaining non-BRAC facilities, the Air Force is reshaping our infrastructure to meet the demands of the 21st century. The Air Force will utilize new tools to optimize our resources and obtain value from our excess capacity. We are developing enhanced use leasing as a means of returning value from underused Air Force property and as a flexible alternative to property disposal or demolition.

Conclusion

In conclusion, Madam Chairman, I thank the committee for its strong support of our military construction, housing and transformational efforts. The near and long term readiness of our Airmen depends upon this infrastructure. We will continue to be good stewards of our installations' assets and the environment and will continue to work hard to ensure Air Force infrastructure is properly distributed to optimize military readiness as well as meet our Nation's defense needs. At the same time we will continue to modernize our infrastructure management processes, within the overall Air Force transformation process, to ensure we are good stewards of the taxpayer's dollars. I would be pleased to take your questions.

Senator HUTCHISON. Thank you very much.

I want to start, Mr. Eastin, with the question that was brought up by Senator Feinstein regarding Vicenza, Italy. The Army is proposing to invest almost $500 million over the next 2 years to consolidate the 173d Airborne Brigade, including $223 million for this next fiscal year. I am told that the 173d deploys out of Aviano, which is 3 hours away, and that a large portion of the Vicenza consolidation would be housed at Dal Molin, which is a small piece of land that has no force protection.

My question is, have you thought this through?

Mr. EASTIN. We have thought it through greatly. We have looked at various other places to accomplish this. Right now the 173d of course is in three places. It is part at Ederle, part at Bamberg, and part at Schweinfurt in Germany. Ever since Hannibal, I do not think it has been particularly good to have part of your force on one side of the Alps and the other part on the other. So the intention is to bring it all in one place, that place being south of the Alps, which operationally I am told—I do not propose to be the combatant commander in this case, but I am told that it significantly eases the ability to deploy from having to get only one clearance for airspace from one country rather than several, which would happen up in Germany.

Senator HUTCHISON. Why was Aviano not considered as the place for consolidation, since the airfield is there?

Mr. EASTIN. You would think that, but the government of Italy has offered up the site at Dal Molin and there is enough land there to accomplish the mission with keeping two of the battalions over at Ederle. The Aviano site would require the purchase of more land from, I might add, probably less than willing sellers. I do not know what their eminent domain activity is in Italy. I suspect it is a little broader than ours is here.

We have also looked at Sigonella. We have the same problem with land there. We have looked at Amendola; the same problem with land there. Just it is a very land-intense operation and it

would require the purchase of more land in the other places, and with the additional expense entailed.

So while it may not be intuitive to deploy from Aviano, it is but a couple or 3 hours away on a rather super highway and can easily be done, and for training purposes they can train in Ederle and at Dal Molin and then when they need aircraft, go to Aviano.

Senator HUTCHISON. We will certainly want to keep looking at that. Your $500 million to consolidate at Vicenza—for another couple of hundred million you might be able to consolidate everything where people could live, have force protection, and the airfield. It sounds like you have made the decision, but it is something I hope you will continue to monitor.

Mr. Anderson, Spangdahlem. As I mentioned earlier, the Air Force is requesting another $39 million for more housing at Spangdahlem and $70 million at Ramstein. Are you looking at the housing market in these locations and the options that would be the most efficient for housing our people, particularly at Spangdahlem, where it just seems like an awfully high price with no effort so far from the German government.

Mr. ANDERSON. Yes, Ma'am, we are. I actually, knowing of course that this was a looming issue, last winter I went over there myself to take a firsthand look and talk with local leaders, local German leaders, and our base commanders. I was actually hoping to link up with you on your trip and I understand that for other reasons you could not join us in Spangdahlem.

Senator HUTCHISON. Yes, we had votes late that night.

Mr. ANDERSON. I was hoping to walk it with you and we could talk as we went.

But anyway, the Air Force has been working very closely with Carl Peter Bruch, who is the state secretary of the German state in that area, looking at various options. There are obviously, as you know, numerous different options: build-to-lease, true privatization, MILCON. Each of the two locations are very different, Ramstein being much more suburban-urban, with Spangdahlem being a very rural location. They both have two very different issues. Ramstein, because of the build-up of the military in that area because of the Rhein-Main closure and movement, the fact that it is not only U.S. military in that area but some of our coalition partners, allies are also using the base and in need of housing, and the housing that is in most need, enlisted family housing, is identical to the type of housing stock that the young German family needs, which is also apparently their biggest need.

The local community, the State, is working with us to look at options for either privatization or build-to-lease. They believe that they can potentially deal with part of our need. We already have 2,000 housing units in stock that we use already. They believe they can take care of part of our need, but not all of it. The MILCON request would in essence take care of the difference.

Spangdahlem, in a rural area, we need 860, I believe it is 863—I may be off a few—housing units per our estimations. The community believes that it can absorb about 360 of those in that rural community along with some other housing that they are building for local German nationals, and plans are moving ahead to work with the German government to make that happen. The remainder

of the housing would have to be covered, we believe, on base through MILCON. But the German government is stepping up and trying to help us through this. It is not an easy equation for them, and I realize it is not an easy equation for you either.

