

**MILITARY CONSTRUCTION APPROPRIATIONS FOR
FISCAL YEAR 2004**

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE
ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

ON

H.R. 2559/S. 1357

AN ACT MAKING APPROPRIATIONS FOR MILITARY CONSTRUCTION FOR
THE DEPARTMENT OF DEFENSE FOR THE FISCAL YEAR ENDING SEP-
TEMBER 30, 2004, AND FOR OTHER PURPOSES

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MILITARY CONSTRUCTION APPROPRIATIONS FOR FISCAL YEAR 2004

TUESDAY, MARCH 4, 2003

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

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

Present: Senators Hutchison, Stevens, Feinstein, and Johnson.

DEPARTMENT OF DEFENSE

OFFICE OF THE SECRETARY

STATEMENT OF HON. DOV S. ZAKHEIM, UNDER SECRETARY OF DEFENSE (COMPTROLLER)

ACCOMPANIED BY RAYMOND F. DuBOIS, DEPUTY UNDER SECRETARY OF DEFENSE FOR INSTALLATIONS AND ENVIRONMENT

OPENING STATEMENT OF SENATOR KAY BAILEY HUTCHISON

Senator HUTCHISON. Good afternoon. I am pleased to call to order this hearing to review the President's fiscal year 2004 budget for Military Construction. I welcome all of you, and look forward to serving this year with Senator Feinstein again. We have worked on the committee together. We have now gone both ways, and I think that we certainly work together well as a team, and I'm looking forward to that.

We will hear testimony this afternoon on Military Construction, family housing, BRAC, and Guard and Reserve programs for the Department of Defense. We have two panels with us today. The first panel will have representatives from the Office of the Secretary of Defense, Dr. Zakheim, the Department of Defense Comptroller, and Mr. Ray DuBois, the Deputy Under Secretary of Defense for Installations and Environment. The second panel consists of the Assistant Secretaries of the Army, Navy, and Air Force. I am going to ask you to summarize your statements, although we certainly want the whole thing for the record.

We have reviewed the 2004 budget request, and I note that the budget request is down again from the amount appropriated in 2003 almost 14 percent from the enacted level and 6.5 percent from last year's budget request. This is a downward trend that is of concern to us, and certainly we would like to explore how we are going

to revitalize our infrastructure, which has been an early goal, with this downward spiral.

Of more concern is the amount allocated for overseas bases in the budget request. The overall number continues to increase every year. Last year, it constituted 16 percent of the proposed budget for military construction. For 2004 it comprises approximately 19 percent of the total amount requested, and that is \$1.74 billion. Meanwhile, funding directed to modernize and revitalize our domestic bases is decreasing. We would like to talk about those two numbers.

We understand that there are major review efforts currently underway to assess force structure and base infrastructure in Europe and Korea. It may be premature to move forward with some of the funding requested in the budget until those reviews are complete. We will take a hard look at the specific projects over the next several months.

The committee is still waiting for the overseas basing master plan which was due to Congress last April. It has been almost a year, and we still do not have that report. That report was requested in the 2003 bill.

So I look forward to exploring some of these issues with you, and looking forward to hearing from you, and now I would like to turn to my Ranking Member, Senator Feinstein.

STATEMENT OF SENATOR DIANNE FEINSTEIN

Senator FEINSTEIN. Senator, thank you very much. I very much share your comments and think you are right on. I find this a somewhat puzzling budget. It keeps going down when our military activity is going up, and this budget probably is more closely related to military quality of life than virtually anything else.

I cannot help but note that for the active components, the MILCON cut is 16 percent, or \$850 million, and for the reserve components the aggregate cut is 46 percent, or \$368 million. If I recall, although we added back last year, it was a 45 percent cut last year, and the BRAC cleanup account—and I really think, in looking over some of the bases that need cleanup, that Texas and California can use the whole account itself, that there are so many bases that need cleanup, and this is down 34 percent. And family housing, which is the Administration's flagship MILCON program, has slipped almost 5 percent, so I am very interested, Madam Chairman, and I hope that the distinguished people before us today will indicate what the thinking is for the continued decline of the MILCON account, whether we are going to see this again next year and the year after, because then at some point we are going to have real problems as to how we provide adequate housing and other facilities for our military, so thank you, and I look forward to it.

Senator HUTCHISON. Thank you, Senator. Senator Stevens, any opening statement?

Senator STEVENS. I have no opening statement.

[The statement follows:]

PREPARED STATEMENT OF SENATOR TIM JOHNSON

Madame Chairwoman, I would like to thank you and Ranking Member Feinstein for calling today's hearing. I would also like to thank you for your continued leadership on this subcommittee and for your outstanding commitment to the men and women serving in the U.S. Armed Forces.

In addition, I would like to thank today's witnesses for taking the time to appear before this subcommittee. Your professionalism and dedicated service to our Nation is greatly appreciated. As I have said in the past, the military construction budget does not fund flashy projects like the latest high-tech weapons, aircraft carriers, or tanks.

The results of prudent investments in military construction are not always evident. However, to think that the work of this subcommittee is not important to the overall strength of our military is a mistake. This subcommittee funds the training facilities that help keep our service members the best-trained force in the world. This subcommittee funds the maintenance shops that keep our military hardware ready for use at a moments notice. And this subcommittee funds the construction of the medical facilities that care for our military personnel and their families. Simply put, the military construction budget is a vital part of maintaining our military's readiness.

I would like to take a moment to express my personal gratitude to our servicemen and women for all they do to keep our Nation safe. In South Dakota, we are particularly proud of all those who serve our Nation in uniform. South Dakota is home to one active duty installation, Ellsworth Air Force Base. As a Lead Wing for the Aerospace Expeditionary Force, the 28th Bomb Wing at Ellsworth Air Force Base has played a leading role in the war on terrorism. In fact, the B-1s and their crews from Ellsworth have recently been deployed for possible action in the Middle East. I am very thankful for the men and women who are stationed at Ellsworth, and was pleased to have the opportunity recently to tour the facility and get a first-hand look at their operations and housing needs. I look forward to working with my colleagues to address these issues.

I am also extremely grateful for the work of the men and women serving in the South Dakota National Guard, they are playing an increasingly important role in defending our Nation. South Dakota's Guard and Reserve units consistently rank in the highest percentile of readiness and quality of its recruits. This is demonstrated by the fact that 21 percent of the state's Guard and Reserve units have been called to active duty. The nation-wide average is only 16 percent, which places South Dakota as 11th in the Nation in the percentage of call-ups. As we look to our Guard and Reserve components to supplement our active duty forces, we must also make corresponding investments in the infrastructure needed for their training and support.

Given the strain we are putting on our military personnel—both active duty and reserve—and their families, I was surprised that the President's fiscal year 2004 budget request included a \$1.5 billion cut for military construction activities. I am particularly concerned about the effect this cut will have on family housing. Madame Chairwoman, as a father with a son serving in the Army, I understand the importance of quality of life issues. All of the best weapons and all the best facilities in the world will be rendered useless if our military personnel and their families are not afforded a good quality of life.

When asked, our military personnel consistently say good family housing is one the most important quality of life issues they face. Attempts to improve family housing are being made. For example, Congress is working with the Department of Defense to provide funding for a project to eliminate 163,000 inadequate family housing units by fiscal year 2007. As a part of this effort, the budget includes \$16.24 million to replace 75 family housing units at Ellsworth in fiscal year 2004. However, improving family housing is in jeopardy if we do not provide the necessary funding. I was disappointed that the President's budget includes a \$200 million cut in family housing spending. This is simply unacceptable. At a time in which we are asking our military to make even greater sacrifices, we should not be cutting funds for family housing.

It is my hope that we will work together to restore this vital funding and recommit ourselves to ensuring quality housing for all of our military personnel. As we begin to work on the fiscal year 2004 Military Construction Appropriation bill, I look forward to working with the members of this subcommittee to address the construction and infrastructure needs of our military. Once again, Madame Chairwoman, thank you for calling today's hearing. I look forward to working with you and to hearing from our witnesses.

Senator HUTCHISON. If not, then I would ask Dr. Zakheim for his opening statement.

STATEMENT OF HON. DOV S. ZAKHEIM

Dr. ZAKHEIM. Thank you, Madam Chairwoman. First of all, I have a much longer statement. I would like to submit that for the record, please.

Senator HUTCHISON. Without objection.

Dr. ZAKHEIM. Madam Chairwoman, Senator Feinstein, Senator Stevens, I am honored to present the military construction appropriations component of President Bush's fiscal year 2004 defense budget request. I am joined today by my colleague, Ray DuBois, who will have a statement right after I make one.

The new Department of Defense budget balances three competing demands; winning the war on terrorism, sustaining high quality people and forces, and transforming the American military and defense establishment. It funds the most pressing military construction and family housing requirements and keeps us on track to achieve the Department's ambitious facilities goals in the coming years.

It will improve the quality of life for our military through better working and living conditions. It will support strong sustainment and modernization for existing facilities, fund critical new construction, replace facilities that are no longer economical to repair, address environmental compliance requirements, and continue caretaker efforts at closing bases.

As you know, our military construction appropriations request totals \$9 billion in budget authority, and it includes the funding for military construction, family housing, and base realignment and closure accounts. Our program funds 299 construction projects at 195 locations. Complementing this \$9 billion request is \$1 billion for restoration and modernization funded from the operations and maintenance, military personnel, and working capital funds accounts.

The Department is also requesting \$6.4 billion for facilities sustainment. Although we had to make some really difficult choices because of escalating demands resulting from the war on terrorism, especially within the operations and maintenance title, we were able to fund 94 percent of the Services' facilities maintenance requirements. That is slightly higher than our 93 percent achievement last year, and it is significantly higher than in fiscal year 2000, when the Department met only 78 percent of the Services' requirements. It is arguable that 94 percent is reaching up to where one would ideally wish to be.

Fiscal year 2004 funding is sufficient to construct new facilities that are absolutely critical, most notably for new weapons systems being fielded. Our new construction funding and emphasis on sustainment, restoration, and modernization, which we call SRM, reflects a multiyear management plan to revitalize DOD facilities.

A critical component of our plan is the congressionally approved 2005 BRAC round, which we hope will achieve a needed 20 to 25 percent reduction in DOD infrastructure. With a successful BRAC round, our plan funding through fiscal year 2008 should be sufficient to achieve by that date Secretary Rumsfeld's strong goals for

facilities recapitalization. We remain at our objective of 67 years, on average, as that goal.

The fiscal year 2004 request keeps the Department on track to eliminate inadequate family housing by 2007, except for the Air Force, which will not reach that goal at four stateside installations until 2008, and at its overseas bases until 2009. The Department's brightest housing story, which is not reflected in our raw budget numbers, is the ongoing and very substantial privatization of family housing units.

As of February 2003, 18 privatization projects have been awarded. Last year, we estimated a DOD investment in privatization projects was leveraged at about 8 to 1. That is to say, for every dollar we spent, we would have had to spend \$8 in order to achieve the same facility that we got through the privatization program. This year, based on our most recent analysis of awarded projects, we estimate that leverage factor to be 10 to 1. Applying a 10 to 1 leverage factor, this year's \$346 million investment should yield nearly \$3.5 billion in top quality housing.

Let me summarize our privatization progress as projected through fiscal year 2004. Prior to fiscal year 2003, we provided 26,166 privatized units to our military families. That was based on an investment of \$276 million. For fiscal year 2003, we are on track to provide at least 30,200 privatized units, and my colleague Ray DuBois' office estimates that it could be more than 38,000 units, based on an investment of \$240 million.

For fiscal year 2004, we expect to provide at a minimum an additional 36,262 privatized units at 22 military bases based on an investment of \$346 million, almost all of it coming from prior year funding. Again, my colleagues consider this to be a conservative estimate. So by the end of fiscal year 2004, we expect to have provided at least 92,600 high quality privatized units based on a total investment of \$862 million.

I have to repeat that the projections I am giving you are conservative projections. The Office of the Deputy Under Secretary of Defense for Installations and Environment, namely Ray DuBois's office, believes—is convinced, I should say; believes is probably too soft a word—is convinced that the Department can and will do more, and my staff will certainly support efforts to do so.

Looking ahead, our fiscal year 2004 budget request for privatization totals \$174.9 million for 10 new privatization projects, totalling another 12,204 units. We plan to execute these projects in fiscal year 2004. However, if there are delays, we will carry the funds into our next fiscal year, when more privatization opportunities will become available.

So to sum up, privatization is enabling the Department to multiply the benefits of its budget dollars and get more military families into top quality accommodations far more quickly than would otherwise have been the case. This is therefore no longer some side project, or merely an incremental project, as I think was originally envisaged, or somehow an add-on to what we were doing. This is now central to our entire effort.

Let me turn next to a subject that I know all of you are terribly concerned about, and that is overseas construction. In keeping with congressional direction, new construction in overseas areas is being

requested only where construction requirements are of high priority, when absolutely essential to U.S. overseas basing needs, and after all burden-sharing opportunities have been explored and found to be unworkable.

We are currently conducting a critical review of fiscal year 2003 and 2004 projects in the European Command and Korea, and we have asked the new combatant commanders in those theaters to determine if projects previously requested continue to be supportable. At the appropriate time, we will brief you on the outcome of this review, and I may say that this will be sooner rather than later. We may request a budget amendment to address the fiscal year 2003 projects and reprioritize the fiscal year 2004 projects.

Regarding construction for our chemical demilitarization program, the Department continues to make steady progress. The 2004 budget includes \$119.8 million for the construction of chemical demilitarization facilities. This funding is not in the \$5 billion military construction request because the Department has consolidated all funding for the chemical demilitarization program, including construction, into a single account, and this is in conformity with the fiscal year 2003 National Defense Authorization Act. The single account is called Chemical Agents and Munitions Destruction, Army, which is the DOD appropriations request under the "Other DOD Programs" title.

In closing, I thank you for this opportunity to describe Department of Defense plans to sustain and revitalize its facilities. I thank you also for the ongoing support that we know we have been getting from you in the past and continue to get from you on some of the key and not uncontroversial issues that we have to face in this changing world environment.

PREPARED STATEMENT

The President's fiscal year 2004 budget will enhance the quality of life of our Service members and our families, it will strongly support current requirements and missions, and it will enable the needed long term streamlining and recapitalization of DOD facilities. I urge your approval of our request. Our Department and I are ready to provide whatever details you may need to make these important decisions and again, I repeat, we want to work with you as we review some of the decisions we have already made.

Thank you.

[The statement follows:]

PREPARED STATEMENT OF HON. DOV S. ZAKHEIM

Madam Chairwoman, Senator Feinstein, members of the committee, I am honored to present the Military Construction Appropriations component of President Bush's fiscal year 2004 defense budget request.

The new Department of Defense (DOD) budget balances three competing demands: winning the war on terrorism, sustaining high quality people and forces, and transforming the U.S. military and defense establishment. It funds the most pressing military construction and family housing requirements and keeps us on track to achieve the Department's ambitious facilities goals in the coming years. It will improve the quality of life for our military through better working and living conditions. And it will support strong sustainment and modernization for existing facilities, fund critical new construction, replace facilities that are no longer economical to repair, address environmental compliance requirements, and continue caretaker efforts at closed bases.

FUNDING AND PROGRAM HIGHLIGHTS

The Military Construction Appropriations request totals \$9.0 billion in budget authority and includes funding for Military Construction, Family Housing, and Base Realignment and Closure (BRAC) accounts. Our program funds 299 construction projects at 195 locations. The following table summarizes funding (budget authority in billions) in fiscal year 2003 and in our fiscal year 2004 request:

(Billions of dollars)

	Fiscal year 2003 requested ¹	Fiscal year 2003 enacted	Change	Fiscal year 2004 requested
Military Construction	4.2	5.7	- 1.1	4.6
BRAC	0.6	0.6	- 0.2	0.4
Subtotal	4.8	6.3	- 1.3	5.0
Family Housing	4.2	4.2	- 0.2	4.0
Total	9.0	² 10.5	- 1.5	9.0

¹ Does not include \$565 million requested in the Defense Emergency Response Fund (DERF). Of this request, \$540 million was appropriated in Military Construction accounts, partly accounting for the high fiscal year 2003 enacted total.

² Includes \$157.6 million for Chemical Demilitarization construction. The fiscal year 2004 request of \$119.8 million for this construction is funded in the Chemical Agents and Munitions Destruction, Army account, which is in the DOD Appropriations request under the Other DOD Programs title.

Complementing this \$9.0 billion request is \$1.0 billion for restoration and modernization (R&M) funded from Operation and Maintenance (O&M), Military Personnel, and Working Capital Funds accounts. The Department is also requesting \$6.4 billion for facilities sustainment. Although we had to make difficult choices because of escalating demands resulting from the war on terrorism, especially within the O&M title, we were able to fund 94 percent of the Military Services' facilities maintenance requirements. That is slightly higher than our 93 percent achievement last year and significantly higher than in fiscal year 2000, when the Department met only 78 percent of the Services' requirements.

Fiscal year 2004 funding is sufficient to construct new facilities that are absolutely critical, most notably for new weapon systems being fielded. Our new construction funding—and emphasis on Sustainment, Restoration, and Modernization (SRM)—reflects a multiyear management plan to revitalize DOD facilities. A critical component of our plan is the congressionally approved 2005 BRAC round, which we hope will achieve a needed 20–25 percent reduction in DOD infrastructure. With a successful BRAC round, our planned funding through fiscal year 2008 should be sufficient to achieve—by that date—Secretary Rumsfeld's strong goals for facilities recapitalization.

The fiscal year 2004 request keeps the Department on track to eliminate inadequate family housing by 2007—except that the Air Force will not reach that goal at four stateside installations until 2008 and at its overseas bases until 2009.

The Department's brightest housing story—not reflected in our raw budget numbers—is the ongoing, substantial privatization of family housing units. As of February 2003, 18 privatization projects have been awarded. Last year we estimated that DOD investment in privatization projects was leveraged at about eight to one. This year, based on our most recent analysis of awarded projects, we estimate that leverage factor to be ten-to-one. Applying this 10:1 leverage factor, this year's \$346 million investment should yield nearly \$3.5 billion in top-quality housing.

Let me summarize our privatization progress, as projected through fiscal year 2004:

- Prior to fiscal year 2003, we provided 26,166 privatized units to our military families—based on an investment of \$276 million.
- For fiscal year 2003, we are on track to provide at least 30,200 privatized units—based on an investment of \$240 million—and perhaps more than 38,000 units.
- For fiscal year 2004, we expect to provide at a minimum an additional 36,262 privatized units at 22 military bases—based on an investment of \$346 million, almost all of it from prior-year funding. Again, my colleagues view this as a conservative estimate.
- Thus by the end of fiscal year 2004, we expected to have provided at least 92,600 high quality privatized units—based on a total investment of \$862 million.

Let me repeat, these projections for fiscal year 2003 and 2004 privatization are conservative. In fact, the office of the Deputy Under Secretary of Defense (Installations and Environment) believes the Department can do more, and my staff will support efforts to do so.

Looking ahead, our fiscal year 2004 budget request for privatization totals \$174.9 million for 10 new privatization projects totaling 12,204 units. We plan to execute these projects in fiscal year 2004. However, if there are delays we will carry funds into the next fiscal year, when more privatization opportunities will become available.

In sum, privatization is enabling the Department to multiply the benefits of its budget dollars and get more military families into top quality accommodations much sooner than would otherwise be possible.