Senator HUTCHISON. Well, I appreciate that you did that. I wish I could have been there as well. And I know it is a rural area, which makes it more difficult. But if the German government is in fact being encouraged, that is a good sign, and I hope that you will continue to pursue the most efficient situation.

Mr. ANDERSON. We will, Ma'am.

Senator HUTCHISON. Mr. Penn, I wanted to ask you about the area around Naval Air Station Kingsville. There is apparently a need to expand training ranges at Kingsville and there is some acreage for sale which maybe the National Guard of Texas is looking at buying. But the Department of the Navy might also be looking at that.

That base is I think well positioned to grow in the future, particularly if there is encroachment on other training bases around the country that are still in flux. My question is, to what extent is the Department of Navy looking at that before it might go—and let me say, I do not know who owns the property. I do not have any idea, except that the community is very supportive of expanding the training capabilities of Naval Air Station Kingsville. So I wondered if Navy is looking seriously at doing that before it goes somewhere else.

Mr. PENN. Yes, Ma'am, we are. In fact, I visited Kingsville the end of last year and the Navy—it may end up being a bidding war between the Navy and my friend from the Army here. But the ECUs, we are looking at for expansion of ECUs. As you mentioned earlier, the encroachment is—Kingsville, when I was going through flight training Kingsville was—nothing was around it. But now within a mile or so there are houses and developments springing up.

Senator HUTCHISON. Well, as you know, it is a unique area where you can have live fire training. There is a lot of potential for it. It would be good for a training base for reserve, but it also has such, I think, a higher level of use for Navy for the potential expansion of the training air.

Mr. PENN. They have unencumbered air space, which is something we need.

Senator HUTCHISON. Well, I hope that you are looking at that, because I think from the standpoint of the strength of the Navy base it would be better to have that be Navy-owned than if it were turned into a Guard base and then it might end up being the whole thing a Guard base. So not that that is bad, but it is not the highest use when air space that is uncongested is so rare for the Navy. So I want to make sure that that is on your radar screen.

Mr. Eastin, Red River Army Depot. Red River, as everyone knows, was taken off the closure list by the BRAC last year and we are going to add one military construction project to Red River that was not on the President's request. But I want to ask you if you are now in the Army looking at really upgrading Red River so that it can continue with the great work force it has to do the best

possible job on the tanks and trucks that it has the unique capability to repair and upgrade?

Mr. EASTIN. As you know, Madam Chairman, Red River was initially thought of as being part of the BRAC process. That has been taken off the table. It is now an active Army installation and we intend to support it fully and support its mission.

Senator HUTCHISON. Thank you.

That is all the questions I have. Senator Allard.

Senator ALLARD. Thank you, Madam Chairman.

I just would like to follow up on some of my comments I made earlier. Again, I could not be more pleased with the presence of Fort Carson in Colorado and the people in Colorado Springs and the way they cooperate. I had an opportunity to get down there and personally visit with all the men and women that have served us so ably in Iraq, and they are just wonderful, courageous people. I do not think we really recognize the great service they are doing for this country enough. They have served in some of the toughest areas in Iraq and Afghanistan and, as I mentioned earlier, have a reenlistment rate, and I want to do everything I can to make sure they get the adequate training they need and to make sure that we can make life as appealing as we possibly can in the bases that we have in Colorado Springs.

As you gathered from my earlier comments, I am supportive of the expansion of the training facilities there in Fort Carson. Kind of the hangup on all this is eminent domain. It seems to me that with all the acres that are around the current training site that there is going to be plenty of options for the Army and probably they do not need to use eminent domain. I have been assured that that is not your intention.

So my colleague Senator Salazar is holding a public meeting down in Pueblo and they will be talking about the expansion. I think you are going to have a representative there. I wonder if you can share with us some of your thoughts about Pinon Canyon.

Mr. EASTIN. First, it is DOD policy, as well as that of the Army, not to discuss land acquisition until decisions have been made. Somehow or other the cat got out of the bag here and I think the cat has left the building already. The Pinon Canyon area is very important to the Army. It supplies a vast and open space to do training with, as you said, modern weapons that shoot accurately at a greater distance. We have a proposal in the works—I have not seen it yet—as to acquiring land in the Pinon Canyon area. We have some 250,000 acres there now. I think what I have seen about this, it will probably add somewhere about slightly north of 400,000 more acres.

Senator ALLARD. Out of 1 million, 1 million acres.

Mr. EASTIN. It is nice to have an area where you have 1 million lying around somewhere.

Senator ALLARD. Yes.

Mr. EASTIN. As you know, back in 1982 to 1987 we acquired the Pinon Canyon area. Half of those acquisitions were done by open purchases and another roughly half were done through condemnations. Of those condemnations, there are several ways to condemn things. You can argue over nickels and dimes and finally settle the issue rather than arguing in a major way by condemning it. Other

times, property owners have come to us and said, for tax purposes please condemn this land from us.

Senator ALLARD. So you will do condemnation just because you have a willing seller and a willing buyer, but you will do it to provide some tax benefits for the seller.

Mr. EASTIN. And in the current exercise we are going through in Pinon Canyon some of that was actually started by a couple landowners who wanted to sell to us.

Senator ALLARD. Yes.