MILITARY CONSTRUCTION ACCOUNTS

The following are key elements of our \$5.0 billion fiscal year 2004 request for Military Construction accounts:

Active Forces and Defense-Wide.—The \$4.1 billion budgeted for Active Forces and Defense-Wide programs is targeted towards improving readiness, quality-of-life, DOD work places; restoring the most seriously degraded facilities; and providing facilities to support new weapons systems. The request includes \$1.2 billion for barracks projects; \$1.1 billion for operational and training facilities; \$518.9 million for maintenance and production facilities; \$229.7 million for community facilities; \$161.7 million for medical facilities; \$99.4 million for utility facilities; \$86.2 million for supply facilities; \$82.2 million for administrative facilities, and \$73.0 million for research and development facilities.

Guard and Reserve Facilities.—The \$369.6 million requested in fiscal year 2004 for the Reserve Components is balanced both to provide the necessary facilities to support current and new missions and to replace aging facilities that are no longer economical to repair. The request is \$318.3 million less than the fiscal year 2003 enacted level, but \$72.3 million higher than the fiscal year 2003 request of \$297.3 million. The fiscal year 2004 program includes 53 major construction projects as well as planning and design work and minor construction. Most projects are training centers, maintenance facilities, and operational facilities in support of the Reserve Components' mission.

Quality-of-Life.—A significant portion of the military construction program—\$1.2 billion—will be for new or improved barracks for unaccompanied military personnel. This will fund 46 projects to construct or modernize barracks and to provide approximately 13,000 new or improved living spaces. The Army, Navy and Air Force are continuing to build to the "1+1" design (one soldier to a room with a shared bathroom) for personnel permanently assigned to a base. The Marine Corps is building to the "2+0" design (two EI-E3s to a room, each room with its own bathroom) in an effort to improve living conditions of Marines sooner than if they followed the 1+1 design standard. In addition, the fiscal year 2004 program will allow the Department to construct or modernize six schools for dependents, seven physical fitness centers, one child development center, and one community support center.

Overseas Construction.—In keeping with congressional direction, new construction in overseas areas is being requested only where construction requirements are of high priority, when absolutely essential to U.S. overseas basing needs, and after all burden-sharing opportunities have been explored and found to be unworkable. The fiscal year 2004 program provides \$703.7 million for specific overseas projects that meet these criteria. Of the \$703.7 million, \$128.7 million is for Korea, \$288.1 million for Germany, \$155.0 million for Italy, \$55.6 million for other European sites, and \$76.3 million for various locations overseas. We are currently conducting a critical review of fiscal year 2003 and 2004 projects in the European Command and Korea and have asked the new Combatant Commanders in those theaters to determine if projects previously requested continue to be supportable. At the appropriate time, we will brief you on the outcome of this review and may request a budget amendment to address the fiscal year 2003 projects and reprioritize the fiscal year 2004 projects.

Medical Projects.—Consistent with the Department's emphasis on quality-of-life improvements and readiness, the fiscal year 2004 budget reflects the high priority placed on health care. It requests \$161.7 million for seven medical projects, including \$71.6 million for the fifth phase of a \$215 million replacement hospital at Ft. Wainwright, Alaska; \$21.5 million for a hospital addition at the U.S. Air Force Academy, Colorado; \$6.4 million for a dental clinic replacement in Connecticut; \$15.7 million for a medical/dental clinic renovation in Washington, D.C.; \$9.0 million for a hospital energy plant addition at Walter Reed Medical Center in Wash-

ington, D.C.; \$12.6 million for a dental clinic addition in Grafenwohr, Germany; and \$24.9 million for a dental clinic replacement at Anderson AFB, Guam.

Chemical Demilitarization Construction.—The Department continues to make steady progress in its chemical demilitarization efforts. To that end, the fiscal year 2004 budget includes \$119.8 million for the construction of chemical demilitarization facilities. This funding is not in the \$5 billion Military Construction request because the Department has consolidated all funding for the chemical demilitarization program, including construction, into a single account—conforming with the fiscal year 2003 National Defense Authorization Act. The single account is Chemical Agents and Munitions Destruction, Army—which is in the DOD Appropriations request under the Other DOD Programs title.

Energy Programs.—This Administration is committed to energy conservation. Reflecting that commitment, the budget includes approximately \$70 million in fiscal year 2004 for projects that will result in energy savings and support long-standing goals to reduce energy demand. Last year the Congress appropriated \$34.5 million.

Minor Construction/Planning and Design.—The request contains \$75.5 million in fiscal year 2004 for minor construction, alterations, and modifications to existing facilities. These funds are essential to meet unforeseen construction requirements that can impair the health, safety, and readiness of our forces. In addition, we are requesting \$386.6 million for planning and design. These funds are urgently needed to complete the design of fiscal year 2005 projects and initiate design of fiscal year 2006 projects, and we seek your support for this request so we can proceed with these construction requirements.

BASE REALIGNMENT AND CLOSURE (BRAC)

In the past, the BRAC process has been a major tool for reducing our domestic base structure. Between 1988 and 1995, four BRAC Commissions proposed the closure or realignment of 152 major installations and 235 smaller ones. Implementation of the last round of the four approved BRACs was completed on July 13, 2001. Once all funding is complete, the Department will have invested about \$22.2 billion and realized savings of about \$37.7 billion for total net savings of about \$15.5 billion (about \$17 billion when inflated) over the implementation period from fiscal year 1990 to fiscal year 2001. Total annual savings after fiscal year 2002 are projected to be about \$6 billion. For fiscal year 2003, the BRAC request was \$545.1 million—for environmental restoration and caretaker costs for bases closed under these previous rounds. The fiscal year 2004 request is \$370.4 million, a decrease of \$173.7 million. This funding decrease indicates that bases continue to be cleaned efficiently to environmental standards, thereby speeding the transfer of property to redevelopment authorities.

The fiscal year 2004 budget assumes that the additional round of base closures and realignment in 2005 will occur, as authorized in the fiscal year 2002 National Defense Authorization Act. The Department hopes that the round will achieve at least a 20–25 percent reduction in military infrastructure and savings of approximately \$6.5 billion per year. Funds to begin implementation of the 2005 BRAC recommendations are currently programmed for fiscal year 2006.

NATO SECURITY INVESTMENT PROGRAM

The NATO Security Investment Program (NSIP) request totals \$169.3 million in fiscal year 2004. This is the U.S. share (approximately 24.7 percent) of the acquisition of NATO common use systems and equipment; construction, upgrade, and restoration of operational facilities; and other related programs and projects required in support of agreed NATO strategic concepts and military strategy. Anticipated recoupments from previously financed U.S. projects and available prior year funds of \$14.4 million results in a total fiscal year 2004 program of \$183.7 million. This request is the minimum essential U.S. contribution for NATO's efforts. It will support both our strategic security and our economic interest in the European Theater.

FAMILY HOUSING

Budget authority for fiscal year 2004 Family Housing totals \$4.0 billion—down from \$4.2 billion requested in fiscal year 2003. This decrease is partly a result of our shrinking inventory of government-owned housing due to privatization. This budget will enable us to construct, improve, privatize, operate, maintain, and lease family housing units. It will enable the Department to continue its aggressive effort begun last year to eliminate inadequate housing. The government-owned units average about 35 years in age. These DOD-owned and leased units house approximately one-third of our military families.

Our proposed increases in the Basic Allowance for Housing (BAH) will result in improved quality of housing for our personnel. Through BAH increases, the fiscal year 2004 budget will reduce out-of-pocket costs for personnel living off-base from 7.5 percent now to 3.5 percent in fiscal year 2004, and funding will phase out these costs completely by 2005. Prior to fiscal year 2001, service members had to absorb 18.8 percent of these housing costs.

Family Housing Construction.—The major emphasis of the Family Housing Construction Program is to replace units that are uneconomical to repair or renovate and to upgrade the remaining units. We are requesting \$1.2 billion in fiscal year 2004 to build, replace, improve, or privatize 19,950 family housing units. This fiscal year 2004 request is \$85.7 million lower than the amount enacted for fiscal year 2003, due to the President's initiative to privatize housing for our troops and families.

Family Housing Operations.—The Department's fiscal year 2004 family housing operation and maintenance request totals \$2.3 billion, and the leasing request amounts to \$526 million. Our family housing operations budget will ensure that houses in our inventory are in adequate condition for occupancy by our military families. The family housing portion of the operation and maintenance account funds a range of services and expenses necessary to support the DoD-owned and leased housing units. For example, the operation account funds items such as housing administration and management, basic support services, referral services, furnishings, and utilities, while the maintenance account funds routine maintenance and major repairs. The family housing leasing account provides housing at both domestic and foreign locations when the local economy cannot provide adequate support and when additional assets are needed to satisfy a housing shortfall.

Family Housing Privatization.—The fiscal year 1996 National Defense Authorization Act provided innovative authorities that enable the Department to partner with the private sector to revitalize our housing inventory. These tools—loan and rental guarantees, direct loans and investments, differential lease payments, and the conveyance or leasing of land and facilities—have enabled the Department to tap private sector expertise and capital to provide quality housing more quickly than would be possible through traditional construction methods. Using the funds Congress appropriated directly into the Family Housing Improvement Fund (FHIF) or funds for construction projects that were later transferred into the FHIF, the Department is continuing its vigorous privatization program, as detailed earlier in this statement.

CONCLUSION

In closing, I thank you for this opportunity to describe Department of Defense plans to sustain and revitalize its facilities. The President's fiscal year 2004 budget will enhance the quality of life of our service members and their families, strongly support current requirements and missions, and enable the needed long-term streamlining and recapitalization of DOD facilities. I urge your approval of our request. Our department and I are ready to provide whatever details you may need to make these important decisions. Thank you.

Senator HUTCHISON. I am very pleased to hear you say that, Dr. Zakheim, because I think we need to have a more current assessment, and if then following a strategic plan you would be coming for reprogramming, I would certainly be pleased that you are more current for sure, so we will explore that a little more.

Mr. DuBois.

STATEMENT OF RAYMOND F. DUBOIS

Mr. DUBOIS. Thank you, Madam Chairman, Senator Feinstein, Senator Stevens, Senator Johnson—Madam Chairman, Senator Feinstein, Senator Johnson.

I am honored to be here today again with my good friend Dov Zakheim to support him. He is the numbers guy. I will try to answer the programmatic and policy questions as best I can, and I will generously turn for the numbers questions to Dr. Zakheim.

But the opportunity to discuss the President's 2004 budget in the military construction arena is extremely important to the two of us, as well as it is to Secretary Rumsfeld. Some of you have heard his

testimony here on the Hill in the prior weeks, and he has addressed the issue of transforming our force structure; he has addressed the issue of transforming the way we do business to meet the new security challenges in the 21st Century.

He also has made it clear that in order to achieve the transformation of both force structure and business operations in the Pentagon and the Department of Defense, we also have to pay attention to transforming our infrastructure.

Now, similarly to the Department writ large, transforming the infrastructure is not an easy task. It is a very large portfolio, 620,000 facilities valued at over \$600 billion, 46,000 square miles of real estate, in excess of the size of the State of Pennsylvania, I might add. We have managed in that enormous real estate, over—we do manage over 300 threatened and endangered species, many, many important cultural resources, including 68 registered national historic landmarks and over 14,000 properties currently listed on, or eligible for, the National Register of Historic Places.

Now, since Secretary Rumsfeld returned to the Pentagon after 25 years, he and I and others have adopted a different view of how we manage our portfolio, our installation and environment portfolio. It is, after all, more than just military construction, albeit—I know we are testifying in front of the Military Construction Subcommittee. I think it is important to understand the context within which we operate and how we try to manage this portfolio.

Besides, of course, family housing, you have utilities and energy management, you have safety and occupational health funding, you have environmental funding, both cleanup and conservation and research and development. We have contributions from other appropriations accounts, such as the military personnel account, host nation support, nonappropriated funds, working capital fund, the operation and maintenance accounts and, as I mentioned, the R&D accounts.

All of these budget requests are in support of the total portfolio, which is in excess of \$20 billion, and if one were to add the base operations accounts, you are closer to \$40 billion. In short, as I suggested, one should not judge quality of life investments that the President is asking for solely on the basis of military construction requests.

Now, the President and Secretary Rumsfeld at the outset of this Administration identified quite publicly military housing as a top priority. Sustaining that quality of life element is crucial, as we have found out, as has been proven time and time again, to recruitment and retention and the readiness of our military and, to that end, we are committed to providing quality housing. But quality housing, again, is not just military construction, albeit it is very important to sustain that particular appropriation, but one must always include how we are appropriating to increase our basic allowance for housing and also, again a MILCON-related issue, as Dr. Zakheim referred, how we are supporting the leverage factor in housing privatization.

Now, just as a quick aside, the BAH, or basic allowance for housing, is an important fiscal year 2004 budget request because it continues to lower out of pocket expenses, out of pocket housing costs for members living off base from 7.5 percent in 2003 to 3.5 percent

in 2004, and by 2005, the typical member living in the private sector will have zero out of pocket housing expenses.

Now, we believe our housing privatization efforts have gained traction. The calculus here, if you will, is the curve, the level of the curve is increasing. This is very important. As Dr. Zakheim implied, with the privatization awards through fiscal 2003 and by the end of fiscal 2004, the cumulative total within the Department will be in excess of 100,000 units privatized.

Now, as I indicated, military construction is a critical tool to resolving our large inadequate housing problem, and in this budget we are requesting \$4 billion in new budget authority for family housing construction and O&M. This funding will enable us to continue O&M and modernizing our family housing, helping us to meet the goal which the Secretary and the President moved up 3 years to 2007.

But family housing is only one aspect of our housing requirement. Bachelor housing, or unaccompanied housing, also deserves our attention. In the 2004 budget, we have included a request to fund, fund to build or renovate over 12,000 what we call bed spaces, self-explanatory. The Services are making significant progress toward meeting, or have already met that other nasty issue pertaining to old housing in the bachelor environment, that was gang latrines.

The Services in addition are currently preparing barracks master plans similar to the family housing master plan which the Congress required for managing their inventory, and I encourage you to ask the succeeding panel, the three Assistant Service Secretaries, for their views in this regard. We strongly, at the OSD level, the Defense Department level, support barracks privatization, and we are encouraging the Services to consider privatization as an alternative to improve unaccompanied housing.

The sustainment and recapitalization accounts are also crucial. We have focused on improving the work environment through the proper sustainment of our facilities and recapitalizing them. We have seen through the installations readiness report, similar to unit readiness reports, that the quality of the infrastructure directly affects those units' readiness.

Full or near full sustainment, as Dr. Zakheim indicated, improves performance and reduces life cycle cost. We must maximize the return on capital investments, new construction, and therefore repairing and replacing facilities once they have deteriorated becomes for us, and for you in the Congress, a much more expensive proposition.

Sustainment alone, however, is not enough. Even well sustained facilities eventually wear out or become obsolete, and yes, Madam Chairman, we have a number of facilities in that condition, so in addition to sustainment we must restore and modernize. Some of this recapitalization is critical and cannot wait. Our request for \$3.4 billion for restoration and modernization maintains our commitment to improving the work environment while weighing the requirements against other departmental priorities.

In closing, I think it is important that we recognize that the defense facilities strategic plan and our installation management approach we believe provides a framework that enables us to focus

on our overreaching goal, which is taking care of our folks, taking care of our facilities, and enhancing our business processes. Members of this subcommittee, under the chairmanship of both Senator Feinstein and now Senator Hutchison again, have been absolutely instrumental in refocusing attention on appropriate funding for recapitalizing our infrastructure and sustaining our quality of life improvements.

PREPARED STATEMENT

Secretary Rumsfeld and Secretary Zakheim and I appreciate, sincerely appreciate the strong support from this Military Construction Subcommittee, and we look forward to working with you as we transform that infrastructure.

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

PREPARED STATEMENT OF RAYMOND F. DUBOIS

Mr. Chairman and distinguished members of this Subcommittee, I appreciate the opportunity to discuss the President's Budget request for fiscal year 2004 and the plan of the Department of Defense for improving its facilities. The Department is transforming its force structure to meet new security challenges and transforming the way it does business. In Installations and Environment, this translates into a renewed emphasis on taking care of our people, providing facilities to support the warfighter by eliminating facilities we no longer need and improving those that we do, and modernizing our business practices—all while protecting the environment and those assets for which we have stewardship responsibility.

To prevail in the Global War on Terrorism and to prepare for future threats to American security, the Secretary of Defense has argued forcefully that we must transform the military. Our military capabilities must become more lethal, agile, and prepared for surprise. This transformation was under way before the attacks on September 11th. But, let us be clear, transformation is about more than new weapon systems, doctrinal innovation, and the employment of technology; it also is about changing our approach to the fundamental business practices and infrastructure of the Department of Defense.

The Department currently manages more than 620,000 facilities, valued at around \$600 billion, and over 46,000 square miles of real estate. Within that portfolio of real estate and facilities, we manage threatened and endangered species, diverse geological features, and important historical resources, including 68 registered National Historic Landmarks and over 14,000 properties currently listed on, or eligible for, the National Register of Historic Places.

The Defense Facilities Strategic Plan is our roadmap for managing this portfolio and outlines our long-term plan—healthy, productive installations and facilities that are available when and where needed with capabilities to support current and future military requirements. In recent years, we have developed models to more accurately determine our requirements and a sound management plan for getting our facilities back on track.

Today, I will address our accomplishments and future plans for restoring readiness to our facilities by taking care of our people, taking care of what we own, improving our business practices, and transforming our bases and infrastructure.

THE ROAD TO RECOVERY

Military installations and facilities are an integral component of readiness. Installations are the “platforms” from which our forces successfully deploy to execute their diverse missions. Over many years, these “platforms” have deteriorated. For instance, each year the Major Commands of the Military Services rate the readiness of their facilities by category. In the 2001 Installations' Readiness Report (IRR), the Component Commanders—the force providers—collectively rated 68 percent of facilities categories C-3 (have serious deficiencies) or C-4 (do not support mission requirements), a slight improvement from the 69 percent rate in 2000. The 2002 IRR is roughly the same as 2001. Investments made since fiscal year 2002 will take several years before the affects are apparent. We are in the process of reversing the decay, but much remains to be done. From fiscal years 2002 to 2004, we will have

put over \$28 billion in the sustainment and revitalization of our facilities, and we are beginning to see the results.

The installations management approach of the Department led us to a different way to view our installations and environmental portfolio. This portfolio is more than simply military construction and family housing. It also includes environmental funding and other contributions from appropriations such as military personnel, host nation support, non-appropriated funds and working capital funds, in addition to operations and maintenance (O&M). This funding sustains our facilities through day-to-day maintenance and contributes to our restoration and modernization program. The fiscal year 2004 budget request includes over \$19 billion in fiscal year 2004 to support our entire portfolio.

The Facilities Sustainment program funds the normal and scheduled maintenance and repairs for the inventory, using operations and maintenance funds primarily, supplemented by other sources. Sustainment preserves the inventory and allows it to reach its expected service life. For the O&M-funded sustainment requirement, we are sustaining our facilities at 94 percent of commercial benchmarks, slightly over the 93 percent requested last year. We plan to achieve full sustainment not later than fiscal year 2008.

Our Facilities Restoration and Modernization program repairs or replaces damaged or obsolete facilities and implements new or higher standards where necessary. The Restoration and Modernization program applies both military construction and operations and maintenance appropriations to recapitalize our facilities and housing.

Our fiscal year 2004 funding request allows us to achieve a recapitalization rate of 148 years for the Military Departments, down from 149 years in fiscal year 2003, meaning the Department renovates or replaces its facilities an average of every 148 years. We now include the Defense Logistics Agency, DOD Education Activity and Tricare Medical Activity in the calculations, resulting in a corporate rate of 136 years for fiscal year 2004. Our goal remains a 67-year recapitalization rate, consistent with commercial practices, and our current program would achieve that level in fiscal year 2008.

In the near term, obsolete facilities pose risks to mission effectiveness, safety, quality of life, productivity of the workforce, and cost efficiencies, but these risks are mitigated to some degree by eliminating facilities through Base Realignment and Closure (BRAC), facilities demolition programs, and an aggressive acceleration of recapitalization rates in the future years defense program.

Facilities revitalization will take time. However, the indicators are trending in the right direction, showing that we are indeed making progress. With continuing attention to our Defense Facilities Strategic Plan and current planning guidance, we can achieve our goal.

COMPARISON OF MILITARY CONSTRUCTION AND FAMILY HOUSING REQUESTS

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

	Fiscal year	
	2003 request	2004 request
Military Construction	\$4,054	\$4,480
NATO Security Investment Program	168	169
Base Realignment and Closure	545	370
Family Housing Construction/Improvements	1,341	1,237
Family Housing Operations & Maintenance	2,877	2,780
Homeowners Assistance	0	0
Family Housing Improvement Fund	2	0.3
Total	8,987	9,036

TAKING CARE OF OUR PEOPLE

Our priority is to support the warfighter, ensure superior living and working conditions and enhance the safety of the force and quality of the environment. At the outset of this Administration, the President and Secretary Rumsfeld identified military housing as a top priority for the Department. Sustaining the quality of life of our people is crucial to recruiting, retention and readiness. To that end, the Department is committed to providing quality housing using the established three prong approach—increased basic allowance for housing (BAH), increased housing privatization, and sustained military construction for housing.

In January 2001, the Department had about 180,000 inadequate family housing units. Today, through housing privatization and our military construction program, we have reduced that number to roughly 163,000. This number will continue to come down as we pursue the Secretary's goal of eliminating inadequate housing by 2007.

We remain committed to reducing—and then eliminating—the out-of-pocket housing costs for the average military member through changes in the basic allowance for housing, a key component of the Department's approach to quality housing. The fiscal year 2004 budget request includes necessary funding to continue lowering out-of-pocket housing costs for members living off-base from 7.5 percent in 2003 to 3.5 percent in 2004. By 2005, the typical member living in the private sector will have zero out-of-pocket housing expenses. Eliminating out-of-pocket expenses is good for military personnel, but also serves to strengthen the financial profile of the housing privatization program by providing members the ability to pay appropriate market rents.

Privatizing military housing is a priority for the President and the Secretary and is an integral part of the Administration's Management Plan. Our housing privatization program is crucial to providing a decent quality of life for our service members.

We believe our housing privatization efforts have gained "traction" and are achieving success. As of February 2003, we have awarded 17 projects, which include 26,100 military family housing units. We also have two awards in the final stages—Marine Corps Air Station Beaufort/Marine Corps Recruitment Depot Parris Island, South Carolina; and Kirtland AFB, New Mexico—which we expect to award next month. We project more than 20 more privatization awards each in fiscal years 2003 and 2004—bringing our cumulative total to about 102,000 units privatized.

Projects at five installations have their renovations and construction completed: Naval Air Station Corpus Christi/Naval Air Station Kingsville, Texas, Naval Station Everett Phases I and II, Robins Air Force Base, Georgia, Lackland Air Force Base, Texas, and Dyess Air Force Base, Texas. During fiscal year 2004, we expect several other bases to have their renovations and construction completed or close to completion, including those at Fort Carson, Colorado and Naval Complex New Orleans, Louisiana.

Our policy requires that privatization projects yield at least three times the amount of housing as traditional military construction for the same amount of appropriated dollars. Recent projects have demonstrated that leveraging is normally much higher. The 17 projects awarded thus far reflect an average leverage ratio of over 10 to 1. Tapping this demonstrated leveraging potential through housing privatization has permitted the Department, in partnership with the private sector, to provide housing for about \$264 million of military construction funding that would otherwise have required over \$2.7 billion for those 17 projects if the traditional military construction approach was utilized.

More important than the raw numbers is the reaction of uniformed personnel and their families to the housing developed under the initiative. It is overwhelmingly positive based on the high quality product produced by the projects.

Military construction is another tool for resolving inadequate military housing. In fiscal year 2004, we are requesting \$4.0 billion in new budget authority for family housing construction and operations and maintenance. This funding will enable us to continue operating and maintaining the Department's family housing as well as meeting the goal to eliminate inadequate housing by 2007—3 years earlier than previously planned.

We also are improving housing for our unaccompanied service members through increases in bachelor housing funding. The Department's fiscal year 2004 budget request includes funding that would build or renovate over 12,000 bed spaces. The Services are making significant progress toward meeting, or have already met, the Department's previous goal for eliminating gang latrine conditions for permanent party unaccompanied members. Additionally, the Services are currently preparing Barracks Master Plans, similar to the Family Housing Master Plan, for managing their inventory and outlining their plans for eliminating inadequate permanent party barracks by 2007.

As we gain momentum in privatizing family housing, we also are exploring and encouraging the possibility of privatizing barracks that support our unaccompanied service members. The Department strongly supports barracks privatization and has attempted to overcome barriers that impede our ability to execute a program.

The Secretary of the Navy was authorized by the National Defense Authorization Act for fiscal year 2003 to execute a pilot program for barracks privatization that includes authority for the payment of partial basic allowance for housing. The Navy considers barracks privatization a key part of their "Homeport Ashore Initiative".

We have discussed with the Navy some of their plans in this area, and we expect to review a pilot proposal later this year.

We recognize that a key element in maintaining the support of the Congress and of the private sector is the ability to define adequately the housing requirement. The Department's longstanding policy is to rely primarily on the private sector for its housing needs. Currently, two-thirds of military families reside in private sector housing, and that number will increase as we privatize the existing inventory of housing units owned by the Military Departments. Only when the private market demonstrates that it cannot provide sufficient levels or quality of housing should we consider the construction, operation, and maintenance of government-owned housing.

An improved housing requirements determination process, recently approved by the Deputy Secretary, combined with increased privatization, is allowing us to focus resources on maintaining the housing for which we have a verified need rather than wasting those resources duplicating private sector capabilities. The improved housing requirement process is being used by the Department to better determine the number of family housing units needed on installations to accommodate military families. It provides a solid basis for investing in housing for which there is a verified need—whether through direct investment with appropriated funds or through a privatization project.

By aligning the housing requirements determination process more closely with the analysis utilized to determine basic allowance for housing rates, the Department is better positioned to make sound investment decisions necessary to meet the Secretary's goal to eliminate inadequate housing by 2007. Further, as more military families opt to reside in the private sector as housing out-of-pocket expenses decrease for the average member, the Services on-base housing requirement should generally also decline. This migration should permit the Services to better apply scarce resources to those housing units they truly need to retain.

TAKING CARE OF WHAT WE OWN

Sustaining, Restoring and Modernizing Facilities

The Department's program for modernizing military housing is well underway. We are also focused upon improving the work environment through proper facilities sustainment and recapitalization. As we have seen through the Installations' Readiness Report, the quality of our infrastructure directly affects readiness. Our first priority is to fully sustain our facilities, and we have made significant progress in this area. Full sustainment improves performance and reduces life cycle costs, maximizing the return on our capital investments. Repairing and replacing facilities once they have deteriorated is more expensive. Our recent investments in sustainment and recapitalization, along with continued investment over time, will restore readiness, stabilize and reduce the average age of our physical plant, reduce operating costs and maximize our return on investment.

Despite the challenges, we have preserved funding for facilities sustainment and restoration and modernization. The Department is requesting \$6.4 billion in fiscal year 2004 for sustainment. The budget funds sustainment at 94 percent of standard benchmarks. That is not an average of the Military Departments—it is the floor we established for all the Military Departments, an improvement over last year, and we have a plan to achieve full sustainment by 2008.

But sustainment alone is not enough. Even well-sustained facilities eventually wear out or become obsolete, and we have a lot of facilities in that condition now. So, in addition to sustainment, we must also restore and modernize facilities. Some of this recapitalization is critical and cannot wait. Our fiscal year 2004 funding request of \$3.4 billion for restoration and modernization maintains our commitment to improving the work environment while weighing the requirements against other Departmental priorities.

We measure the rate of restoring and modernizing against an average expected service life of our inventories, which we calculate at 67 years. The fiscal year 2004 Military Department recapitalization rate is about 148 years, compared with 149 years for fiscal year 2003. With the Defense Agencies included, our corporate rate for fiscal year 2004 is down to 136 years, an improvement over last year's request. Our program funds the 67-year rate in fiscal year 2008, and between now and then we plan to follow a smooth glide path to that level. This past year, we thoroughly reviewed and standardized our Facilities Recapitalization Metric, so we can track and report on our progress toward the goal with confidence.

Improved Facilities Footprint Management

We continue to explore methods for reducing our footprint and better utilizing existing facilities. Demolition is a valuable tool for eliminating excess and obsolete facilities. From fiscal years 1998 through 2002, the Services demolished and disposed of over 75 million square feet of unnecessary, deteriorated facilities, resulting in significant cost avoidance in sustainment and restoration and modernization expenses to the Department. We expect to exceed our goal of demolishing 80.1 million square feet by the end of 2003, and we are requesting about \$80 million in fiscal year 2004 to carry on this successful program.

While we use demolition for excess facilities, the enhanced-use leasing program enables us to make better use of underutilized facilities. As we transform the way we do business, the Department remains committed to promoting enhanced-use leasing where viable. This type of lease activity allows us to transform underutilized buildings and facilities, with private sector participation, into productive facilities. Examples of these opportunities include, but are not limited to, the creation of new or joint-use opportunities for office space, warehouses, hotels/temporary quarters, vehicle test tracks, wind tunnels, energy generation plants, recreational playgrounds, and sports venues. Additional benefits can accrue by accepting base operating support or demolition services as in-kind consideration; thereby, reducing the appropriations needed to fund those activities. Finally, enhanced-use leasing provides opportunities to make better use of historic facilities and improve their preservation as both cash and in-kind consideration may be used for those purposes. The Army is a leader in this regard, with pilot projects being discussed at Fort Sam Houston and Walter Reed Army Medical Center.

Improving Energy Management

As we sustain, restore and modernize facilities, part of our focus is to reduce our energy consumption and associated costs. To accomplish this, the Department is developing a comprehensive energy strategy that will continue to optimize utility management by conserving energy and water usage, improve energy flexibility by increasing renewable energy usage and taking advantage of restructured energy commodity markets as opportunities present themselves and modernize our infrastructure by privatizing our deteriorated and outdated utilities infrastructure where economically feasible.

With approximately 2.2 billion square feet of facilities, the Department is the single largest energy user in the Nation. Conserving energy will save the Department funds that can be better invested in readiness, facilities sustainment, and quality of life.

Our efforts to conserve energy are paying off. In fiscal year 2002, military installations reduced consumption by 3.1 percent, resulting in a 6 percent decrease in the cost of energy commodities from the previous year. With a 25.5 percent reduction in fiscal year 2002 from a 1985 baseline, the Department is on track to achieve the 2010 energy reduction goal for buildings of 35 percent per square foot.

The Department has a balanced program for energy conservation—installing energy savings measures using appropriated funding and private-sector investment—combined with using the principles of sustainable design to reduce the resources used in our new construction. Energy conservation projects make business sense, historically obtaining about \$4 in life-cycle savings for every dollar invested. The fiscal year 2004 budget contains \$69.5 million for the Energy Conservation Investment Program (ECIP) to implement energy saving measures at our facilities. This is a 39 percent increase from fiscal year 2003 budget request of \$50 million.

The Department will also continue to pursue renewable energy technologies such as fuel cells, geothermal, wind, solar, and purchase electricity from these environmentally-friendly renewable sources when it is life-cycle cost-effective. In fiscal year 2002, military installations used 4.5 trillion British Thermal Units of renewable energy, doubling the amount from the previous year. The pursuit of renewable energy technologies is critical to the Department's and Nation's efforts in achieving energy flexibility.

A key part of our energy program is our utilities management efforts, focused on modernizing systems through utilities privatization. By incorporating lessons learned and industry feedback, the Department has strengthened efforts to take advantage of private sector innovations, efficiencies and financing. We have over 2,600 systems with a plant replacement value of approximately \$50 billion. Thirty-eight (38) systems have been privatized using the utilities privatization authority in current law. Another 337 systems were privatized using other authorities, and privatization solicitations are ongoing for over 850 utility systems.

The Services plan to request privatization proposals for the remaining 450 systems over the next 2 years. We are on track to complete privatization decisions on

all the available water, sewage, electric and gas utility systems by September 2005. Congressional support for this effort in fiscal year 2004 is essential to maintain the procurement momentum and industry interest, as well as maximize the benefits of modernizing the Department's utility infrastructure.

Improving Environmental Management

The Department continues to be leaders in environmental management. We are proud of our environmental program at our military installations throughout the world, and we are committed to pursuing a comprehensive environmental program.

ENVIRONMENTAL PROGRAM—SUMMARY OF REQUEST

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

	Fiscal year	
	2003 request	2004 request
Cleanup	\$1,278	\$1,273
BRAC Environmental ¹	519	412
Compliance	1,701	1,603
Pollution Prevention	247	173
Conservation	152	153
Technology	205	191
Total	4,102	3,805

¹Funding levels reflect total requirement (TOA).

In fiscal year 2004, we are requesting \$3.8 billion for environmental programs. This includes \$1.3 billion for cleanup, \$0.4 billion for BRAC environmental, \$1.6 billion for compliance; about \$0.2 billion for pollution prevention, and about \$0.2 billion for conservation.

By the end of fiscal year 2002, we reduced new environmental violations by 77 percent from the 1992 baseline. The Department continues to reduce the percent of enforcement actions received per inspection, with roughly one enforcement action per 12.5 inspections, down from one for every three inspections in 1994. We have also improved our treatment of wastewater and the provision of drinking water for those systems we control.

We reduced the amount of hazardous waste we generate by over 64 percent since 1992, and we are avoiding disposal costs by diverting non-hazardous solid waste from landfills by recycling and other approved methods. These pollution prevention techniques continue to save the Department needed funds as well as reduce pollution. As an example, the Department saved about \$95 million in disposal costs in 2001. We have increased the number of alternative fueled vehicles that we use in order to reduce the demand for petroleum, and we continue to reduce the number and amount of toxic chemicals we release through our industrial processes and training operations.

The Department's commitment to its restoration program remains strong as we reduce risk and restore property for future generations. We are exploring ways to improve and accelerate cleanup with our regulatory and community partners. Achieving site closure and ensuring long-term remedies are challenges we face. Conducting environmental restoration activities at each site of the installations in the program requires accurate planning, funding, and execution of plan. The Department must plan its activities years in advance to ensure that adequate funding is available and used efficiently.

The Defense Environmental Restoration Program goals assist the Components in planning their programs and achieving funding for activities. We achieved our goal to reduce 50 percent of high risk sites at active installations by the end of fiscal year 2002 and are on track to achieve 100 percent by the end of fiscal year 2007. At BRAC installations, final remedy for 90 percent of the sites was in place by the end of fiscal year 2001, and we anticipate completion by the end of fiscal year 2005.

We also are working to mitigate unexploded ordnance (UXO) on our military ranges. Our operational ranges are designed to train and make combat-ready our Nation's warfighters and prepare them as best as we can for combat. UXO on ranges is a result of our military preparedness training activities. However, we are actively seeking ways to minimize the amount of UXO on our operational test and training ranges. The Department is developing policies on the periodic clearance of UXO for personnel safety and to ensure chemical constituents do not contaminate groundwater.

For the areas other than operational ranges which have a UXO challenge—our Formerly Used Defense Sites, BRAC installations, and closed ranges on active installations—we are currently developing the reports requested by Congress in the National Defense Authorization Act for fiscal year 2002. We will have an inventory of our munitions response sites, cost estimates, a comprehensive plan, and will define the current technology baseline with a roadmap for future action.

In addition, we are developing new technologies and procedures through the Environmental Security Technology Certification Program and the Strategic Environmental Research and Development Program. These, along with the Army and Navy's Environmental Quality Technology Program, have enabled us to make tremendous strides for realizing our goals of reducing cost, completing projects sooner and sustaining the safety of our communities.

As you may know, the Defense Science Board (DSB) assessed the UXO issue in 1998. Last year, the Under Secretary of Defense for Acquisition, Technology and Logistics commissioned a new DSB Task Force to look at this entire issue. Their report is due for completion this summer, and we look forward to acting on their recommendations.

Beyond the dollars, we have implemented a new environmental management systems (EMS) policy as a part of the Administration's emphasis that enables us to train and operate more effectively and efficiently, while reducing our impact on the environment. Through this "systematic approach," we can continually improve both our mission performance and our environmental management. We are implementing this across all military missions, activities and functions to modernize the way we manage the environment entrusted us by the American people, and we are on-track to achieve the EMS goal established in Executive Order 13148. We hope to reach the level where our mission activities are so well managed from an environmental perspective that our environmental impacts would be virtually eliminated and remove our liabilities from long-term compliance bills. EMS is the systematic approach to achieve this goal and resolve the perceived conflict between mission and environmental stewardship.

We also look to our stakeholders and government agencies to help us better identify our environmental management issues. On February 5th, we hosted a defense environmental forum at the National Defense University. At the meeting, recognized leaders from Federal, tribal, state and local governments, the private sector, academia, the scientific and research community, and other non-governmental organizations exchanged insights on pressing environmental issues facing the Department. Our objective was to identify and diagnose the major issues associated with the twin imperatives of military readiness and environmental protection. This new initiative will improve our communication with stakeholders and enable us to more effectively manage our mission and environmental challenges.

Another significant environmental accomplishment is in the area of natural resources. The Department has been managing natural resources for a long time—we currently manage more than 25 million acres. In October of 2002, we issued a new policy for "Integrated Natural Resource Management Plans", or "INRMPS", used by the Department to protect natural resources on our installations. Previous guidance emphasized early coordination with all stakeholders, the U.S. Fish and Wildlife Service and appropriate state agencies to ensure that we meet the conservation requirements of the Sikes Act and focus on the preservation and maintenance of healthy and fully functional ecosystems. The new guidance emphasizes coordination requirements, reporting requirements, implementation requirements, and other miscellaneous requirements. The miscellaneous requirements highlight the need to ensure that we manage our assets in accordance with the INRMPS to ensure that there is no net loss in the capability of military installation lands to support the military mission of the installation, in this case test and training opportunities, as well as preserving the natural resources entrusted to us.

We have completed integrated natural resource management plans at the vast majority of bases. We also are pursuing the completion of integrated cultural resource management plans at our installations to ensure that we identify and preserve historical treasures. This will allow us to test and train to maintain a ready military force without fear of endangering our heritage. We acknowledge there are still some very complex and difficult challenges, but we are making progress.

PRESERVING RANGES AND TRAINING AREAS

The Department takes seriously the fact that an important part of our national defense mission is to defend and preserve the natural environment entrusted to us. Our personnel take understandable pride in their environmental record—a record with documented examples of impressive management of critical habitats and en-

dangered species. However, the impacts on readiness must be considered when applying environmental regulations to military-unique training and testing activities. The ever-growing problem of “encroachment” on our military training ranges is an issue for us here at home, as well as at our overseas training locations.

We are addressing the effects that encroachment pose to our ability to “train as we fight.” This effort, known as the Readiness and Range Preservation Initiative, is the Department’s broad-based effort to find solutions to a variety of pressures on our test and training lands.

This past year, Congress enacted two legislative provisions that allow us to cooperate more effectively with local and state governments, as well as private entities, to plan for smart growth surrounding our training ranges. These provisions allow us to work toward preserving habitat for imperiled species and to limit development to land uses that are compatible with our training and testing activities. Congress also provided the Department a temporary exemption from the Migratory Bird Treaty Act for the incidental taking of migratory birds during military readiness activities. These were three of the eight provisions the Department sought approval on as part of our Readiness and Range Preservation Initiative in the National Defense Authorization Act for fiscal year 2003.