Mr. EASTIN. Clearly the preferred way is to handle this through a willing seller and a willing buyer and we will do that. I do not think to take off the table the possibility of condemnation as a way to handle some recalcitrant—we call them "doughnut holes." We acquire friendly all the land around the outside and one guy is left in the middle, and you have to have air rights to shoot over his property or something. It is hard to train that way.

But on to the issue of fair market value, basically even in a condemnation action you would be getting fair market value as determined by one or more appraisals. But I want to just emphasize to you that our firm intention is to buy this from people who want to sell it to us, not some other way.

Senator ALLARD. Well, your comments are encouraging and, like I say, we have so much land there in order to meet your needs, and if you have a plan over 20 years or 10 years I cannot help but think at some point in time you will reach an environment where you can have a willing seller, a willing buyer. There is nothing pressuring—down in Pinion Canyon, there is nothing really pressuring. Nobody is out there—there are no urban areas pressing on it or anything like that and it is a relatively undeveloped area, just ranches out in that area. I think with time, with patience, you can probably acquire those without eminent domain.

Of course, I had not thought about the possibility that an owner may request that you do an eminent domain for tax purposes, and I think we will take a second look at our piece of legislation to make sure we do not take that opportunity away.

Mr. EASTIN. We do appreciate that, according to a survey that someone in my office had done, there were 2,000 people in the million acres.

Senator ALLARD. That includes the heavily populated towns we have there, too.

Secretary Anderson, about the Air Force, I want to talk a little bit about the academy there. I just finished a board of visitors meeting there and they presented to us a plan to recapitalize the facilities at the Air Force Academy. Most of the buildings there are over 50 years old. They were built all at once and they are over 50 years old, so now they need to begin to think to cycle them through over time.

Some of them were not built there in a way to endure our temperature changes, for example, so we have problems with cracking cement in some areas and not holding up like expected. Many of the buildings right now are incurring some pretty high operational costs there at the academy. So they have begun to talk about some kind of recapitalization plan there.

Do you have any idea when the Air Force might look at these facilities at the academy in a serious way and look at the possibility of putting together a plan there or working with the academy and putting together a plan?

Mr. ANDERSON. Senator, having walked the academy and looked at the buildings like you did, I understand what you are talking about and I agree with some of the issues you discuss. As you rightly mentioned, the academy is beginning to take a look at the strategy for recapitalization. It has not yet risen to my level for review. I do not offhand know the time frame. We would be happy to get back with you on that in a written response if you would like.

But I do understand that that process has begun and yes, the civil engineering organization within the Air Force and my office will be looking at that as soon as it is available.

ADDITIONAL COMMITTEE QUESTIONS

Senator ALLARD. I would appreciate a written response as to kind of what you are thinking about as far as long-term planning to make sure that we are thinking—I think it is time for us to begin to consider those buildings that are most at risk and those that are least at risk and put them on a priority list and begin to see, look at the dollars they might incur to keep it up. I think we want to keep the academy in good shape if we possibly can.

Thank you for your responsiveness, both of you. I appreciate it.

Thank you, Madam Chairman.

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

QUESTION SUBMITTED TO PHILIP W. GRONE

QUESTION SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

BUSINESS PLAN

Question. Mr. Grone, I understand Department of Defense is requiring the Services and defense agencies to develop business plans for each of the approved BRAC recommendations. Among other things, these plans develop updated costs and savings for each recommendation and an implementation schedule for each recommendation.

When do you expect to have all the business plans approved?

Answer. The Department is aggressively developing, reviewing and approving the Business Plans supporting the Base Realignment and Closure (BRAC) recommendations. The Department anticipates these plans will be approved on a time schedule which allows them to inform the program review process this summer in advance of developing the fiscal year 2008 President's Budget.

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

BRAC PROPERTY APPRAISALS

Question. Since the Defense Base Closure and Realignment Act of 1990, as amended, does not require appraisals prior to the conveyance of pre-2005 properties, why is the Department requesting such appraisals for pre-2005 properties?

Answer. In anticipation of the 2005 BRAC round, the Department of Defense revised its regulation at 32 CFR Part 174 and subsequently issued the Base Redevelopment and Realignment Manual (BRRM) March 1, 2006 (the BRRM replaces and cancels the Base Reuse Implementation Manual (BRIM), December 1, 1997). These two new issuances provide revised and updated procedures to be followed by the

Military Departments in the disposition of BRAC property. It is not the intent nor is it the expectation of the Department that actions from past BRAC rounds which have been largely completed should be reopened to comply with the new procedures. In some instances, e.g., the requirement to seek to obtain fair market value for Economic Development Conveyances, the statutory changes and their regulatory implementation only apply to the 2005 BRAC round. To the extent an action from a prior round is still largely open and an appraisal could be accomplished without impairing a mostly complete action, it would be perfectly appropriate to do such an appraisal. But this will have to be determined on a case-by-case basis depending on the status of the disposal action.

Question. Please provide the Committee with a BRAC 2005 FYDP for the fiscal year 2007 through fiscal year 2011.

Answer. The BRAC 2005 FYDP for the fiscal year 2007 through fiscal year 2011 period is as follows:

—fiscal year 2007 ($5,626.223 million);
—fiscal year 2008 ($5,696.754 million);
—fiscal year 2009 ($2,996.036 million);
—fiscal year 2010 ($1,563.785 million); and
—fiscal year 2011 ($921.615 million).