Today, we are developing a long-term process to address encroachment by creating a multi-year, comprehensive program to sustain training and testing. This program will pursue not only legislative clarification but also regulatory and administrative changes, internal policy and procedure adjustments, and an active stakeholder engagement strategy.

The Administration will seek legislative clarification where laws are being applied beyond their original legislative intent. We believe that modest legislative reforms are needed to ensure the preparedness of this Nation’s Armed Forces, and we will continue to work with Congress to seek enactment of legislation to address these concerns.

We are in the process of evaluating all of the circumstances that create problems for our test and training ranges. Some of these may be solved with administrative or regulatory changes. We are working with the Military Services, other Federal agencies, tribes, states and local communities to find ways to better balance military, community and environmental needs.

The Department also is developing a suite of internal policy and procedure adjustments, the capstone of which is a new Department of Defense Directive recently signed by the Deputy Secretary to ensure long-range, sustainable approaches to range management. In addition, we intend to strengthen and empower management structures to deal with range issues. We also have taken a pro-active role to protect bases from urbanization effects by working with local planning and zoning organizations and other stakeholders.

The actions taken by Congress last year will greatly assist in this process by allowing us to work toward preserving habitat for imperiled species and to limit development to land uses that are compatible with our training and testing activities. The Services will identify opportunities to utilize these new authorities. We plan to convene a workshop early this year with key land conservation organizations and representatives from state and local communities to develop an implementing Memorandum of Understanding and sample cooperative agreements that can be utilized under the new authorities.

The Department also is planning to address the long-term sustainment process by reaching out to and involving other stakeholders. We need to improve the understanding of readiness needs among affected groups such as state and local governments, and non-governmental organizations. We must establish dialogue and form partnerships with these groups to reach our common goals by focusing on areas of common interest. This will enable us to take a proactive stance against encroachment and protect our bases into the future.

IMPROVING BUSINESS PRACTICES

Adopting a Common Approach to Managing Real Property

We are undertaking an aggressive initiative to make management of our real property more efficient and effective. This project is called the Real Property Enterprise Solution (RPES), and is part of the larger Financial Management Modernization Program.

Our vision is to improve the accuracy, reliability, timeliness, and usefulness of real property information necessary by all levels of decision-making to support the Department’s overall mission, resources, accounting, accountability and reporting requirements. We will accomplish our vision through development and implementation of a standard, Defense-wide real property enterprise architecture resulting in:

standard business practices and processes, standard categorization, definitions and terminology and a standard system (or systems).

We are teaming with the Office of the Under Secretary of Defense (Comptroller) to develop and update our plans. We are 80 percent finished with our enterprise architecture for real property. An enterprise architecture catalogs the current real property activities and leads to identification of the optimal business processes and technical standards, with a transition plan showing how to get from the current to the optimal state, recognizing any business constraints. By the end of this calendar year, we plan to complete the market research and solution assessment and expect field a pilot system or systems in calendar year 2005 for a significant portion of the real property business area.

As part of the reform of the Department's business practices, we developed the Facilities Sustainment Model (FSM) and the Facilities Recapitalization Metric (FRM). The Facilities Sustainment Model and the Facilities Recapitalization Metric, based on standard commercial processes, improve the way we inventory and account for facilities and more clearly defines our facilities sustainment and recapitalization requirements. The Services have used FSM to define their sustainment requirements since fiscal year 2003, and the Defense Agencies were included for fiscal year 2004.

This past summer we thoroughly reviewed and standardized the FRM, so we can track and report on our progress toward our recapitalization goals with confidence. The revised metric is now used throughout the Department to calibrate the rate at which we restore and modernize facilities and to ensure that all elements of the Department are moving forward toward our corporate goals. With these two new tools, we have finally established a common requirements generation process and a sound method for forecasting funding requirements.

In developing these models, we also changed the program element (PE) structure for fiscal year 2002 budget execution, doing away with the real property maintenance PEs, and creating sustainment and restoration/modernization (recapitalization) PEs. These newly defined program elements align our financial management and accounting cost elements with this new, transformed management structure and permit tying dollars and budgets to performance.

Reducing Cycle Time

An imperative within the acquisition community is to reduce cycle time while also reducing total ownership costs. In the Installations and Environment community, we viewed this as a challenge to improve business processes, enabling resources—both money and people—to be better used elsewhere.

We established an integrated product team (IPT), with the Services and Defense Agencies, to identify alternatives to reduce cycle time for military construction. Facility construction typically takes about 5 to 8 years from requirements determination to beneficial occupancy. We researched and adapted private sector practices, where possible, but in some cases we may need legislative change. We will urge your consideration of such proposals should they be necessary.

Focusing on Core Competencies

As we consider approaches to better utilize our personnel, competitive sourcing provides a methodology for focusing on our core capabilities. The Department will obtain needed products or services from the private sector where it makes sense. We support the Competitive Sourcing Initiative in the President's Management Agenda. To meet the target initiated by the Office of Management and Budget, the Department has initiated six pioneer projects as alternatives to A-76. The Army's "Third Wave" is an example of our new aggressive approach to identify the best way to do business. We will also announce an additional 10,000 traditional A-76 initiatives this fiscal year. The Services will submit their plans to meet the President's management initiative objectives through the use of A-76 and alternatives in their fiscal year 2005 Program Objectives Memoranda submissions.

Consistent with our approach of focusing on our core competencies, the Department believes our security guard functions could be better accomplished by contractors, freeing our military and civilians to focus on other tasks that will enable us to fight and win wars. We remain supportive of repealing the restriction in 10 U.S.C. 2465 that prohibits the Department from contracting for security guards. The current provision inhibits the Department's ability to quickly increase or decrease the number of security guards, as threat conditions warrant. This provision would provide increased flexibility as the Department continues to enhance anti-terrorism/force protection measures.

TRANSFORMING BASES AND INFRASTRUCTURE

One of the most effective tools we have to transform the military is through the BRAC process. From 1988 through 1995, approximately 387 closure or realignment actions were approved, and the Department has completed each action within its respective statutory deadline. We have rationalized much of our infrastructure through the previous BRACs—but much more needs to be done. We believe the Department has anywhere from 20 to 25 percent excess capacity in its facilities. By removing that excess capacity we hope to save several billion dollars annually. For instance, prior BRAC actions have resulted in net savings to the Department—to the taxpayer—of approximately \$17 billion, with annual recurring savings of approximately \$6 billion.

Continuing to operate and maintain facilities we no longer need diverts scarce resources that could be better applied to higher priority programs—like improving readiness, modernization and quality of life for our Service members. We must utilize every efficiency in the application of available resources to ensure we maintain just what we need to accomplish our missions. In the wake of the attacks of September 11, 2001, the imperative to convert excess base capacity into warfighting ability is enhanced, not diminished.

However, achieving savings is not the only reason to realign and close bases. The more important reason is to enable us to attain the right mix of bases and forces within our warfighting strategy as we transform the Department to meet the security challenges of the 21st century. Transformation requires rationalizing our base structure to better match the force structure for the new ways of doing business.

Congress authorized a Base Realignment and Closure in 2005 to accomplish this “base transformation”. BRAC 2005 should be the means by which we reconfigure our current infrastructure into one in which operational capacity maximizes both warfighting capability and efficiency. Through BRAC, we will eliminate excess capacity that drains our scarce resources from defense capability.

The process will not be simply a process to reduce capacity in a status-quo configuration, but rather, as the foundation to transformation, it will allow us the opportunity to examine a wide range of options for stationing and supporting forces and functions to make transformation what it truly should be—a “re-tooling” of the base structure to advance our combat effectiveness and make efficient use of our resources. A primary objective of BRAC 2005 process is to examine and implement opportunities for greater joint activity.

Our installations transformation is not limited to the United States. We also are assessing our facilities overseas to determine the proper size and mix. Since 1990, the Department of Defense has returned or reduced operations at about 1,000 overseas sites, resulting in a 60 percent reduction in our overseas infrastructure and a 66 percent reduction in Europe, in particular, and we continue to review overseas basing requirements of the Combatant Commanders and examine opportunities for joint use of facilities and land by the Services, consolidation of infrastructure, and enhanced training.

CONCLUSION

Our facilities continue to recover, and we are seeing the results of investments made over the last several years. The Defense Facilities Strategic Plan and our installations management approach has provided a framework that enables us to focus on our overarching goals: taking care of our people, taking care of our facilities and enhancing our business processes. We have made significant progress toward providing quality housing for our service members, and we are now focused on improving the work environment.

BRAC 2005 is our most important initiative to help us accomplish this. By consolidating, realigning and reducing unneeded infrastructure, the Department can focus investments on maintaining and recapitalizing what we actually require, resulting in ready facilities for the warfighters while more prudently using the taxpayer's money.

As we prepare to rationalize our base structure, we also are addressing encroachment issues that impact our ability to effectively utilize our test and training ranges. The Readiness and Range Preservation Initiative is identifying solutions to these challenges. We have developed a plan of action and are proceeding with implementation. A key element of the plan is our proposed legislation that combines military readiness with environmental stewardship.

Our Real Property Enterprise System (RPES) efforts will result in much improved and standardized business practices while enhancing our financial stewardship. Market research and solution assessment should be complete by the end of this fis-

cal year with pilot fielding of a new system(s) or modification to existing systems to follow.

In closing, Mr. Chairman, I sincerely thank you for this opportunity to outline our successes in military facilities and review our plans for the future. We appreciate your strong support of our military construction program, and I look forward to working with you as we transform our infrastructure.

Senator HUTCHISON. Thank you. As noted before, our domestic MILCON budget is decreasing, our overseas MILCON is increasing, and I would particularly note that much has changed since the previous long range planning for our overseas basing, and in particular I would say the timing of the large increase in this budget for overseas construction in Germany and Korea is questionable, based on the changes just in the last 6 months in our strategic needs.

In this budget you are asking for \$288 million for Germany alone, out of a total of \$532 million for Europe, and for Korea \$173 million at the same time we are certainly in a questioning mode on the number of troops we would have in Korea for the long term, and with General Jones, the Supreme Commander of NATO, actually having a proposal in public that we would be lessening the number of troops that we would have in Germany in favor of some more eastern countries. So my question is, why do you have all of this for Germany, Europe, Korea, when we do not have a clear understanding of a master plan?

Dr. ZAKHEIM. Let me start, and then Ray can add to that.

In the first place, we have got a situation where we are really—we are already modernizing in Germany and Korea. There are sufficient bases in Germany. There is a plan that is a legacy of the previous commander in Korea. We also have a further complication, and here this is something I personally was involved in. I led the negotiation with the Koreans to get them to contribute 50 percent of, in effect, host nation costs. We got a 35 percent increase in that negotiation, and it was very tough, I can tell you.

So what we have, therefore, is a situation where we have not yet heard the details of what General Jones has outlined the framework of, and I think what he has done is reflect the Secretary's views, and the views that many of the senior leadership in the Department have that the changing strategic environment clearly calls for a changed infrastructure footprint in Europe. But until such time as we have got the plan, as we have evaluated, as we have discussed it with you, we do not have it yet, and we are moving ahead with modernization.

Now, we have done one thing. We have put a freeze on 2003 construction projects in Europe, other than Ramstein, because I think there is a consensus, and I think General Jones may have actually said this in one of the articles that he was quoted in, that Ramstein was central no matter how you sliced this one, given what we do there and its strategic location and so on. But beyond that, we have actually currently put a freeze until we hear back from both General Jones and General LaPorte and Admiral Fargo, the Pacific Commander, as to where they are headed. So we have, in fact, anticipated your concern. You are looking at 2004. We have already put freeze on for 2003.

Senator HUTCHISON. That just begs the question, how would you feel about a freeze in 2004 so you know the long range commit-

ments would be in place before we would start spending hundreds of millions of dollars?

Dr. ZAKHEIM. I would hope we would have some answers to you from the combatant commanders before you actually put the freeze on. I mean, picture it this way. Suppose you put a freeze on in 2004 and it turns out there are some things that General Jones, even in this review, General Jones, General LaPorte feel they do need, then we find ourselves sort of twisted in a new kind of knot.

Senator HUTCHISON. So what is the timetable, then?

Dr. ZAKHEIM. Well, we have asked them in effect to come back to us in, I guess it was a total of 90 days, and we put this request out to them about one-half a month ago, so we are about 2½ months away, and I think Ray DuBois and I are committed, I know we are committed to discussing this with you once we have heard from them and reviewed it with the Secretary.

We know that you have an appropriations timetable, and you have to meet your timetable. We are going to do everything we can to ensure that there is consistency between what you are trying to do and what we are trying to do, because I do not think there is much disagreement here.

Senator HUTCHISON. Well, I have to say I am pleased that there seems to be a bit of a turn toward looking at what we are doing overseas, and also relating it to what we are going to need in America in 2005 so you do not close a base you are going to need to bring troops from overseas back home to; so it seems we are on a course, but I do think the timing is going to be important, because I do not want to mark up a bill that is obsolete the day we mark it up.

Dr. ZAKHEIM. Well, we certainly understand that, but I think in fairness I have to point out that I started discussing the need for a relook at our European facilities with then Secretary-designate Rumsfeld. On September 11, 2001 Ray DuBois and I were in Germany, having been sent there by Secretary Rumsfeld to examine this issue. As you can imagine, things changed when we were forced to come home, and a lot has gone on since then. But the Secretary has for quite some time prior to September 11 felt that there was something that needed to be done about our overseas footprint, and so we are acting on it. As I said, we will do everything we can not to leave you out on some limb marking something up and then discovering that it is OBE. I do not think that is fair to you and, frankly, it is not fair to us, either.

Senator HUTCHISON. I think that is right. Let me add, I have visited bases overseas just as you have, and I hear constantly about the limiting effects of not being able to have sufficient flying space to stay in training, not having an artillery range to stay in training, and so I hope that is a consideration when you are doing the big picture, that if you are going to have training constraints in some of these countries, that would be a factor in your decision, not the only factor, but a factor, so that if you are going to have to bring people home to train—Vieques would be another example where we build up a base, we have an agreement with the host country, and then all of a sudden that blows up and we are going to have to find another place to train our people coming in sea landings.

So I hope that is part of the discussion in the Department of Defense as you are going to make these recommendations both for BRAC in America and BRAC overseas.

Dr. ZAKHEIM. It is certainly a factor. I would like to ask Ray DuBois to add to that, although I think I have to point out that the host nation for Vieques is us.

Senator HUTCHISON. Well, it is but it is not.

Dr. ZAKHEIM. Of course. Of course.

Senator HUTCHISON. I mean, it is not us who is protesting.

Dr. ZAKHEIM. It was complex. Anyway, Ray, would you like to—

Mr. DUBOIS. Madam Chairman, notwithstanding my remark about being reticent to discuss numbers, I think it is important to recognize relative numbers insofar as our MILCON request in 2004 shows an increase for the U.S. MILCON and a decrease, year over year request, for overseas. So in a sense we are making certain adjustments, but I also think we have to look at the legacy of underfunding for our overseas facilities that we inherited, quite frankly, when we came on board in January of 2001.

The other issue that I think it is important to recognize, with respect in particular to your suggestion of a moratorium on overseas construction, and that is, the Secretary of Defense, as Dr. Zakheim has indicated, has asked the combatant commanders for their views to reprioritize and recommend where reprioritizations make most sense, because the 2003 construction projects currently in the pipeline were in point of fact planned for 2, 2½ years ago, and may not reflect the realities and the requirements of today.

In addition, we would think that if reprioritization is a good thing to do, based on the combatant commanders' recommendations, the service Secretary and Service Chiefs' concurrences, that reprogramming those dollars into other areas is very important. That would be applicable not only to 2003, but 2004, and therefore by placing a moratorium on 2004, you would prevent an appropriate reprogramming, with Congress' approval, to those, today's immediate requirements, vice those requirements that may have looked very attractive in the planning stages 2½ years ago.

Senator HUTCHISON. Well, let me just say that certainly we want to work in the best possible way for our congressional responsibility and oversight, but we need a lot more of a strategic plan before we pass a 2004 budget than just to pass something in a big vacuum and then come in with a huge reprogramming request. I just do not think that is the proper way to go.

And secondly I would just say, and then I am going to stop—I do have some more questions, but I want to give my colleagues a chance, but I do want to say I do not think just depending on the CINCs' combatant commander views is the job of the Department of Defense, because a CINC may be looking at their sphere, but they may not be looking at the big picture for the strategy of where our troops are going to be needed for the future. So I do hope that there is an overview that will be put forward that does not just say the commander in Korea believes that you need this in Korea, without thinking about what is needed in the Middle East, or in Turkey, or in Italy, or Spain, or wherever. I just hope that just talking to the commanders—

Mr. DUBOIS. Madam Chairman, if we were to look at an area of operational responsibility by a combatant commander in isolation, that would be a mistake. The Secretary has discussed at some length with the combatant commanders and the Joint Chiefs of Staff as recently as 2½ weeks ago here in Washington at the Combatant Commanders Conference the importance of an integrated global presence and basing strategy, and there was considerable discussion around that, but there was not any disagreement that, in point of fact, needed to happen.

Dr. ZAKHEIM. Let me add to that. Let me add to that, Madam Chairman. First of all, as somebody who has known Jim Jones for about 28 years, I can tell you he is about the least narrowly focused person I have ever met, but his command, as you know, now extends into Central Asia, and it extends into Africa, and so this is a man whose command is global, and what we are talking about, of course—

Senator HUTCHISON. And NATO is a little different, too.

Dr. ZAKHEIM. But again, he is the European Commander, and for instance, Israel and Lebanon are part of his command, and Turkey, of course, is part of his command within NATO, and so his concern is as someone who has to focus, as he is as we speak, on a massive crisis in his southeast sector. He is fully aware of the implications of the new States that have come out from under the Soviet shadow and so on, and their potential, and as a Marine, quite frankly, he is also aware of the importance of littoral capabilities.

As to General LaPorte, I do not know him as well, but this man is a really creative fellow, and he has brought a very different look to what is needed in Korea. In addition, he is working with Admiral Fargo, again someone I have known for a couple of decades, and Admiral Fargo's scope basically touches up against Admiral Jones'.

I mean, literally, when Admiral Fargo is responsible for India and Admiral Jones is—and Zari, and then—well, I guess they do not touch exactly, but Central Asia and India, they come pretty close, and China, actually—no, so they do. So you have got two combatant commanders with huge areas of responsibility. You therefore can understand the exact kind of concern you have got, and a very creative combatant commander in Korea.

Now, add that to what Ray just told you, that the Secretary has made it very, very clear that we have to have the exact kind of strategic perspective you are talking about, and I think you can be very, very confident in their recommendations.

Senator HUTCHISON. Thank you. Senator Feinstein.

Senator FEINSTEIN. Thank you, Madam Chairman.

I want to follow up along the lines—let me begin with my bottom line. I think it really is necessary that we sit down and have some kind of strategic conversations on where this is all going, and over what period of time, and how much the cost is estimated to be, and I will tell you why.

Before last year's hearing General Meigs came in and talked to me about Efficient Basing South, so I went to Vicenza, and went to Camp Ederle, and went with him and saw his plans for Efficient Basing South.

Now, this year we have gotten another plan, efficient basing in another direction. We put \$34.8 million into Efficient Basing South

last year. You might make a note, because I am going to go on for a bit. I want to know essentially whether this Efficient Basing South plan is going to be continued to be carried out.

Secondly, I guess if they are going to leave Germany we do not have to worry about whether we build a new commander's house or remodel the old house, so we might save some money there. We should know about that.