This distribution of resources over the program and related information was included in the budget justification materials provided to Congress in support of the President's fiscal year 2007 budget request, specifically the "DOD Base Realignment and Closure 2005 Commission Executive Summary Fiscal Year 2007 Budget Estimates Program Year 2007."

GLOBAL REBASING

Question. Mr. Grone, would you update the committee on the status of the Pentagon's global rebasing plan? I understand that the Government of Japan has reached agreement with the United States to cover 60 percent of the cost of moving approximately 8,000 Marines from Okinawa to Guam instead of the 75 percent that the U.S. originally counted on, leaving the U.S. share of the relocation cost at about $4.2 billion.

Answer. On May 1, 2006, the U.S.-Japan Security Consultative Committee (SCC), consisting of the Secretaries of Defense and State and their Government of Japan counterparts, released the "U.S.-Japan Roadmap for Realignment Implementation" document detailing the schedules and timelines for implementing the realignment initiatives in the October 29, 2005 SCC document, "U.S.-Japan Alliance: Transformation and Realignment for the Future". One of the several initiatives contained therein concerns the move of approximately 8,000 Marines and their approximately 9,000 dependents from Okinawa to Guam. The implementation plan for this initiative provides that the United States will fund approximately $4.18 billion out of an estimated development cost of $10.27 billion, or about 40 percent. The total U.S. cost to develop the facilities and maintain the forces on Guam will be somewhat higher when we factor in O&M costs associated with the move, the cost of closing down facilities in Okinawa, the procurement costs to equip new facilities on Guam, and the costs for leasing real estate on Guam.

The total package of realignments of United States forces in Japan involves several other initiatives for which Japan will pay nearly all the facilities development costs and that will result in a more secure and capable forward presence for our forces. These initiatives include a new plan to relocate the capabilities of Marine Corps Air Station Futenma out of urbanized Ginowan city to the rural areas near Camp Schwab that is politically and technically feasible where previous plans were not. These initiatives also include agreement on a plan to relocate the jet aircraft from Carrier Air Wing Five out of the urbanized Atsugi area to Marine Corps Air Station Iwakuni, which is in a much less developed area of Japan. Although the Japanese Government has not provided an official estimate of the total costs it will bear for the entire package of realignments in Japan and on Guam, we understand that the Government of Japan's preliminary estimates are in the range of $15–$20 billion.

Question. Given the increasing pressure on the defense budget how does the Pentagon plan to pay its share of the cost of that move? Is the funding built into the current FYDP?

Answer. The fiscal year 2007 President's Budget contains $15 million for planning activities and initial environmental study actions relating to the move of 8,000 Marines and their dependents from Okinawa to Guam. In addition, the fiscal year 2007 President's Budget contains funding for force posture adjustments on Guam that are not directly associated with the U.S.-Japan Alliance Transformation and Realign-

ment effort, such as additional submarines, Global Hawk, tankers, and rotational fighters and bombers. Funding for the development costs for relocating the Marines from Okinawa to Guam is not yet reflected in the FYDP. The department continues to define the requirements and refine the development cost projections. We plan to examine and analyze funding issues during the fiscal year 2008–2013 Program Budget Review this year.

ENERGY CONSERVATION

Question. Mr. Grone, we are all aware of the current crisis at the gas pumps. This committee has had a long-standing concern about the dependence on foreign oil by the Defense Department, as it relates both to cost and to national security, and has actively encouraged DOD to pursue the use of alternative energy at military installations.

Last year, the Defense Department submitted a report, as requested by this committee, on the potential of increasing the use of alternative energy at U.S. military installations. What steps has the Defense Department has taken, as a result of that study, to increase reliance on alternative energy sources, particularly wind and geothermal power, at U.S. military bases?

Answer. In March 2005, DOD completed an $8.5 million renewable energy assessment at all military installations. As indicated in our fiscal year 2005 annual energy management report, 8.8 percent of DOD's electricity portfolio is now composed of renewable energy. We have additionally published a stretch goal of 25 percent by 2025 that we are working steadily toward. Senate Report 109–105, accompanying the Military Construction Appropriations Act for fiscal year 2006, requested the Secretary of Defense report on the steps the Department has taken to execute the implementation plan contained in the Department's March 2005 Renewable Energy Assessment. On April 4, 2006, DOD forwarded an update to the congressional defense committees. Rather than replicate that report in this response, a complete copy of that report, which will answer your question in greater detail, is available at http://www.acq.osd.mil/ie/irm/Energy/Energy.htm. However, I would like to take the opportunity to highlight a few key points. Since our assessment, we have methodically increased the amount of our Energy Conservation Investment Program (ECIP) budget that we are devoting to renewable energy generation projects from about $5 million in fiscal year 2003 to about $19 million in the fiscal year 2007 President's Budget. Of the $19 million in fiscal year 2007, $2.6 million in hydrogen fuel cell projects is included.

Question. Water conservation is another very important issue in many States, including my state of California. Would you provide this committee for the record with your recommendations as to how the Defense Department can take advantage of new technologies to improve water conservation at military installations?

Answer. Important to sustaining Department of Defense (DOD) operations is our commitment to the protection of our natural resources. Water is an essential natural resource that supports the installation mission, and water conservation is key for protecting that resource. DOD strives to increase water conservation awareness and reduce water use, particularly where scarce water supplies may impact mission accomplishment. Reducing use of potable water can decrease water pollution, increase energy savings, and create more efficient use of water resources. DOD is committed to the protection and sustainment of our water resources. From fiscal year 2000 to fiscal year 2004, DOD installations decreased portable water consumption by 15.6 percent. In 2005, DOD updated its energy management policy in DOD Instruction 4170.11, "Installation Energy Management." This Instruction is based on the Energy Policy Acts of 1992 and 2005, and Executive Order 13123, "Greening of the Government Through Efficient Energy Management." It requires DOD Components to "maximize energy and water conservation efforts" on existing installations and, as part of DOD's sustainable building design requirement, in new building construction and major renovation projects. Under DOD's water conservation effort, installations develop water management plans, conduct water audits, and implement cost-effective water reduction and conservation practices. After implementing basic water conservation measures, installations focus on water reuse and reclamation projects. Typical projects are on-site recycling for vehicle wash facilities and cooling towers, and reclaimed water for irrigation, landscaping, and dust control. DOD facilities will continue to utilize life-cycle cost analysis to make decisions about investments in new products, services, technologies, and construction, that will lower DOD costs and reduce energy and water consumption.

BUSINESS PLAN

Question. How do the implementation schedules proposed in the business plans compare with those originally proposed by the Department?

Answer. The Department is fully committed to implementing all BRAC 2005 recommendations in accordance with the statutory 6-year period. The Cost of Base Realignment Actions (COBRA) model used to analyze these recommendations typically front loaded the implementation schedule to initiate actions in the first few years in order to adequately compare basing options. BRAC implementation for some actions is being delayed compared to the schedule implied by COBRA of the previous rounds, primarily due to the complexity and large number of joint recommendations.

QUESTIONS SUBMITTED TO KEITH E. EASTIN

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

KOREA

Question. Last year the Committee was told by the Services that costs had increased and that there would be no savings, yet, we find this year that the opposite is true.

Can each of you validate these costs and provide the Committee with a more realistic estimate of the amount needed for these facilities?

Answer. The fiscal year 2007 Korea barracks cost estimates have been adjusted to take advantage of the favorable bid climate existing in Korea for the past several years. Unit costs were adjusted from $138 per square foot (SF) to $79 per SF by taking into account actual bid data over the last 3 years. This permits the Army to buy down the barracks requirements at Camp Humphreys earlier for approximately 710 soldiers.

This table compares barracks projects for Korea over the past 4 years and includes scope and unit costs. There were no barracks projects in fiscal year 2005 in Korea.

BASIS FOR ESTIMATING COST OF BARRACKS PROJECTS IN KOREA

Fiscal year	Location	Programmed scope (barracks) (square feet)	Project amount ($ millions)	Project award ($ millions)	Programmed Unit cost (barracks) ($/square foot)	Unit cost at award unit cost (barracks) ($/square foot)
2003	Camp Carroll	107,940	20.0	11.5	142.77	98.38
2003	Camp Henry	53,970	10.2	7.7	142.80	132.12
2003	Camp Humphreys	94,163	36.0	28.2	146.32	135.25
2004	Camp Humphreys	53,970	25.0	15.6	142.92	99.44
2004	Camp Humphreys	134,032	40.0	30.3	143.21	102.47
2006	Camp Humphreys	134,032	25.0	13.1	137.59	88.13
2006	Camp Humphreys	189,768	42.6	25.6	137.59	104.91
2006	Camp Humphreys	134,032	37.5	23.1	137.58	87.34
2007	Camp Humphreys	268,064	42.0	TBD	79.00	TBD
2007	Camp Humphreys	268,064	35.0	TBD	79.00	TBD

HOUSING PRIVATIZATION

Question. The GAO also found deficiencies with the management of Army and Air Force housing privatization projects, including lower than anticipated occupancy rates.

Would you comment on what you are doing to improve housing requirement analyses and oversight?

Answer. The Army largely was pleased with the results of the GAO review on housing privatization. While noting some areas where improvements were needed, GAO recognized the Army's "robust and comprehensive" oversight, and did not find any oversight concerns in the Army projects it reviewed. The lower than expected occupancy at projects noted by GAO does not pose a challenge to the effectiveness or long-term viability of those projects. The Army has in place a rigorous portfolio and asset management process to carefully monitor each project's compliance with the development schedule, as well as the financial condition and credit-worthiness of the project. GAO expressed concerns that lower than expected occupancy at the Fort Meade project had the potential to create a financial risk in the long term. The Army already was engaged with the development partner to re-size that project in light of the revised housing requirement due to changes in local market conditions. That effort continues, and the Army is confident in the long-term viability of the project. The GAO also recommended the Under Secretary of Defense for Installation and Environment expedite issuance of revised guidance to improve the reliability of housing requirements assessments. The Army will work with the Under Secretary's office to improve the housing requirements analysis process where practical.

QUESTIONS SUBMITTED TO B.J. PENN

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

ENVIRONMENTAL CLEANUP ACCELERATION

Question. I want to commend the Navy on its efficient use of proceeds from the sales of previously BRAC'd properties toward environmental remediation. It is my understanding that about $1 billion in Navy cleanup remains and that proceeds from these sales will fully cover any remaining costs the Navy will have regarding environmental cleanup, is that correct?