The second thing is, in December, Senator Hutchison has had some interest, and I have had a longstanding interest in the Korean situation, so I was fortunate enough to spend the day with General LaPorte. I saw Yongsan. I saw his desire to move out of Yongsan. Yongsan is a strategic piece of property in the heart of Seoul. It was also Japanese headquarters, which makes it a piece of land with some distinct sensitivity to South Koreans, and, was there in early December, just before the election, and there was a great deal of anti-American sentiment about our military there.

And we put substantial moneys into the budget to do some renewal, and I saw some of the privately contracted housing and the facilities that we helped fund, which was wonderful to see, something really coming out of what we do here.

Now, Secretary Rumsfeld has recently expressed support for reducing the United States footprint in Korea, and specifically mentioned moving U.S. forces away from the Seoul area and the DMZ. Now, the total MilCon request this year for Korea, as I understand it, is \$173 million, of which \$45 million is for family housing at Osan.

Now, this is \$63 million less than last year's level, but again, Korea's outyears construction needs approach \$1 billion, so I think that this subcommittee really needs to know what the long term thinking is so that we can feel that this is not going to change with every change of command, that there is going to be something that everybody has bought into and is going to continue to fund in the years to come.

I must tell you, I feel very uncertain about this, particularly from the Efficient Basing South, and you know, going to Northern Italy, and meeting the people, and seeing what they want to do, and buying into it, so the first part of my question, is Efficient Basing South going to go ahead?

Dr. ZAKHEIM. Well, again, we have been discussing Germany and Efficient Basing South is far more consistent with what I think is the overall direction of where we are likely to head. I have not heard, and either Ray can kick me, alongside me, or my staff can kick me from behind, I have not heard anyone questioning what we are trying to do in Italy. In fact, it is highly consistent.

Senator FEINSTEIN. No, do not mistake, I did not say anybody was questioning it. I am a supporter of it. Nobody is questioning it. I worry that it will change next year.

Dr. ZAKHEIM. I have no indication of that. Look, I cannot speak for what General Jones is going to do. I cannot prejudge it, but on its face it seems to me, and I think this is why it was undertaken in the first place, was because it was consistent with this redirection and relook at where we are likely to be.

Senator FEINSTEIN. But bottom line, we do not know whether Efficient Basing South is going to continue.

Dr. ZAKHEIM. Bottom line, right now, it is continuing, and we cannot prejudge what General Jones is going to do, but let me say, I would be highly surprised if he were to question that particular program.

Senator FEINSTEIN. He is coming in, so I will have a chance to ask him that. I will, and perhaps we can all share.

Dr. ZAKHEIM. I have no indications that that is the direction he is going, to somehow chop and change on that one.

Now, on Korea, you make two points that I otherwise would have made. One is, General LaPorte is concerned about Yongsan. I was there a few months before you were, and I had the same reaction you did, which, one reaction that I always have when I am there is, we are stuck in the middle of Seoul. The other reaction, which was a good one, was, at least we are taking care of the folks who are living there.

Now, as long as there are folks living there, we have got to do something for them, and whatever the plan General LaPorte comes up with, I would be very surprised if we just uprooted ourselves and left immediately.

Senator FEINSTEIN. My understanding is that what there would be is a land trade.

Dr. ZAKHEIM. That is correct.

Senator FEINSTEIN. And I guess what I am asking is, could you give us the status of that land trade?

Dr. ZAKHEIM. Well, I will get you some more for the record. Again, General LaPorte is coming back to us, as General Jones is, within the next couple of months, and so we will probably have a much firmer answer by then, but I can get you something before then.

[The information follows:]

The Republic of Korea (ROK) desires the return of lands in Seoul and in 1990 signed an Agreement-In-Principle and Memorandum of Understanding for relocation of U.S. forces from Seoul including the majority of Yongsan Main and South Posts. ROK agreed to grant U.S. Forces, Korea (USFK) new land in the Osan-Pyeongtaek area and completely fund the move. On June 12, 1993, ROK informed USFK that ROK had decided to cancel the plan to purchase real estate near Osan Air Base due to strong local opposition thus halting the relocation efforts. ROK is now showing renewed interest in the relocation.

The relocation of U.S. forces from Seoul is currently on hold due to ROK opposition of the details of the relocation plan, and there is no anticipated Yongsan land trade in the near future, although long-term planning for the relocation continues. USFK conducted a Yongsan relocation requirements survey in summer of 2002. An initial master plan to relocate the U.S. forces from Yongsan is under development and will be completed by May 2003.

Senator FEINSTEIN. If we are going to leave the base there is no sense in putting a lot into it.

Mr. DUBOIS. Senator Feinstein, just to look at Korea first, and then I will go back to Italy, the fact that the symbolism, as you have pointed out, of Yongsan headquarters far exceeds its square footage, its footprint, if you will, has not escaped the Secretary of Defense in this context, and as you have correctly referred, he has made comments about that. The speed with which one could reconfigure our presence—presence equals end strength as well as positioning—in South Korea is not something you do in a year.

The Secretary did send to Korea recently Deputy Assistant Secretary of Defense Richard Lawless to talk to General LaPorte—and

I encourage you to talk to General LaPorte when he is here next week. He is going to see me on Monday—in this regard. I am interested in what he has learned, because the long term thinking is exactly what the Secretary of Defense has insisted that LaPorte and Fargo put on the table, not just 2003 and 2004, but 10 years plus out.

As far as Efficient Basing South is concerned, and what we are really talking about here, of course, is Vicenza and Aviano, and also Naples and the naval stations that we have now, and this is important to note, because it was significant military construction that went into Sigonella, significant military construction appropriated by this subcommittee that went into the building of that new housing area for the Navy near Naples, and I encourage you to visit it. If you have not, it is fantastic.

In fact, when I visited, the wonderful comment made to me was, the assignments folks in the Pentagon who always used to be prevailed upon, do not assign me to Naples, now the assignments people want to go to Naples. This is a positive thing, and yes, it does reflect where I think the Secretary is going in the longer term.

Now, should we or should we not repair a four star general officer's house in Stuttgart? I will defer that for the moment.

Dr. ZAKHEIM. I did not even address it.

Senator FEINSTEIN. We will defer it, then.

You know, I think what the General in charge at Vicenza has done, and I really want to say this to you, is really quite remarkable. He said when 9/11 happened the carabinieri just automatically came and surrounded the base to offer protection, and this General had established such good contacts, and this base is right in the town, such good connections with the leadership, with the community, that there was just solid support for the base, and that really made me feel good, and obviously very concerned about the men and women serving at that base and their opportunities, and it was really a very heartwarming thing to see.

Now, it was also clear to me that General LaPorte—I mean, I think he is a 10. He is a great human being, and I suspect a very good tactical commander. At the same time, the problems there are really problems that take some serious, I think, long term thinking. And because we are putting so much money into Korea, particularly in the outyears, I think that both of us really need to know what that long term thinking is and how what we do can best serve it, because I think everybody wants the same thing, to do the land trade, to get out of Central Seoul, to have less of a footprint, but still be available for any protection that might be necessary, and I would suspect that that might be agreeable on everybody's part.

But how we do this I think is going to be very difficult, because the costs are going to be quite substantial, and so I am eager, and I saw Osan, and I saw some of the housing that we had done, the new housing and the recreational center, and I was really very proud.

Mr. DUBOIS. Senator, I think it may be less difficult than we think, and I am speaking for myself now, but as Deputy Under Secretary for Installations and Environment, having been to Korea a number of times since I became Deputy Under Secretary, the tough negotiations that Dov Zakheim entered into and was successful in

accomplishing with the South Korean Government for host nation support must be part of our calculus here, because we do not want to damage that relationship, especially in terms of their commitment to co-invest with us on behalf of our military forces. We want to make sure, however, as you pointed out, that it is done in the right place.

Dr. ZAKHEIM. That is exactly right. We have to be sure that the agreement we got—let us be honest here, the Japanese pay a substantial portion of host nation support. The Europeans do not. The Koreans were closer to the bottom of the table. We have moved them up to 50 percent. We do not want to lose that, and so that is another factor in this, and Leon LaPorte is a really bright guy; he's—

Senator HUTCHISON. Are you talking about Korea moving up to 50, or are you talking about Europe moving up to 50?

Dr. ZAKHEIM. Well, let me tell you, if I had my druthers Europe is going to move up to 50. It is going to be harder to do. Meanwhile, I have got Korea.

Senator FEINSTEIN. You are at 35 now, right?

Dr. ZAKHEIM. Not even that high. I think if you look closely at the European numbers, it is less than that, and that is a major concern. We have got to wait for the time when we renegotiate. How do you renegotiate until you know what your plan is? I mean, what is the point, for example, to go back to the Germans, who do not kick in anything like the Koreans do, and say, well, let us renegotiate, when we do not even know what it is going to be like in Germany.

So we have got to be careful. We have got different external factors here, in addition to just the actual facilities.

Senator FEINSTEIN. I was just going to make one last point so I could turn it back to the chairman. Environmental remediation, and maybe I have a bias, because we have 30 closed bases, and maybe I have a bias because McClellan Air Force Base had a nuclear reactor on it and we have to clean it up, and I was really struck by the hit that environmental remediation took.

At the same time, I do want to say to you that I understand considerable progress is being made at Bayview-Hunters Point, and I want to thank you for that. I think I reported at last year's hearing that they had a fire that burned underground for 2 weeks before anybody knew it was burning underground, and I am very pleased that the Navy has done what they said they were going to do, and I gather things are on schedule and on target there. However, I have just a list from the Air Force of what they could use to clean up just Kelly and McClellan, and one other base, and it is \$64 million additional dollars this year.

The military has an obligation to remove the contamination from these bases.

Dr. ZAKHEIM. Well, let me first say that I remember your concern last year and I am glad that we took care of that one facility. That is important. Now I do want to turn it over to probably the guy who knows more about this than anybody else in the Department, Ray DuBois.

Mr. DUBOIS. The environmental remediation of BRAC'd property from the four prior BRAC's has been and continues to be a chal-

lenge, but it is a challenge in several ways, Senator. Number 1, we still have significant BRAC'd properties yet to be disposed of, and those BRAC'd properties are not disposed of in no small measure because of competing local environmental interests and competing local economic interests. One side may want to use the property for one use, the other faction may want to use it for another use.

One of the reasons that we have been unable, and have not asked for in many cases money for X or Y, has been—and granted this does not apply necessarily to McClellan and Kelly, but even if we had the money we could not execute it because the locals have not decided what the land use will be. It is just an aspect of it.

We have spent, since the first BRAC in 1988 and the BRACs in 1991, 1993, and 1995, up to about 40 percent of all BRAC environmental remediation, and this is not surprising, given the number of bases which were impacted in the State of California, in the State of California. It is not as if the State of California has been pro rata less than other places.

Now, we also have, I think, an issue, and you will have to address this specifically to the three Service Secretaries who will follow us, and I thank you for raising and noticing what the Navy has done not just in terms of disposing of property in California also, but also in terms of meeting their environmental obligations, but all three Military Departments recognize their environmental obligations.

You may, either in this forum or another forum, ask the question, then why would we necessarily ask for less in terms of BRAC environmental remediation funding this year than last? Two factors apply. One factor is, we have less environmental remediation to do, because we have been able to—not in terms of cost to complete, but in terms of what we have accomplished just in the past 2 fiscal years.

I think the other issue is, and again I encourage you to ask Secretary Johnson, as he is a witness today. He is also Acting Secretary of the Navy, so he has got a few jobs, but as Assistant Secretary of the Navy for Installations and Environment, he has been a tremendous asset to the total DOD disposal philosophy, because he has worked hard with local communities to actually auction off properties that heretofore have been held from disposal.

As you may know, under the law, those dollars go into the so-called BRAC account, and they can only be used for environmental remediation, so in the case of the Navy, they have asked for less dollars this year than last, but they now, if they get the receipts that are under contract, they will have a considerable amount of money in that BRAC account to spend, and those dollars do not need to be reappropriated.

It is an interesting kind of inside the beltway, if you will—

Senator FEINSTEIN. We will check those accounts.

Mr. DUBOIS. Yes, ma'am.

Senator FEINSTEIN. Thank you.

Thank you, Madam Chairman.

Senator HUTCHISON. Thank you. I just have a few more questions. I wanted to finish on the—I had a few questions on the host nation support issue. I am under the impression that Europe pays less than 10 percent.

Dr. ZAKHEIM. No. The numbers are closer to the mid 20s to low 30s. I do not know where you get that number from.

Senator HUTCHISON. I am not talking NATO. We have 25 percent in NATO, but in Europe itself, I am told under 10 percent. Host nation.

[The information follows:]

The Land Partnership Program (LPP) was signed in March 2002 and ratified by the Korean government in November 2002. It is now being executed though no land has been exchanged. However, host nation funded projects have been started at enduring locations associated with LPP. The location of U.S. Forces Korea installations in the LPP are currently under review based on the requirement by the Secretary of Defense that geographic combatant commanders prepare an integrated presence and basing strategy by July 1, 2003. The LPP has a provision to modify the installations specified if needed. THE PACOM Commander must also evaluate the fiscal year 2003 and 2004 Military Construction programs for Korea and provide the Secretary of Defense with his requirement by April 19, 2003.

Dr. ZAKHEIM. Host nations? That does not ring a bell. I have seen one or two countries, but actually not in Europe, that for a variety of reasons give, I think one gives 8 percent or something. That is a Middle Eastern country, and there are all kinds of reasons for that.

[The information follows:]

THE PERCENTAGE EUROPE PAYS IN HOST NATION SUPPORT

For the purposes of this response, "host nation support" is defined as bilateral cost sharing contributions, in which the cost sharing is "between the United States and an ally or partner nation that either hosts U.S. troops and/or prepositioned equipment, or plans to do so in a time of crisis". According to the June 2002 "Report on Allied Contributions to the Common Defense"—A Report to the United States Congress by the Secretary of Defense, research revealed that our European allies—on average—contributed over 23 percent of the costs associated with the stationing of U.S. forces during the year 2000 (most recent collection of data).

The following European countries were considered in the collection of bilateral cost sharing contributors (listed in order from greatest U.S. cost offset percentage to least): Norway (67 percent), Luxembourg (51 percent), Spain (50 percent), Italy (37 percent), Belgium (35 percent), Greece (29 percent), Germany (21 percent), United Kingdom (17 percent), Hungary (10 percent), and Turkey (3 percent). In monetary terms, Germany was the largest contributor (\$1,211 million) and Italy ranked as the second largest contributor (\$364 million).

Dr. ZAKHEIM. I would love to see those numbers, and we will get you an answer for the record, because my recollection country by country is, that it is somewhere between 25 and 35 for each of those.

[The information follows:]

The information provided below represents bilateral cost sharing between the United States and our European allies that host U.S. troops and/or prepositioned equipment.

The Department of Defense distinguishes between two different types of cost sharing: the direct payment of certain U.S. stationing costs by the host nation (i.e., on-budget host nation country expenditures), and indirect cost deferrals or waivers of taxes, fees, rents, and other charges (i.e., off-budget, forgone revenues).

The most recent year for which data are available is 2001, which is also what will be reported in the 2003 Report to Congress on Allied Contributions to the Common Defense.

[U.S. dollars in millions]

	Direct	Indirect	A Total	B U.S. sta- tioning costs	A + B Total sta- tioning costs	A/(A + B) Percentage cost sharing
Denmark	\$0.0	\$0.1	\$0.1	\$66.2	\$66.3	0.1

[U.S. dollars in millions]

	Direct	Indirect	A Total	B U.S. sta- tioning costs	A + B Total sta- tioning costs	A/(A + B) Percentage cost sharing
Germany	8.2	853.4	861.7	3,197.2	4,058.9	21.2
Greece	0.5	17.3	17.7	24.4	42.2	42.1
Italy	2.9	356.4	359.3	554.1	913.4	39.3
Luxembourg	1.1	18.7	19.8	6.0	25.8	76.8
Norway	10.3	0.0	10.3	0.6	10.9	94.5
Portugal	1.7	2.4	4.1	72.1	76.2	5.4
Spain	0.0	119.6	119.6	99.0	218.6	54.7
Turkey	0.0	13.6	13.6	112.1	125.7	10.8
United Kingdom	20.1	113.8	133.9	733.1	867.0	15.4
Total	44.8	1,495.2	1,540.0	4,864.9	6,405.0	24.0

Note: Belgium has not been included as complete and accurate stationing cost information is not currently available. Hungary is also not included; however, it does provide support to U.S. troops temporarily stationed there for operations in the Balkans.

Senator HUTCHISON. But you do intend to renegotiate once we determine what our long term strategy is?

Dr. ZAKHEIM. As each agreement comes up for review, absolutely.

Senator HUTCHISON. Are they going to come up for review this year?

Dr. ZAKHEIM. I do not know if the German one comes up this year, but obviously once there is a decision to make any changes at all, then all of these issues have to be addressed, and this would be an opportunity for us to revisit with the Germans exactly who is paying for what.

Senator HUTCHISON. Well, I think you and I are on the same wavelength here, but certainly if we are going to—I am still looking at the right way to approach a new strategy coming forward in the very near future, and I certainly think that would be the opportunity to see how committed a country is to our being there for their economy and their protection.

Dr. ZAKHEIM. Let me be very clear, Madam Chairman, without Congress's help on Korea, and Congress articulated—there was I believe a Sense of the Congress Resolution about how much they thought Korea should be paying, without that kind of pressure, it would have been much harder for us to get what we got, and I encourage you to continue to push this line. It is very important to us, too.

Senator HUTCHISON. Thank you. We will.

A couple of other things. It is my understanding from your testimony that you will come back to us for anything you think you are not going to need for the 2003 appropriations for reprogramming requests.

Dr. ZAKHEIM. Yes.

Senator HUTCHISON. That is important, of course, to our committee, that we stay in the loop when we are talking about this.

Dr. ZAKHEIM. Absolutely.

Senator HUTCHISON. And I applaud your looking at 2003, as well as our working together on 2004.

The programming this year was less for the Guard and Reserve components than the amount that we enacted last year. My question is, with our dependence on Guard and Reserves, why is that the case?

Dr. ZAKHEIM. I am probably going to give you the same answer that I gave you last year when you asked a similar question. That is, we have to look at all our priorities, and we have to come up with some kind of balance. So the metric we have used is, "are the moneys that we are spending on Guard and Reserve facilities roughly—is it roughly the same percentage of the overall account." We have been at about the same percentage for the last 6 years.

Senator HUTCHISON. Do you feel that we are basically fully utilizing the facilities and upgrading them as needed for our bigger dependence on them?

Dr. ZAKHEIM. There is no doubt that we could do better. There is no doubt that we could do better, and there is also no doubt that the Reserves and the Guard are making a phenomenal contribution.

You have traveled overseas. Particularly, go to the Middle East, and my goodness—I have friends that are out there, and I have got one friend around the corner from me with three children who just spent the year serving, and then a second year, so we all know how difficult it is for Guard and Reserve. But again, it is always a balance, and we try to come up with the best possible number under the circumstances and, as I say, we use that metric of a percentage rate.

Ray, would you like to add to that?

Mr. DUBOIS. Well, just to embellish, if I might, briefly, fiscal year 2003 requests—requests—\$297.3 million. Fiscal year 2004 requests \$369 million, and that is a significant jump in the requests, not in terms of what was enacted.

The issue, though that I think that is important is the percentage issue. In terms of total milcon vice Guard and Reserve, we went from 3 percent total MILCON to 4 percent. Now, mathematically that is a 33 percent increase, quote-quote.

Senator HUTCHISON. Yes. MILCON is coming down—

Mr. DUBOIS. But I know what you are going to say, and I can understand why you are going to say it.