Answer. Thank you for recognizing our efforts. The Navy BRAC environmental program has been using proceeds from land sales to fund all environmental studies and cleanup at prior BRAC locations. While we continue striving to keep the prior-BRAC program self sustaining, revenue that the Department has received to date from completed sales is insufficient to pay for the projected cost to complete of all environmental cleanup and property disposal at prior BRAC locations. Future sales, notably the former Naval Station Roosevelt Roads PR, may provide additional funds, however additional appropriated funds may also be required in the future.

Question. Because the Navy essentially has its own funding for cleanup, is there any reason why it cannot accelerate cleanup actions across the country?

Answer. The Navy has already accelerated cleanup actions across the country, executing a program on the order of $300 million/year. The speed of the cleanup is regulated by many factors including technical staffing expertise, contract capacity, regulatory oversight, CERCLA process rate-limiting steps and public participation timeframes, to name a few. The Navy has found that consistent execution of a program of this size exercises the limits of many of these factors. We do not believe it would be prudent to further accelerate cleanup across the country. We are, however, prepared to invest additional BRAC funds to support efforts for early property transfers, should such an opportunity arise.

POINT LOMA, CALIFORNIA

Question. Are you aware of the situation at Point Loma, and does the Navy need any funding this year or additional authorities to protect the land surrounding the tank farm?

Answer. Yes, we are aware of the fuel plume at Naval Base Point Loma. The Navy and Defense Energy Support Center (DESC) have been working together to address this issue, prevent any further migration, and clean the site. The Navy does not need any additional funds or authorities.

Question. Do you agree with the DLA's assessment that the tank replacement project could not be executed in fiscal year 2007?

Answer. The Navy agrees with the DLA's assessment. The DLA fiscal year 2008–10 MILCON Project is a 3-phased project for $125 million to replace all existing bulk storage infrastructure at the Defense Fuel Support Point, Pt. Loma with modern tanks and equipment. It is at the 35 percent design stage. Due to the magnitude, scope, current design phase and the National Environmental Policy Act (NEPA) environmental impact/statement requirements, the Navy agrees with DLA that acceleration of the fiscal year 2008 MILCON is not feasible and would likely compromise both the design and Federal environmental protection requirements.

HOUSING PRIVATIZATION

Question. The Government Accountability Office's recent report on military family housing privatization management included strong criticism of the Navy's oversight of its program. For example, GAO noted that although the Navy established a portfolio management group in 2004 which was supposed to prepare consolidated portfolio summary reports, no report had been submitted as of January 2006. GAO also reported that inaccurate project status information was reported to OSD for five of eight Navy and Marine Corps projects that the agency reviewed. This included data on projects at San Diego and Camp Pendleton.

What is the Navy doing to improve oversight of its housing privatization program and ensure that DOD and Congress have accurate information on the performance of the Navy's housing privatization projects?

Answer. As GAO indicates in their report, the Navy had begun a comprehensive review of potential enhancements to portfolio management prior to initiation of the GAO review. Navy and Marine Corps representatives have met with their counterparts in the Army and Air Force to review their portfolio management approaches and are working to incorporate best industry practices. In recognition of the Government's minority role in privatization projects, the Navy is striving to achieve a balance between the appropriate level of Government oversight while maintaining limited Governmental involvement.

We recognize the need to improve the portfolio management system to ensure accurate reporting. The Navy is committed to working with OSD and the other Services to improve the accuracy and timeliness of privatization evaluation reports and, where necessary, establish clear definitions for use in reporting.

Question. The Navy has undertaken a pilot program to privatize bachelor enlisted housing at three locations, including San Diego. What is the Navy doing to ensure that these projects are being adequately monitored and do not experience the same management shortfalls that have affected the Navy's family housing privations program?

Answer. The Navy has begun a comprehensive review of potential enhancements to the management of the privatized housing portfolio. This includes portfolio summary reports and briefings for key Navy and Marine Corps leadership. The process, including enhancements, will be applicable to both privatized family and unaccompanied housing.

BRAC PROPERTY APPRAISALS

Question. Secretary Penn, since the Defense Base Closure and Realignment Act of 1990, as amended, does not require appraisals prior to the conveyance of pre-2005 properties, why is the Navy delaying the negotiation and conveyance of NAS Alameda and NS Treasure Island until such appraisals are completed?

Answer. The Navy is dedicated to the disposal of all BRAC properties under its jurisdiction and at no time has delayed negotiations nor conveyance of properties based upon the completion of appraisals.

The appraisals are required by current DOD regulations (32 CFR § 174.9) implementing the Economic Development Conveyance (EDC) process.

In the case of NAS Alameda, negotiations had been renewed with the Alameda Reuse and Redevelopment Authority in March 2004 to reflect changes in its redevelopment plan within the context of an EDC. Both parties determined that the current Memorandum of Agreement for an EDC would need to be amended to reflect the changes and provide adequate consideration for the transfer. During these negotiations, the DOD implementing regulations were revised and the Navy recognized that a formal appraisal would be required to convey the property. An estimate of fair market value had already been determined and the Navy has been working with OSD to ensure that the estimate can be applied to meet the new appraisal requirement.

In the case of Treasure Island, similar to Alameda, the redevelopment plan has continued to evolve and the same changes in the implementing regulations requiring an appraisal apply. The Navy is awaiting supplemental information from the

Local Reuse Authority (LRA) in support of an EDC Application. The Navy is prepared to evaluate the application as soon as the information has been submitted by the LRA. In the interim, the Navy is continuing its remediation efforts (50 percent of the property is currently environmentally suitable for transfer) and is moving forward with an appraisal.

QUESTIONS SUBMITTED TO WILLIAM C. ANDERSON

QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

BRAC PROJECTS

Question. Mr. Anderson, the final 2005 BRAC recommendations included the realignment of March (California), Hector (North Dakota), and Ellington (Texas) Air National Guard bases. The BRAC Commission noted that the Air Force could assign a new mission to these bases, to include unmanned aerial vehicles. The Air National Guard fiscal year 2007 military construction budget request includes $17.5 million for projects to bed down Predators at these bases. While I support these projects, and am very pleased to see the Predator coming to Ellington Field, I don't understand why these projects are requested as military construction and not BRAC projects.

Can you explain this to me?

Answer. Regarding the Air National Guard units at March Air Reserve Base, California, Hector Field, North Dakota, and Ellington Field, the BRAC Commission recommendation states these units may assume a mission relevant to the security interests of their respective states and consistent with the Air Force's Total Force Integration effort to include, but not limited to, the unmanned aerial vehicle (UAV) mission. For these Predator UAV beddowns as subsequently identified by the Air Force, the acquisition program funds the full life-cycle costs of the weapon system, to include construction costs. Therefore, these costs are not paid for by BRAC. Costs directly related to BRAC actions are being clearly tracked and executed to ensure compliance in accordance with BRAC statute.

Question. Does this not obscure the cost of BRAC?

Answer. No, in the case of Predator, the acquisition program funds the full life-cycle costs of the weapon system, including construction cost. Therefore, these costs are not paid for by BRAC. Costs directly related to BRAC actions are being clearly tracked and executed to ensure compliance in accordance with BRAC statute.

KOREA

Question. Last year the Committee was told by the Services that costs had increased and that there would be no savings, yet, we find this year that the opposite is true.

Can each of you validate these costs and provide the Committee with a more realistic estimate of the amount needed for these facilities?

Answer. The significant savings are due to a temporary, highly competitive bid climate in Korea expected to subside by the end of fiscal year 2006.

Due to the delayed decisions on the U.S.-Korean Land Partnership Plan and the Department of Defense (DOD) announcement to move U.S. Soldiers south of the Han River, many major U.S. military construction, Non-Appropriated Fund (NAF), and Host Nation Fund Construction (HNFC) projects were cancelled or delayed. Korean contractors were hard hit by the loss of tens of millions of dollars in business. Therefore, Korean contractors have been submitting very competitive proposals for the few large fiscal year 2004, fiscal year 2005 and early fiscal year 2006 military construction projects. This is especially true for dormitories where we have standardized our dormitory designs and contractors have become very familiar with and efficient in their construction.

With the reduction in U.S. military construction, we expected Korean contractors would shift their resources to the local economy. This did not happen because U.S. military type construction is a niche industry, in which successful contractors recruit, train, and retain personnel literate in English and U.S. building codes and standards. The temporary "buyers" construction market is reflected in two fiscal year 2006 dormitory projects receiving 24 and 21 bids, respectively. Typically, only three to five bids are received. Thus, contractors are providing competitive bids until the major flood of Army relocation construction starts in late fiscal year 2006. In fiscal year 2006, it is expected land promised by Korea to the United States will be ready for construction. At Kunsan Air Base alone, by September 2006, over $450 million of HNFC facility projects will be ready to advertise to support relocating two

Army Aviation Battalions. This contracted construction amount is expected to grow to over $780 million by December 2006. Also, relocation of Yongsan Garrison to south of Seoul is scheduled at the same time at a total cost of approximately $3 billion. Korean contractors expect a building boom and the cost of military construction projects will increase due to less bid competition and a tightened labor and construction supply market. Despite the projections above, the fiscal year 2007 dormitory project at Kunsan Air Base was programmed to match bid data from the two fiscal year 2006 dormitories. We analyzed the "per room" cost for each dormitory and programmed the fiscal year 2007 dorm to be in line with those figures. The fiscal year 2007 Kunsan dormitories project cost was based on the best available information. The existing construction climate, plus the anticipated construction climate in fiscal year 2007 and beyond, makes it a challenge to program projects.

HOUSING PRIVATIZATION

Question. The GAO also found deficiencies with the management of Army and Air Force housing privatization projects, including lower than anticipated occupancy rates.

Would you comment on what you are doing to improve housing requirement analyses and oversight?

Answer. The Government Accountability Office (GAO) Report on Military Housing, Management Issues Require Attention as the Privatization Program Matures, states "we found that the Army and the Air Force have robust, well-developed portfolio oversight programs to help top management monitor implementation of their privatization programs. Both of these services collected and analyzed detailed performance information on each project." The report further states "the Army and the Air Force also prepared quarterly portfolio summary reports, which monitored project execution, analyzed trends, highlighted current and potential performance issues, and documented recent and planned actions to address any project concerns."