Senator HUTCHISON. Well, just—point made. Watch out for the Guard and Reserves and make sure that what we are asking them to do is commensurate with what we are doing in the budget.

A last question. This is a fine point, but the funding to construct the chem demil facilities has always been in the past in the military construction portion of the budget. However, this year you are asking that this go in the defense budget, and I would like to ask why.

Dr. ZAKHEIM. The reason is straightforward. The law, which came with the Homeland Security Act, instructed us, and I in fact—I can even give you the section, chapter and verse. Section 1511(d) of the Homeland Security Act says, upon the transfer of an agency to the Department of Homeland Security, the personnel, assets and obligations held by or available in connection with the agency shall be transferred to the Secretary for appropriate allocation.

What basically we were told, we were told first of all to transfer money out, and second of all we were also told that we were supposed to certify that the—and the Congress told us this, that we were supposed to certify that the money for chem demil would be

put in an OSD-wide account, and what we have got is the Army as executive agent, and it is being called chemical demilitarization, comma, Army, as a separate account.

And I think I was reading off of the wrong sheet of music on the homeland security. I see a lot of people looking puzzled, but the \$119 million was, we were told by the Congress to do that as well.

ADDITIONAL COMMITTEE QUESTIONS

Senator HUTCHISON. You were told by Congress to do that?

Dr. ZAKHEIM. Yes. I believe so.

Senator HUTCHISON. Well, we will check into that, because it is our position that that should continue to be in military construction for the continuity of oversight.

Dr. ZAKHEIM. That was the fiscal year 2003 authorization Act.

Senator HUTCHISON. Okay. We will look at that again.

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

QUESTIONS SUBMITTED TO HON. DOV S. ZAKHEIM

QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

FAMILY HOUSING PRIVATIZATION

Question. I applaud your efforts with regards to family housing privatization. I noticed in your statement that the privatization leverage—that is the ratio of what we put into the deal versus what we get out—is 10 to 1. How did you calculate that ratio?

Answer. The leverage is determined by dividing traditional construction cost by the scored cost of the privatization project. For example, if we were to build houses using the traditional method, it would cost us say \$200 million. However, by privatizing those houses, it would cost us only \$20 million. Therefore, we would get a 10 to 1 leverage.

Question. How many units do you plan to privatize in fiscal year 2003 and 2004?

Answer. We plan to privatize approximately 30,000 units in fiscal year 2003 and 36,000 units in fiscal year 2004. However, the Services are much more aggressive/optimistic in their projections. Their estimates show privatizing over 38,000 units in fiscal year 2003, compared to our more conservative estimate of 30,000. In fiscal year 2004, our estimates are similar, about 36,000 units.

ADEQUACY OF BUDGET REQUEST

Question. Two years ago you both testified that after many years of neglect, the department intended to start investing in infrastructure. Your proposed budget barely funds new mission initiatives, let alone replacing aging facilities. What is the DOD position on revitalizing facilities?

Answer. We have three investment priorities. Our first priority is to sustain our existing facilities, our second priority is to recapitalize (both restore and modernize) our existing facilities and the third priority is to acquire new footprint and dispose of old facilities as appropriate. The fiscal year 2004 budget funds facilities sustainment at 94 percent of our requirement. The fiscal year 2004 recapitalization rate was held at about the same rate as fiscal year 2003, but is on track to meet our 67 year recapitalization goal by fiscal year 2008.

Question. Why is the 2004 military construction request lower than the amount enacted for military construction last year?

Answer. The fiscal year 2004 President's Budget request for military construction is slightly higher than the 2003 enacted amount when the Defense Emergency Response Fund projects and congressional adds are excluded.

The 2004 request funds our highest priorities for improving quality of life and resolving critical readiness shortfalls. For quality of life, the military construction request sustains funding for family and bachelor housing and increases the number of housing units privatized. We also preserved funding for recapitalization. We increased funding for facilities sustainment, raising the corporate sustainment rate

from 93 to 94 percent, which will help to preserve our facilities and reduce the need for future, more costly revitalizations.

Question. What is the backlog of department of defense projects for military construction?

Answer. The Department of Defense does not maintain a list of backlog projects.

Question. With the proposed funding in the 2004 budget for MILCON, how does that impact the department's overall recapitalization rate? How does that compare to the last 2 years?

Answer. The fiscal year 2004 recapitalization rate is 148 years for the four Services and 136 years for the combination of the four Services and three of the Defense Agencies. This is about the same as the fiscal year 2003 recapitalization rate and higher than the fiscal year 2002 recapitalization rate. Prior to fiscal year 2002, the Department's requests to Congress kept the recap rates hovering around 200 years. The Department is currently on track to meet our 67 year recapitalization goal by fiscal year 2008.

Question. What is the department's strategy to reach the secretary's proposed recapitalization rate of 67 years? When will that happen?

Answer. In the near term, it is our strategy to fund only the most critical restoration and modernization projects. The Department will achieve its goal of a 67 year recapitalization rate by fiscal year 2008; however, through the disposition of facilities in the BRAC 2005 process, we may achieve the 67 year target sooner.

Question. Why have you programmed less for the Guard and Reserve components than the amount that was enacted last year?

Answer. The most urgent MILCON requirements of the Department are included in the President's Budget without prejudice to Active nor Guard components. The Guard and Reserve compete equally with the Active Components according to their Facilities Investment Plans and overall Service priorities. While the MilCon amount in the President's budget this year is less than was enacted in fiscal year 2003, including congressionally added projects, the Department increased MILCON funding for the Army National Guard by 65.7 percent over the fiscal year 2003 President's Budget, and it increased the Air National Guard funding by 13.0 percent.

QUESTIONS SUBMITTED BY SENATOR TED STEVENS

BRAC

Question. I understand the department is already getting organized to begin the BRAC process for the 2005 round. What have you done to date and how are you approaching this differently than past rounds of BRAC?

Answer. Reducing the Department's excess capacity in a single 2005 round will require extraordinary effort, given that the goal is true infrastructure rationalization rather than the simple reduction of excess in a status quo configuration typical of prior BRAC efforts. The Secretary signed out a BRAC "kickoff" memorandum in November 2002 that provides the analytical construct for conducting the 2005 BRAC analyses. In this memorandum the Secretary established two senior groups to oversee and operate the BRAC 2005 process. The Infrastructure Executive Committee (IEC) chaired by the Deputy Secretary of Defense and composed of the Secretaries of the Military Departments and their Chiefs of Services, the Chairman of the Joints Chiefs of Staff and the Under Secretary of Defense (Acquisition, Technology and Logistics) is the policy making and oversight body for the entire BRAC 2005 process. The subordinate Infrastructure Steering Group (ISG), chaired by the USD(AT&L) and composed of the Vice Chairman of the Joint Chiefs of Staff, the Military Department Assistant Secretaries for installations and environment, the Service Vice Chiefs, and the Deputy Under Secretary of Defense (Installations & Environment), will oversee joint cross-service analyses of common business oriented functions and ensure the integration of that process with the Military Department and Defense Agency specific analyses of all other functions. The Secretary went on to indicate that a primary objective of BRAC 2005 is to examine and implement opportunities for greater joint activity. Accordingly, he divided the BRAC 2005 analysis into two categories of functions. Joint cross-service teams will analyze the common business-oriented support functions and report their results through the ISG to the IEC. The Military Departments will analyze all service unique functions and report their results directly to the IEC. The Military Departments are responsible for ensuring that their recommendations are fully consistent with the joint cross-service teams' recommendations.

The BRAC process outlined in the Defense Base Closure and Realignment Act of 1990, Public Law 101-510, as amended, that governed the three previous BRAC

rounds also governs the 2005 round, although Congress did amend that statute when it comes to the 2005 round.

The first such amendment concerns the role of military value in the selection process. In previous rounds, as DOD policy, the military value criteria took priority over the other criteria. However, in BRAC 2005, there is now a statutory requirement that military value be the primary consideration, reflecting the special emphasis military value should have during all analyses. Additionally, the authorizing legislation provides some other special considerations that the Department must address when developing its selection criteria.

Congress also amended the BRAC statute to require the Secretary to provide Congress with a separate report prior to the Secretary's recommendations on closures and realignments. In this report, which is due to Congress along with the budget documents for fiscal year 2005 (about February 2004), the Secretary must include, among other things, the 20 year force structure plan of probable threats, a comprehensive inventory of installations, a discussion of excess capacity categories, and a certification by the Secretary that a BRAC round in 2005 is necessary.

In addition to statutory changes, there are BRAC process changes which the Secretary directed in his kickoff memorandum. As discussed above, rather than considering all functions on a service-centric basis, the Secretary directed that all common business oriented support functions will be analyzed by Joint Cross-Service Groups, under the supervision of the ISG. The ISG will recommend to the IEC the specific functions to receive joint analysis and the metrics for that analysis for the Secretary's approval. Outputs from the Joint Cross Service Groups, after being endorsed by the management oversight groups, will be considered as recommendations for review and approval by the Secretary. During previous BRAC rounds, Joint Cross-Service Groups developed "alternatives" for consideration by the Services.

Question. What lesson will you learn in the next round?

Answer. After the Department submitted its closure and realignment recommendations to the BRAC Commission in 1995, the General Accounting Office (GAO) provided a thorough review of the Department's BRAC 1995 process. In its report, the GAO acknowledged that "DOD's 1995 BRAC process was generally sound and well documented and should result in substantial savings." However, there were areas that GAO found could be improved upon. For instance, while the GAO found that "OSD attempted to play a stronger role in BRAC 1995," there was "limited success in Cross-Servicing." We agree with the GAO's assessment with respect to the cross-service group outcomes. The Secretary's November 15, 2002, "kick-off" memorandum to the Department strengthened the Joint Cross-Service Groups by empowering them to develop recommendations for the Secretary. In BRAC 1995, these groups were only empowered to develop "alternatives" for consideration by the Services.

Question. What do you estimate the cost will be to conduct BRAC beginning in 2006 through 2008?

Answer. In the April 1998 "Report of the Department of Defense on Base Realignment and Closure," the Department estimated that it has about 23 percent excess base capacity. That report also noted that its analysis was not appropriate for selecting individual bases for realignment or closure, and to do so, the Department would need to use the detailed base-by-base analyses of a BRAC process.

The Department assumes that the historical costs and savings from BRAC rounds 1993 and 1995 would serve as a good baseline upon which to plan for BRAC 2005 costs and savings. These rounds collectively reduced the base infrastructure by approximately 12 percent. If BRAC 2005 is to approach a notional 20 percent reduction in base infrastructure, then the associated costs and savings over its 6 year implementation period can be inflated and interpolated from the BRAC 1993/1995 baseline. Based on this analysis, we believe that between fiscal year 2006 and fiscal year 2008, a reasonable estimate for implementing a BRAC round that eliminates approximately 20 percent excess capacity is about \$19 billion. These costs are offset by estimated savings of almost \$9 billion. Our estimates have also projected that this investment in reshaping our infrastructure should result in approximately \$8 billion in annual recurring savings after 2011.

OVERALL MILCON BUDGET

Question. Why does the amount allocated for overseas MILCON projects continue to grow every year, while the amount proposed for domestic bases decrease?

Answer. We are not putting inordinate emphasis on overseas areas. However, the Services have been making some large investments in certain areas over the last several years. For instance the Navy is recapitalizing facilities at Naval Air Station Sigonella, Italy. The Navy is also building up the Navy Central Command in Bah-

rain, which is the command center for all Naval operations in the CENTCOM AOR and several joint force units. The Army is investing in the Efficient Basing East initiative, which will consolidate troops in Grafenwoehr, Germany. The Army is also improving family housing and barracks in Korea. Further, a large part of our overseas costs are must-pay family housing operation and maintenance bills.

Question. What is the status of your review to look at the overseas bases?

Answer. The Department is working on a global study to see if the Department can close/realign bases overseas. The Department has to provide the study to the Secretary by mid-June.

Question. When will that information be provided to the congress?

Answer. We will submit the study to the Secretary by mid-June. If he approves the study, and if he releases it, we will provide it to the Congress shortly thereafter.

Question. Will it potentially change the budget request for Germany and Korea? What about the projects that were appropriated in 2003?

Answer. If the Department moves projects in Germany and Korea, we will probably do a Budget Amendment prior to markup. For fiscal year 2003, we will either use section 2803 of 10 U.S.C. if the projects are below the \$30 million threshold. If they are above the \$30 million threshold, we will request rescission of the projects in question and will request that the Congress reappropriate them at a different location.

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

EUROPE

Question. Given the freeze on military construction in Europe—how will this hold effect the Efficient-Basing South Initiative?

Answer. It really depends on the outcome of the study but I believe the Efficient Basing South will not be affected.

Question. Would your office provide the Committee with the level of host nation funding provided for construction projects, by country, over the last several years? And, could you give examples of where we are, and are not, getting a fair shake?

Answer. We renegotiated the Special Measures Agreement with the Republic of Korea (ROK). As a result, ROK-funded construction for United States forces in Korea increased by over 35 percent. The Government of Japan provides us with about \$680 million per year in construction under the Japanese Facility Improvement Program (JFIP).

- The Korean Host Nation Funded Construction program is comprised of 2 parts:
- The ROK Funded Construction program (ROKFC) supports quality-of-life and other non-readiness type construction
- The Combined Defense Improvement Program (CDIP) constructs combat readiness facilities.
- The programs are funded on a calendar year (CY) basis as follows:

(In millions of dollars)

	Calendar Year			
	2001	2002	2003	2004
ROKFC	95.0	138.4	156.1	170.0
CDIP	47.0	54.2	59.8	66.6
TOTAL	142.0	192.6	215.9	236.6

- The Japanese Facility Improvement Program is funded at 80 billion yen per year (approximately \$680 million at the current exchange rate of 117 yen/dollar) and constructs both readiness and non-readiness facilities.
- We also have the Land Partnership Program with the Koreans where we return land and facilities at one location and they provide us land where we are consolidating and provide us increased use of ROK training ranges.
- We also have a host nation support agreements with various NATO countries where we turn back facilities and get either a monetary return or payment in kind (PIK). For instance, we received \$181.6 Million in cash and \$852.8 Million in PIK from the Federal Republic of Germany (FRG).
- Lastly, we have an agreement with NATO where we contribute approximately 24 percent of war time facilities being constructed. While this seems to be a large percentage, the other countries contribute a larger portion of their GNP than we do.

BRAC

Question. The fiscal year 2004 budget request for BRAC environmental cleanup represents a 34 percent reduction from fiscal year 2003. The Navy BRAC account took a 62 percent hit, and the Army BRAC account took a 57 percent hit. Yet the outstanding bill for environmental cleanup at closed or realigned bases exceeds \$3.5 billion.

In your prepared testimony, you cite efficiencies in base clean up and speedier transfers of property as the reasons for the decrease in the BRAC budget request. But cutting the budget is not helping to reduce the \$3.5 billion dollar backlog, and we will be able to complete the program if the Defense Department keeps squeezing the BRAC cleanup budget. What are your projections for the out years—are you planning increases or further decreases in the BRAC environmental remediation budget?

Answer. The fiscal year 2004 budget request for the total fiscal year 2004 BRAC program (including environmental and caretaker costs) represents a 34 percent reduction from fiscal year 2003. When considering BRAC environmental costs only, the planned value of the fiscal year 2004 program (\$412.0 million) represents a 24 percent reduction from fiscal year 2003 (\$540.2 million). A significant portion of the difference is attributed to revenues anticipated from land sales of base closure properties, thus reducing the fiscal year 2004 budget request.

The President's Budget includes \$275.7 million to address the Department's known BRAC environmental requirements in fiscal year 2005. This level could increase as we approach the budget year and requirements are better defined. A substantial level of total BRAC environmental requirements will remain beyond the current FYDP due to the fact that many of the BRAC sites are still in the study phase and that a greater range of contaminants may be considered in the cleanup process leading to transfer of properties to communities. The Department recognizes the inherent advantages of transferring properties as soon as possible and fully funds cleanup of all properties with identified schedules for transfer.

KOREA

Question. I traveled to Korea this past December and had some good discussions with General LaPorte. I was impressed with the Land Partnership Plan, although I recognize that it is a very ambitious initiative that requires a great deal of support and cooperation from the South Korean government.

What is the status of the Yongsan land swap?

Answer. The Land Partnership Program (LPP) was signed in March 2002 and ratified by the Korean government in November 2002. It is now being executed though no land has been exchanged. However, host nation funded projects have been started at locations associated with LPP. The location of U.S. Forces Korea installations in the LPP are currently under review based on the requirement by the Secretary of Defense that geographic combatant commanders prepare an integrated presence and basing strategy by July 1, 2003. The LPP has a provision to modify the installations specified if needed. THE PACOM Commander must also evaluate the fiscal year 2003 and 2004 Military Construction programs for Korea and provide the Secretary of Defense with his assessment.

 QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

EUROPE

Question. All the best weapons in the world will be rendered useless if our military personnel and their families are not afforded a good quality of life. When asked, our military personnel consistently say that family housing is one of the most important quality of life issues that they face. I understand that the Department of Defense is in the middle of a multi-year effort to replace 163,00 inadequate family housing units. If this is a top priority, why does the President's budget include a \$200 million cut for family housing? Could the services use additional funds to speed-up the timeline for replacing inadequate housing units?

Answer. The Department did not cut the budget for family housing. The family housing request decreased by \$200 million because a large portion of family housing is being privatized. Since family housing is privatized, it is private housing owned by the developer and as such, Congress does not appropriate money into the family housing accounts. Instead, the Department requests, and the Congress appropriates, funds into the military personnel accounts.

The Services are privatizing units as fast as they can. In answer to your question, I do not think the Services can use any additional funds to privatize units since they are on a timeline to eliminate inadequate housing by fiscal year 2007.

Question. The National Guard and Reserve are being asked to play an increasingly important role in our national security. In South Dakota, 21 percent of our National Guard and Reserve units have been called to active duty in support of the war on terrorism. As we rely on these units more, I believe we need to provide a corresponding investment in their facilities and infrastructure. With this in mind, I was surprised that the President's budget did not include any funds for the South Dakota Army or Air National Guard. Why did the President's budget include a cut in military construction funding for the Army and Air National Guard? Would increased military construction funding for the Army and Air National Guard improve their readiness and ability to contribute to the war on terrorism?

Answer. There are four Guard projects in the fiscal year 2004-fiscal year 2009 Future Years Defense Program (FYDP) for South Dakota; although, the fiscal year 2004 President's Budget does not include any MilCon projects for the South Dakota Guard and Reserve. More than \$36 million was appropriated for South Dakota Guard and Reserve MilCon between fiscal year 2001 and fiscal year 2003. The most urgent MilCon requirements of the Department are included in the President's Budget, and the Guard and Reserve compete equally with the Active Components. While the MilCon amount in the President's budget this year is less than was enacted in fiscal year 2003, including congressionally added projects, the Department increased MilCon funding for the Army National Guard by 65.7 percent over the fiscal year 2003 President's Budget, and it increased the Air National Guard funding by 13.0 percent.

Question. Recent reports in the media indicate the Department of Defense has begun to look at downsizing the U.S. military presence in Germany, including U.S. bases. There have also been reports that Secretary Rumsfeld has ordered all construction projects to be re-examined in order to avoid making upgrades at facilities that may be closed. Has the Department of Defense done any analysis on the cost of closing U.S. bases in Germany? Has the Department of Defense done any analysis on the cost of moving these bases to Central or Eastern Europe?

Answer. Yes. As I mentioned previously, the Department is conducting a study that will be completed by mid-June on moving bases out of Germany.

QUESTIONS SUBMITTED TO RAYMOND F. DUBOIS, JR.

QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

FAMILY HOUSING PRIVATIZATION

Question. I applaud your efforts with regards to family housing privatization. I noticed in your statement that the privatization leverage—that is the ratio of what we put into the deal versus what we get out—is 10 to 1. How did you calculate that ratio?

Answer. Our policy requires that privatization yield at least three times the amount of housing that would be provided using traditional military construction. The projects awarded thus far leverage upfront appropriations by a ratio of 10:1. This ratio is derived by dividing the estimated cumulative cost of an identical MILCON projects (\$2.9 billion) by the actual cost in appropriated dollars of the awarded privatization projects (\$290 million). This financial calculation reflects the program's short-term effectiveness in fixing our inadequate housing. We also calculate and compare the long-term (50-year) costs of MILCON and privatization, taking into account the members' housing allowances. The long-term economic analysis indicates that privatization is 5–10 percent less expensive than MILCON.

Question. How many units do you plan to privatize in fiscal year 2003 and 2004?

Answer. Our current projections are that the Services will privatize over 38,000 family housing units during fiscal year 2003 and over 36,000 family housing units during fiscal year 2004. As of March 2003, we have awarded 18 projects with 27,884 family housing units privatized. We plan to privatize about 102,000 family housing units by the end of fiscal year 2004. This large increase is primarily due to the Services gaining traction in their housing privatization efforts, and the Army's whole base projects planned for award in fiscal year 2003 and fiscal year 2004.

ADEQUACY OF THE BUDGET REQUEST

Question. Two years ago you both testified that after many years of neglect, the Department intended to start investigating the infrastructure. Your proposed bud-

et barely funds new mission initiatives, let alone replacing aging facilities. What is the DOD position on revitalizing facilities?

Answer. We have three investment priorities. Our first priority is to sustain our existing facilities, our second priority is to recapitalize (both restore and modernize) our existing facilities and the third priority is to acquire new footprint and dispose of old facilities as appropriate. The fiscal year 2004 budget funds facilities sustainment at 94 percent of our requirement. The fiscal year 2004 recapitalization rate was held at about the same rate as fiscal year 2003, but is on track to meet our 67-year recapitalization goal by fiscal year 2008.

Question. Why is the 2004 military construction request lower than the amount enacted for military construction last year?

Answer. The fiscal year 2004 President's Budget request for military construction is slightly higher than the 2003 enacted amount when the Defense Emergency Response Fund projects and congressional adds are excluded.

The 2004 request funds our highest priorities for improving quality of life and resolving critical readiness shortfalls. For quality of life, the military construction request sustains funding for family and bachelor housing and increases the number of housing units privatized. We also preserved funding for recapitalization. We increased funding for facilities sustainment, raising the corporate sustainment rate from 93 to 94 percent, which will help to preserve our facilities and reduce the need for future, more costly revitalizations.

Question. What is the backlog of Department of Defense projects for military construction?

Answer. The Department of Defense does not maintain a list of backlog projects.

Question. With the proposed funding in the 2004 budget for MILCON, how does that impact the Department's overall recapitalization rate? How does that compare to the last 2 years?

Answer. The fiscal year 2004 recapitalization rate is 148 years for the four Services and 136 years for the combination of the four Services and three of the Defense Agencies. This is about the same as the fiscal year 2003 recapitalization rate and higher than the fiscal year 2002 recapitalization rate. Prior to fiscal year 2002, the Department's requests to Congress kept the recap rates hovering around 200 years. The Department is currently on track to meet our 67-year recapitalization goal by fiscal year 2008.

Question. What is the Department's strategy to reach the Secretary's proposed recapitalization rate of 67 years? When will that happen?

Answer. In the near term, it is our strategy to fund only the most critical restoration and modernization projects. The Department will achieve its goal of a 67-year recapitalization rate by fiscal year 2008.

Question. Why have you programmed less for the Guard and Reserve components than the amount that was enacted last year?

Answer. The most urgent MilCon requirements of the Department are included in the President's Budget with prejudice to Active or Reserve components. The Guard and Reserve compete equally with the Active Components according to their Facilities Investment Plans and overall Service priorities. While the MilCon amount in the President's budget this year is less than was enacted in fiscal year 2003, including congressionally added projects, the Department increased MilCon funding for the Army National Guard by 65.7 percent over the fiscal year 2003 President's Budget, and it increased the Air National Guard funding by 13.0 percent.

QUESTIONS SUBMITTED BY SENATOR TED STEVENS

BASE REALIGNMENT AND CLOSURE (BRAC)

Question. I understand the Department is already getting organized to begin the BRAC process for the 2005 round. What have you done to date and how are you approaching this differently than the past rounds of BRAC?

Answer. Reducing the Department's excess capacity in a single 2005 round will require extraordinary effort, given that the goal is true infrastructure rationalization rather than the simple reduction of excess in a status quo configuration typical of prior BRAC efforts. The Secretary signed out a BRAC "kickoff" memorandum in November 2002 that provides the analytical construct for conducting the 2005 BRAC analyses. In this memorandum the Secretary established two senior groups to oversee and operate the BRAC 2005 process. The Infrastructure Executive Committee (IEC) chaired by the Deputy Secretary of Defense and composed of the Secretaries of the Military Departments and their Chiefs of Services, the Chairman of the Joints Chiefs of Staff and the Under Secretary of Defense (Acquisition, Technology

and Logistics) is the policy making and oversight body for the entire BRAC 2005 process. The subordinate Infrastructure Steering Group (ISG), chaired by the USD(AT&L) and composed of the Vice Chairman of the Joint Chiefs of Staff, the Military Department Assistant Secretaries for installations and environment, the Service Vice Chiefs, and the Deputy Under Secretary of Defense (Installations & Environment), will oversee joint cross-service analyses of common business oriented functions and ensure the integration of that process with the Military Department and Defense Agency specific analyses of all other functions. The Secretary went on to indicate that a primary objective of BRAC 2005 is to examine and implement opportunities for greater joint activity. Accordingly, he divided the BRAC 2005 analysis into two categories of functions. Joint cross-service teams will analyze the common business-oriented support functions and report their results through the ISG to the IEC. The Military Departments will analyze all service unique functions and report their results directly to the IEC. The Military Departments are responsible for ensuring that their recommendations are fully consistent with the joint cross-service teams' recommendations.

The BRAC process outlined in the Defense Base Closure and Realignment Act of 1990, Public Law 101-510, as amended, that governed the three previous BRAC rounds also governs the 2005 round, although Congress did amend that statute when it comes to the 2005 round.

The first such amendment concerns the role of military value in the selection process. In previous rounds, as DOD policy, the military value criteria took priority over the other criteria. However, in BRAC 2005, there is now a statutory requirement that military value be the primary consideration, reflecting the special emphasis military value should have during all analyses. Additionally, the authorizing legislation provides some other special considerations that the Department must address when developing its selection criteria.

Congress also amended the BRAC statute to require the Secretary to provide Congress with a separate report prior to the Secretary's recommendations on closures and realignments. In this report, which is due to Congress along with the budget documents for fiscal year 2005 (about February 2004), the Secretary must include, among other things, the 20 year force structure plan of probable threats, a comprehensive inventory of installations, a discussion of excess capacity categories, and a certification by the Secretary that a BRAC round in 2005 is necessary.

In addition to statutory changes, there are BRAC process changes which the Secretary directed in his kickoff memorandum. As discussed above, rather than considering all functions on a service-centric basis, the Secretary directed that all common business oriented support functions will be analyzed by Joint Cross-Service Groups, under the supervision of the ISG. The ISG will recommend to the IEC the specific functions to receive joint analysis and the metrics for that analysis for the Secretary's approval. Outputs from the Joint Cross Service Groups, after being endorsed by the management oversight groups, will be considered as recommendations for review and approval by the Secretary. During previous BRAC rounds, Joint Cross-Service Groups developed "alternatives" for consideration by the Services.

Question. What lessons learned will you apply in the next round?

Answer. After the Department submitted its closure and realignment recommendations to the BRAC Commission in 1995, the General Accounting Office (GAO) provided a thorough review of the Department's BRAC 95 process. In its report, the GAO acknowledged that "DOD's 1995 BRAC process was generally sound and well documented and should result in substantial savings." However, there were areas that GAO found could be improved upon. For instance, while the GAO found that "OSD attempted to play a stronger role in BRAC 1995," there was "limited success in Cross-Servicing." We agree with the GAO's assessment with respect to the cross-service group outcomes. The Secretary's November 15, 2002, "kick-off" memorandum to the Department strengthened the Joint Cross-Service Groups by empowering them to develop recommendations for the Secretary. In BRAC 1995, these groups were only empowered to develop "alternatives" for consideration by the Services.

Question. What do you estimate the cost to be to conduct BRAC beginning in 2006 through 2008?

Answer. In the April 1998 "Report of the Department of Defense on Base Realignment and Closure," the Department estimated that it has about 23 percent excess base capacity. That report also noted that its analysis was not appropriate for selecting individual bases for realignment or closure, and to do so, the Department would need to use the detailed base-by-base analyses of a BRAC process.

The Department assumes that the historical costs and savings from BRAC rounds 1993 and 1995 would serve as a good baseline upon which to plan for BRAC 2005 costs and savings. These rounds collectively reduced the base infrastructure by ap-

proximately 12 percent. If BRAC 2005 is to approach a notional 20 percent reduction in base infrastructure, then the associated costs and savings over its 6 year implementation period can be inflated and interpolated from the BRAC 1993/1995 baseline. Based on this analysis, we believe that between fiscal year 2006 and fiscal year 2008, a reasonable estimate for implementing a BRAC round that eliminates approximately 20 percent excess capacity is about \$19 billion. These costs are offset by estimated savings of almost \$9 billion. Our estimates have also projected that this investment in reshaping our infrastructure should result in approximately \$8 billion in annual recurring savings after 2011.

OVERALL MILCON REQUEST

Question. Why does the amount allocated for overseas MILCON projects continue to grow every year, while the amount proposed for domestic bases decreases?

Answer. Approximately 25 percent of our forces are stationed overseas. The fiscal year 2004 MilCon bill requests \$754 million for overseas areas and \$3.6 billion for U.S./territories, reflecting a 17 percent foreign and 83 percent U.S./territories split. This is actually a reduction in overseas investment from fiscal year 2003, when our request reflected a 21 percent foreign and 79 percent U.S./territories split.

BASE REALIGNMENT AND CLOSURE (BRAC)

Question. What is the status of your review to look at overseas bases?

Answer. The Secretary asked the Chairman of the Joint Chiefs of Staff to direct geographic combatant commanders to develop overseas basing master plans in Aug 2001. The Deputy Secretary notified Congress in April 2002 that additional time was needed to review/consolidate the Joint Staff's input with other ongoing overseas studies. He indicated that a response would result in early 2003. Currently, the Under Secretary of Defense for Policy and the Joint Staff are studying various aspects of overseas presence. Once these studies are complete, it will provide the foundation upon which we can then determine what infrastructure is needed (and where) to support these forces.

Note: In his March 20, 2003, memorandum, "Integrated global Presence and Basing Strategy," the Secretary provided additional direction on overseas programs. He directed the geographic Combatant Commanders to provide, within 30 days, their priorities regarding the fiscal year 2003 and fiscal year 2004 military construction programs. The Secretary also directed the Under Secretary of Defense for Policy and the Chairman, Joint Chiefs of Staff, to develop a comprehensive and integrated presence and basing strategy that looks out 10 years.

Question. When will that information be provided to Congress?

Answer. I will be working with the Under Secretary of Defense for Policy and Joint Staff to compile and assess these various overseas studies, including the overseas basing study. A comprehensive review of all efforts is anticipated to be completed by the end of the summer with a report to Congress in the fall. The Department will keep you informed of unforeseen obstacles that would delay this effort.

Question. Will it potentially change the budget request for Germany and Korea? What about the projects that were appropriated in 2003?

Answer. The Department has not made any decisions regarding closing or relocating bases in Germany or Korea. We are still awaiting the results of several studies that will help us determine what forces are needed overseas and what infrastructure is required to support these forces. The Secretary asked the Combatant Commanders to evaluate projects that are in the fiscal year 2003 and fiscal year 2004 budget requests and get back to us as to which projects they need and do not need. For the projects that are determined unnecessary at this time, the funds will either be reprogrammed using the emergency authority, or will seek an adjustment to the authorization and appropriation bill.

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

EUROPE

Question. Given the freeze on military construction in Europe—how will this hold affect the Efficient-Basing South Initiative?

Answer. I cannot prejudge General Jones's review. However, Efficient Basing South, which adds a second airborne battalion to the 173rd Airborne Brigade in Vicenza, Italy, will provide U.S. European Command with enhanced forced entry capabilities and increased flexibility. These capabilities are not inconsistent with the precepts underpinning this overseas base structure review.

The final company of the battalion, C Company, was activated on 16 March 2003, 6 months ahead of the original timeline. In support of this initiative, Congress approved fiscal year 2003 military construction funding of \$31 million for a barracks complex and \$3.7 million for a Child Development Center.

Question. Would your office provide the Committee with the level of host nation funding provided for construction projects, by country, over the last several years? And, could you give examples of where we are, and are not, getting a fair shake?

Answer. Host nation funding is accomplished through the NATO Security Investment Program as well as payment-in-kind construction provided as compensation for U.S.-funded improvements at facilities being returned to the host nation.

The NATO Security Investment Program has funded about \$1.7 billion in projects since 1989 for runway improvements, utilities, missile maintenance, hanger doors, piers, ammunition facilities, roads and pavements, and support to the Balkans. About \$532 million is being provided for projects currently in progress:

[In millions of dollars]

Aviano Beddown	166
Ramstein Upgrades	150
Mildenhall Upgrades	49
Spangdahlem Upgrades	16
Fairford Upgrades	99
Lakenheath Upgrades	46
Patriot Site Upgrades	6

Host nation funding is also provided through payment-in-kind construction, given in lieu of cash payments for U.S. capital investments at facilities being returned to host nations. To date, the United States has received payment-in-kind worth \$36 million from the United Kingdom, \$240,000 from Iceland, and about \$316 million from Germany, which is expected to provide another \$34 million in the future. In addition, in exchange for returning Rhein-Main Air Base to Germany, the German Government provided \$425 million worth of construction projects to replicate and enhance Air Force mission capabilities at Ramstein and Spangdahlem Air Bases.

We are generally satisfied with our progress in obtaining payment-in-kind commitments from our NATO allies.

QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

HOUSING

Question. All the best weapons in the world will be rendered useless if our military personnel and their families are not afforded a good quality of life. When asked, our military personnel consistently say that family housing is one of the most important quality of life issues that they face. I understand that the Department of Defense is in the middle of a multi-year effort to replace the 163,000 inadequate family housing units. If this is a top priority, why does the President's budget include a \$200 million cut for family housing? Could the services use additional funds to speed-up the timeline for replacing inadequate housing units?

Answer. The Department remains committed to improving the living conditions of our military personnel and their families. As we continue to increase housing privatization, coupled with the increased Basic Allowance for Housing (BAH), the Department's requirement for on-base housing decreases. This, in turn, reduces the need for direct investment to maintain inadequate housing. Both initiatives enhance the Department's efforts to eliminate inadequate housing by 2007 and provide military families the opportunities to secure suitable and affordable housing in the community.

ADEQUACY OF THE BUDGET REQUEST

Question. The National Guard and Reserve are being asked to play an increasingly important role in our national security. In South Dakota, 21 percent of our National Guard and Reserve units have been called to active duty in support of the war on terrorism. As we rely on these units more, I believe we need to provide a corresponding investment in their facilities and infrastructure. With this in mind, I was surprised that the President's budget did not include any funds for the South Dakota Army or Air National Guard. Why did the President's budget include a cut in military construction funding for the Army and Air National Guard? Would in-

creased military construction funding for the Army and Air National Guard improve their readiness and ability to contribute to the war on terrorism?

Answer. MilCon requirements of the Department included in the President's Budget reflect important priorities in infrastructure improvements to meet current mission. The Guard and Reserve compete equally with the Active Components in this regard. While military construction funding in the President's Budget this year is less than was enacted by Congress for fiscal year 2003, the Department increased MilCon funding for the Army National Guard by 65.7 percent over the fiscal year 2003 President's Budget, and increased the Air National Guard funding by 13.0 percent.

EUROPE

Question. Recent reports in the media indicate the Department of Defense has begun to look at downsizing the U.S. military presence in Germany, including U.S. bases. There have also been reports that Secretary Rumsfeld has ordered all construction projects to be re-examined in order to avoid making upgrades at facilities that may be closed. Has the Department of Defense done any analysis on the cost of closing U.S. bases in Germany? Has the Department of Defense done any analysis on the cost of moving these bases to Central or Eastern Europe?

Answer. In August 2001, the Secretary of Defense directed all combatant commanders to review overseas basing requirements and examine opportunities for joint use of facilities and land by the Services, consolidation of infrastructure, and enhanced training. While that particular task is completed, the Department is continuing to examine our overseas basing and presence within the context of a global strategy. Specifically, combatant commanders have been asked to provide priorities regarding their fiscal year 2003 and fiscal year 2004 military construction programs by April 20. To complement that effort, the Department is developing a comprehensive and integrated presence and basing strategy looking out 10 years. We anticipate that effort to be completed by July 1, 2003.

While no decisions have been made on our future base structure in Germany, the Department is in the process of analyzing all aspects of potential basing changes. These would include the cost of any base closures as well as the cost of moving bases to other forward locations.

DEPARTMENT OF THE NAVY

**STATEMENT OF HON. H.T. JOHNSON, ASSISTANT SECRETARY OF THE
NAVY, INSTALLATIONS AND ENVIRONMENT (ALSO ACTING SEC-
RETARY OF THE NAVY)**

Senator HUTCHISON. Thank you very much, and we would just call the next panel to come forward, please. Dr. Mario Fiori, Assistant Secretary of the Army for Installations and Environment; Mr. H.T. Johnson, Acting Secretary of the Navy and Assistant Secretary for Installations and Environment, and Mr. Nelson Gibbs, Assistant Secretary of the Air Force for Installations, Environment, and Logistics, and I am going to take a 2-minute break and be right back.

Senator FEINSTEIN. Senator Hutchison asked if we could keep going, so Mr. Johnson, since you were so nice with Bayview-Hunters Point, I will call on you first to make any remarks you may care to make to the subcommittee.

Mr. JOHNSON. Thank you very much, and you are very gracious. We have a long ways to go on Hunters Point, but we are as committed as you are.

I am H.T. Johnson. As you mentioned, I am appearing this afternoon as Assistant Secretary for Installations and Environment. We have some comments, if you will put those in the record.

All of our services are faced with difficult financial decisions and a difficult environment with terrorism. We need very badly to keep up our readiness of our facilities and our ships, the acquisition accounts and everything, and we are trying our best to find the right balance.

This afternoon, as we talk, you will see that some areas in the MILCON and the other activities are lower than we would like, but we are trying to find the correct balance. Housing is still a very high priority for us. Bachelors in the Navy and Marine Corps have a higher need than the family housing. We have been very successful with family housing, and we would like to take that success over to the bachelor housing.

We have committed \$269 million to bachelor quarters. We have been trying for the last couple of years to bring our sailors who are on board ships ashore when they are in their home port. To do that, we are building bachelor quarters at San Diego and also at Norfolk. We will build these at the agreed-to standards, one plus one, but initially we will have two sailors in each room. It is certainly better accommodations than they would have on board the ships.

The family housing is on track. We are doing very, very well in family housing. The Navy has doubled its privatization effort, and the Marine Corps will approach 95 percent of the housing being public-private venture type operations.

The basic allowance for housing increase has made it easier for military families to find housing in the local economy. We have also found in some of our early surveys that there is less demand for on-base housing. We are very pleased to have announced just last week a new PPV at Beaufort and Parris Island for 1,700 units. This is a very large one, second only to San Diego, where we had a much larger one. We now have 8,300 homes in the public-private venture, and we plan over 17,000 at 10 Navy and Marine Corps bases.