Several projects in the Air Force portfolio have occupancy levels less than originally projected. As the GAO report indicates, this is due to several factors, one being accurate determination of housing requirements.

Most of our privatization Housing Requirement and Market Analysis (HRMA) documents were published in 2003. We are now updating the HRMAs at bases scheduled for privatization just prior to solicitation. The new housing requirement will be included in the request for proposals (RFP). This will ensure the developer bids on the most current anticipated housing requirement for each privatization effort.

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

MC CLELLAN AFB

Question. The nationwide need for BRAC environmental cleanup funding is great. I have worked very hard to increase the level of BRAC funding to ensure that, despite other pressures on the Federal budget, cleanup schedules do not fall behind. It is imperative that we keep the promises made to these local communities when their bases were closed. With respect to McClellan, I am troubled that the funds intended for McClellan are going elsewhere and in result this is putting McClellan at a clear disadvantage. For example, in fiscal year 2006 $37.4 million was required for ongoing cleanup efforts at McClellan. However, the Air Force Real Property Agency, and the Air Force, have stated that they expect to use only $22.7 million of these required funds.

Where is the remaining $14.7 million being spent?

Answer. Based on previous inquiries from the committee staff, we believe your reference to $37.4 million is a transposition error and should read $34.7 million. We framed our response based upon our $34.7 million reference.

McClellan received $31.9 million of the $34.7 million requirement. The fiscal year 2006 requirement was funded across multiple years. We had the opportunity to forward fund $9.2 million of the fiscal year 2006 activity, funded through fiscal year 2005 and prior year funds, and we did so to accelerate the project. We then funded an additional $22.7 million with fiscal year 2006 appropriations, for a total of $31.9 million. As on all major Air Force projects, we continually look for cost savings opportunities. As relates to the fiscal year 2006 activities at McClellan, our environmental engineering team was able to generate $2.6 million in savings opportunities to date. We anticipate an additional $200,000 in contract savings as well, bringing the total to $34.7 million. These savings represent permanent reductions on cost of the overall project, directly benefiting the taxpayer.

Question. Can you please provide the Committee with a timetable and full accounting of past and projected BRAC funding for this site through the completion of the remediation process.

Answer. Thank you, Ma'am, for your continued commitment to BRAC clean up funding. We appreciate the long-term view and continued emphasis on our program.

[Millions of dollars]

Fiscal year	Amount
2001	25.7
2002	39.1
2003	20.1
2004	26.3
2005	37.1
2006	22.7
2007	25.1
2008	33.5
2009	52.1
2010	71.4
2011	72.2

Fiscal year 2001-fiscal year 2005 obligated amounts by execution year for McClellan AFB.

Source: DFAS, as of March 31, 2006.

The Air Force is currently on target to obligate $22.7 million for McClellan in fiscal year 2006 and $25.1 million in fiscal year 2007 as noted in the fiscal year 2007 President's Budget request.

The current Air Force estimates for fiscal year 2008–11 and the remaining cost for completion (fiscal year 2012 to fiscal year 2034) estimate of $415.7 million were recently published in the Defense Environmental Programs Annual Report to Congress fiscal year 2005 (page. J–1–50). These estimates are likely to change as the Air Force is pursuing initiatives that are expected to impact these estimates and the funding distribution over time. The Air Force is currently in the annual cost preparation and validation cycle, which will result in revised numbers to reflect these initiatives. The initiatives are:

—*62-Acre Pilot Privatization Project.*—McClellan has been working with the County of Sacramento and regulatory agencies to execute environmental cleanup of 62 acres using a Firm Fixed Price Privatization agreement. Agreement in principle has been reached and efforts are underway to complete documentation to execute the agreement by the end of calendar year 2006. The Air Force prefers privatization, because it reduces and controls cost, speeds property transfer, and links the cleanup with property development activities. This pilot project will serve as the template for future privatization discussions for the remainder of the base.

—*Focused Strategic Sites Record of Decision.*—A Feasibility Study and Proposed Plan are in preparation for the 11 highest cost sites on the former McClellan AFB. These sites represent approximately 38 percent of the McClellan cleanup cost. Costs vary depending on cleanup alternatives, but the Feasibility Study shows that environmentally protective remedies are available at costs less then currently projected. The Record of Decision is scheduled for

—*Integrated Air Force Real Property Agency BRAC Master Plan.*—The Air Force is in the final stage of developing revised cleanup and property disposal plans that will restructure cleanup program execution. The plans will alter traditional execution approaches, and identify streamlined methods to accomplish the work. The preferred alternative for most bases is cleanup by privatization, or multi-base Guaranteed Fixed Price Remediation (GFPR) contracts. The Air Force has seen success at sites such as the Davis Transmitter site where cost and time to clean up were significantly reduced through GFPR and introducing new technologies. These plans are scheduled for completion and agency approval during summer 2006.

CONCLUSION OF HEARINGS

Senator HUTCHISON. That concludes our questions. I thank all of you for making very good presentations and we look forward to working with you through the year. The meeting is recessed.

[Whereupon, at 3:46 p.m., Tuesday, May 9, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]