We have urged the Members to focus on the goal of eliminating inadequate housing, and not necessarily on the money. I have a handout, if you would pass it to the Senators, that shows—it is this one. When you look at our family housing, you need to look at the top line. You will notice a difference between the dark blue and the lighter blue. The lighter blue is the public-private venture.

As we go to the right, you will see that, as I mentioned earlier, the Marine Corps will be 95 percent public-private, so once we go into the public-private, we will not require additional military construction. That becomes a self-fulfilling entitlement. At various times during the agreed-to period we will refurbish the housing, we will rebuild it at certain times, but all that comes from the housing allowances. In other words, that goes in to pay for that, so as you look towards the off-side there, our military construction for family housing will go down almost to nothing. If we were to privatize all of it, it would go to zero.

In our milcon we have \$1.2 billion, and we have an unusually large amount on bachelor housing. I talked about counterterrorism. We also plan to buy Blount Island down in Jacksonville. This has long been the home port for our Marine Corps prepositioning ships. We have looked at the explosive arc and find that we need to buy that as well as get agreements from the other tenants in that area.

We are also supporting new weapons systems, the F/A-18 E&F outlying field, the JSF joint strike fighter test facility, and the test facilities for the next generation fighters. We have worked hard to maintain a high level of funding for our sustainment. Sustainment, of course, is the first line of taking care of our new facilities and our old.

We have not been as successful in funding the proper levels for restoration and modernization. The goal is to do 67 years. In the Marine Corps we have decreased this year from 156 to 88. The Navy has actually gone up a little bit from 116 to 140 years in the budget year. By the end of the FYDP we do get down to the 67. This is an area where we would like to do very much more, but we will manage the risk there in taking care of the quality of life facilities for our sailors and marines.

We appreciate the specific interest of you and Mrs. Feinstein also on prior BRAC cleanups. As Ray DuBois mentioned, we are working very, very hard to clean up the bases and also to get them off of our rolls. We have had difficulty in doing the cleanup and passing them back to the communities. As Mr. DuBois mentioned, we in the Navy have been very successful in selling property, and those funds go into the BRAC cleanup and will help us accelerate. That is a very good news story for us, but also for the communities in which we are selling the property.

The Navy is consolidating shore infrastructure management leadership, if you will, under one level, one leader. This will eliminate successive levels, where these funds often are used for other things. The whole purpose was to ensure that funds that you provide for us for facilities are in fact used for that purpose.

I would also like to talk just briefly about environmental programs. I recognize that is not necessarily the focus of this hearing, but it is very much a part of all that we do. We are making a good effort on our environmental activities. Last year, the Congress gave us a Migratory Bird Treaty Act change. We are working with the Department of Interior to implement that act as you gave it to us.

We are also this year going to come back with activities that we came with last year. One is the Endangered Species Act, using the INRMP's, integrated natural resources management plan, as opposed to having individual endangered specie considerations.

Another area that is very important to our services is the Marine Mammal Protection Act, and we have gained agreement with Department of Commerce to come forward on the proper definitions, and we will bring that to you a little bit later.

PREPARED STATEMENT

We always look for the proper balance, not only between environmental stewardship but also what is best to serve our sailors, soldiers, airmen, marines, and Coast Guardsmen. We are as dedicated to that as you are, and we thank you for your strong support of all of these men and women who serve our Nation.

[The statement follows:]

PREPARED STATEMENT OF H.T. JOHNSON

Madam Chairman and members of the Committee, I am H.T. Johnson. While I have recently been designated as the Acting Secretary of the Navy, I am also the Assistant Secretary of the Navy (Installations and Environment), and it is in this latter capacity that I appear before you today to provide an overview of the Department of the Navy's shore infrastructure programs and environmental efforts.

Fiscal Year 2004 Budget Overview

Before his recent departure to the Department of Homeland Security, Secretary of the Navy Gordon England articulated several overarching Department of Navy goals for the fiscal year 2004 budget:

- Successfully prosecuting the global war on terrorism while sustaining our current readiness;
- Recapitalizing and transforming our Navy and Marine Corps to meet the challenges of the future;
- Fully networking our forces at sea and ashore to operate seamlessly in a joint environment;
- Continuing to invest in our Sailors and Marines; and
- Sustaining the quality of our operational training.

I believe the fiscal year 2004 Department of Navy's budget request meets all of these goals and represents a successful balance between funds needed to operate, recapitalize and transform our fleet assets with funds needed to do the same for our shore installations. Allow me to provide you with an overview of our budget, with further details to follow later in this statement.

Fiscal Year 2004 Budget Overview

Our fiscal year 2004 Military Construction, Family Housing, and Sustainment, Restoration and Modernization (SRM) request of \$4.2 billion is \$764 million below the fiscal year 2003 enacted amount, but generally on par with our fiscal year 2003 budget request. Looking at the individual components, the fiscal year 2004 Military Construction, (MCON) Navy (active + reserve) request is a very robust \$1.16 billion, similar to the fiscal year 2003 request. I note that the fiscal year 2003 enacted

amount includes \$236M in one-time combating terrorism projects that were part of the fiscal year 2003 Supplemental request. These projects met the criteria for military construction and were included in the fiscal year 2003 MCON appropriation.

We have reduced our fiscal year 2004 Family Housing, Navy request by 17 percent compared to the fiscal year 2003 enacted amount or 16 percent compared to our fiscal year 2003 request. However, expanded use of our housing privatization authorities, and increases to the Basic Allowance for Housing (BAH), which makes housing in the community more affordable, allow us to still meet the Department of Defense goal of eliminating inadequate homes by fiscal year 2007. Sustainment, Restoration and Modernization (SRM) funding¹ is down 15 percent compared to the enacted level, a reflection of overall affordability within the Secretary's priorities. Compared to our fiscal year 2003 request, the fiscal year 2004 request represents a 1.5 percent reduction.

Our fiscal year 2004 request for environmental programs totals \$1.0 billion, a reduction of about \$200 million from the fiscal year 2003 enacted level and a 12 percent reduction from our fiscal year 2003 request. Much of the reduction is due to the completion of cleanup on the island of Kaho'olawe, a former Naval bombing range in Hawaii. Title X required the Navy to conduct a 10-year cleanup, which will end on 11 November 2003. We are working to transition full control of the island to the State of Hawaii.

The decline in Technology investments is due to the completion of environmental research to retrofit non-ozone depleting equipment. This equipment is now being installed on ships. Our must-fund environmental cleanup requirements for bases closed under the Bases Realignment and Closure rounds in 1988, 1991, 1993, 1995, which I will refer to as Prior BRAC², are less in fiscal year 2004 than in fiscal year 2003, while cleanup at active bases is unchanged from fiscal year 2003.

Environmental Quality (EQ) includes funds for compliance with existing environmental standards, pollution prevention, and conservation of natural and historic resources on Navy and Marine Corps Bases. Approximately half of these funds are for routine functions such as personnel salaries, environmental permits and fees, environmental sampling and laboratory analyses, and hazardous waste disposal costs, while the rest are for one-time projects. The decline in environmental quality funds is due to the completion of one-time pollution prevention projects and a reduction in equipment purchases.

HOUSING

We have made a special effort in this budget to maintain progress on improving the quality of housing for our Sailors and Marines.

Family Housing

Our family housing strategy consists of a prioritized triad:

Reliance on the Private Sector.—In accordance with longstanding Department of Defense and DoN policy, we rely first on the local community to provide housing for our Sailors, Marines, and their families. Approximately three out of four Navy and Marine Corps families receive a Basic Allowance for Housing (BAH) and own or rent homes in the community. Our bases have housing referral offices to help newly arriving families find suitable 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 and meet our housing needs, in part, through the use of private sector capital. These authorities, which I like to think of in terms of public/private partnerships, 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.

The Department remains on track to eliminate the inadequate family housing units we own by fiscal year 2007, in large measure because we have increased our emphasis on privatization. We will be able to eliminate almost two-thirds of our inadequate inventory through the use of public/private ventures. As of 1 February, we have awarded eight projects totaling almost 6,600 units. During fiscal years 2003

¹ Refers only to the Operations and Maintenance portion of SRM.

² Prior BRAC amounts shown in the graphic are only for environmental cost, and exclude \$12 million in fiscal year 2003 and \$11 million in fiscal year 2004 for caretaker costs. These caretaker costs are a portion of the Prior BRAC budget request. The fiscal year 2004 budget request includes \$68 million in expected land sale revenue to be applied to cleanup Prior-BRAC locations.

and 2004, we plan to award projects totaling over 17,000 homes at ten Navy and Marine Corps locations. This will allow us to improve our housing stock and provide more homes to Sailors, Marines and their families much faster than if we relied solely on traditional military construction.

Another important factor is the continuing initiative to improve the basic allowance for housing (BAH). With higher BAH, our members are finding suitable, affordable housing in the private sector. This, in turn, reduces the need for military housing, thus allowing us to divest ourselves of excess, inadequate units in our inventory.

Bachelor Housing

Our budget request of \$269 million for Bachelor Quarters construction projects continues the emphasis on improving living conditions for our unaccompanied Sailors and Marines. There are three challenges:

Provide Homes Ashore for our Shipboard Sailors.—There are approximately 18,100 Sailors worldwide who are required to live aboard ship even while in homeport. This requirement is less than reported last year because of a recent change to Navy policy allowing unaccompanied E4s to live off base. This new policy is tied to the fiscal year 2001 National Defense Authorization Act that authorized the payment of BAH to E4s without dependents who are assigned to sea duty. The Navy continues to project that it will be able to achieve its “homeport ashore” initiative by fiscal year 2008 by housing two members per room. Our fiscal year 2004 budget includes two “homeport ashore” projects. One represents the second increment of a Norfolk, VA project that will provide a total of 500 spaces. The second project would construct 500 spaces for shipboard Sailors at San Diego, CA.

Ensure our Barracks Meet Today’s Standards for Privacy.—We are continuing our efforts to construct new and modernize existing barracks to provide increased privacy to our single Sailors and Marines. The Navy applies the “1+1” standard for permanent party barracks. Under this standard, each single junior Sailor has his or her own sleeping area and shares a bathroom and common area with another member. To promote unit cohesion and team building, the Marine Corps was granted a waiver to adopt a “2+0” configuration where two junior Marines share a room with a bath. The Navy will achieve these barracks construction standards by fiscal year 2013; the Marine Corps by fiscal year 2012.

Eliminate gang heads.—The Navy and Marine Corps remain on track to eliminate inadequate barracks with gang heads³ for permanent party personnel. The Navy will achieve this goal by fiscal year 2007; the Marines by fiscal year 2005.

We appreciate the support from the Congress in our efforts to extend the principles of privatization to our critical bachelor housing needs. We envision that privatization will prove to be as successful in accelerating improvements in living conditions for our single Sailors and Marines as it has been for family housing. We are developing pilot unaccompanied housing privatization projects for Hampton Roads, Camp Pendleton, and San Diego. We hope to be able to brief you on our concepts for these projects before the end of this fiscal year.

Military Construction Projects

In addition to the \$269 million in Bachelor Housing projects, our fiscal year 2004 military construction program includes \$361 million in Operational and Training facilities such as waterfront and airfield projects, and \$44 million in compliance projects. There is \$32 million for counter-terrorism (CT) projects; additional CT costs are included as a portion of the total project where appropriate.

This budget includes \$473 million in “new footprint” projects, representing an unusually large 41 percent of the military construction program. While many barracks and CT projects are new-footprint, there are several other important projects that will support the transformation to new weapon systems of the future.

—\$116 million to complete the purchase of the Blount Island facility and safety buffer in Jacksonville, Florida. Blount Island is the maintenance site for the Marine Corps’ Maritime Pre-positioning Force. The purchase of this site, along with a surrounding safety buffer, will ensure the long-term viability of this strategic national asset.

—\$28 million to support the first phase of an outlying field for East-Coast basing of the F/A-18 E/F Super Hornets. Selection of a specific basing of this aircraft is pending completion of an Environmental Impact Statement (EIS). The EIS is scheduled for completion this summer.

—\$24 million to construct a Joint Strike Fighter test facility.

³Gang heads remain acceptable for recruits and trainees.

—\$21 million to construct a facility to develop the next generation shipboard aircraft launching system to be used on the new aircraft carrier CVN21.

Facilities Sustainment, Restoration and Modernization (SRM)

The Department of Defense uses models to calculate life cycle facility maintenance and repair costs. These models use industry wide standard costs for various types of buildings. Sustainment funds in the Operations and Maintenance accounts maintain shore facilities and infrastructure in good working order and preclude its premature degradation. Both the Navy and Marine Corps increased sustainment funding in fiscal year 2004, with the Navy improving to 93 percent of the full sustainment requirement, and the Marine Corps staying at or very near the Department of Defense goal of full sustainment.

Restoration and Modernization provides for the major recapitalization of our facilities using Military Construction and Operations and Maintenance funds. While both the Navy and Marine Corps achieve the Department of Defense goal of a 67 year recapitalization rate by fiscal year 2008, one year later than expressed last year, the fiscal year 2004 recap rate increases to 140 years for Navy while improving to 88 years for the Marine Corps. The Navy will manage the near term investment in facilities recapitalization to limit degradation of operational and quality of life facilities.

While additional funds would certainly improve the situation, it is unrealistic to believe that we will simply “buy” our way to attain these facility goals. We must seek and implement greater efficiency in our infrastructure

INFRASTRUCTURE EFFICIENCIES

Prior BRAC

The BRAC rounds of 1988, 1991, 1993 and 1995 have been a major tool in reducing our domestic base structure and generating savings. The Department closed and must dispose a total of ninety (90) bases, and has achieved a steady state savings of \$2.7 billion per year. All that remains is to complete the environmental cleanup, with an estimated cost of \$785 million, and property disposal.

We have completed disposal of sixty-four bases to date; eight more bases are planned in fiscal year 2003, five in fiscal year 2004. Legislation was enacted last year that will allow the Navy to transfer nearly all of the former Naval Air Station Adak, Alaska to the Department of Interior, who will in turn exchange this property for other wildlife refuge property owned by The Aleut Corporation. The United States will then retain title to wildlife refuge property previously designated for transfer to the Aleuts under the Alaska Native Claims Settlement Act. We are working the final details for the transfer and hope to complete the property exchange later this year. That transfer, along with the planned disposals this fiscal year, should leave us with less than 12,000 acres still to dispose.

I am proud of the hard work and innovation that the Navy and Marine Corps team have displayed in working with environmental regulators to expedite property cleanup and support local redevelopment efforts to speed reuse. Congress provided the necessary legislative authority to allow the Navy to pursue early transfer opportunities. With the concurrence of environmental regulators and the State Governor, we transfer the deed to the property while environmental cleanup continues, or pass mutually agreed cleanup funds to the developer who becomes responsible for doing the cleanup. We have used this authority many times, including the transfer of 1,300 acres at Mare Island Naval Shipyard last year.

The spirit of innovation continues. Taking a cue from the popular commercial uses of the Internet, we worked closely with General Services Administration (GSA) to use its web site to auction two hundred thirty-five (235) acres of highly desirable property at the former Marine Corps Air Station Tustin in California. We have deposited \$51 million from this sale, with settlement for the balance this spring. Existing statutes require that all BRAC leasing and land sale revenue be deposited into the Prior BRAC account to meet caretaker and environmental cleanup needs. We will increasingly rely on BRAC land sale revenue to accelerate the remaining BRAC cleanup efforts. I am very pleased with using the GSA web site to auction real estate. It can attract a very wide audience of potential bidders, ensure that the government receives the maximum value for the property, and can help the community quickly resolve reuse needs. We will pursue more BRAC property sales using the GSA web site.

BRAC 2005

The fiscal year 2002 National Defense Authorization Act amended the 1990 Defense Base Closure and Realignment Act to authorize another round of BRAC in 2005. We will apply the BRAC process to examine and implement opportunities for

greater joint use of facilities, thus eliminating excess physical capacity, and to integrate DoN infrastructure with defense strategy. Continuing to operate and maintain facilities we simply no longer need is unfair to the taxpayer and diverts resources that would be better applied to recapitalize the operating forces (ships, aircraft and equipment) for the future.

The BRAC statute sets out a very fair process.

- All bases are treated equally;
- All recommendations based on 20 year force structure plan, infrastructure inventory and published selection criteria;
- Statutory selection criteria include:
 - Preserve training areas for maneuver by ground, naval, or air forces;
 - Preserve military installations in the United States as staging areas for the use of the Armed Forces in homeland defense missions;
 - Preserve military installations throughout a diversity of climate and terrain in the United States for training purposes;
 - Consider the impact on joint war fighting, training, readiness, contingency, mobilization, and future total force requirements at both existing and potential receiving locations to support operations and training.
- All data certified as accurate and complete and provided to the Commission and Congress.

We are working closely with the Office of the Secretary of Defense and the other Military Departments to develop opportunities for joint basing that would further eliminate excess infrastructure among the Services.

Commander, Navy Installation Command

The Navy will consolidate the management of its shore establishment on 1 October 2003 from eight installation claimants across sixteen (16) regional commanders to a single Navy Installation Command. This consolidation will achieve economies of scale, increase efficiency, and reduce headquarters staffs while also standardizing policies, procedures, and service levels across all Navy installations, much as the Marine Corps now enjoys. We estimate that the benefits of this streamlining will save the Navy \$1.6 billion over the FYDP.

There is still much work to be done to implement this change. The Navy must still define the personnel impacts, finalize the reporting relationships, and identify the appropriate funding transfers. I believe this effort will result in a more focused, leaner organization that will improve services to the Fleet.

Utility Privatization

We are proceeding with plans to privatize utility systems (water, wastewater, gas, electric) where it is economically feasible and does not pose a security threat. Utility privatization is an integral part of our efforts to improve our utility infrastructure. The Secretary of Defense issued new utility privatization guidance last fall that requires the Services to complete a source selection decision on each system by September 2005. We are on track to do so for the 662 Navy and Marine Corps systems under consideration for privatization.

Strategic Sourcing

Strategic sourcing uses commercial business practices such as process re-engineering, divestiture of non-core functions, elimination of obsolete services, and public/private competitions under Office of Management and Budget A-76 guidelines to improve efficiency. We expect to achieve \$1.6 billion in annual steady State savings in fiscal year 2005 from strategic sourcing initiatives.

Our fiscal year 2004 budget includes A-76 competitions for 2,000 positions. OMB has been trying to bring about much needed process changes for conducting these competitions. We will incorporate these process changes, as well as some of our own initiatives, to speed the process while still ensuring a fair playing field between in-house and private sector interests. We are also supporting the Secretary of Defense's Business Investment Council efforts to identify non-core functions for divestiture. The Navy has identified the manufacturing of eyewear for military personnel as a pioneer project for divestiture.

Naval Safety Program

Although safety is foremost a personnel program to avoid accidental human injury or death, the private sector has also recognized safety programs for their contribution to the bottom line in avoiding damage to expensive equipment or facilities, inadvertent loss of highly skilled personnel, and long-term injury compensation costs. We have established a senior executive in my office, the first in Department of Defense, to help foster a new Naval safety vision for the future. A Safety Task Force has been meeting to consider the relationships between safety staffs and funding

mechanisms. We have engaged Navy and Marine Corps installation commanders to recognize and work to reduce the incidence of civilian man-hours lost due to injury even as we participate in a Department of Defense-sponsored Employee Work Safety Demonstration project at four bases. We plan to provide basic Operational Risk Management training to all new Sailors and Marines, with more advanced training to senior personnel.

We are also pursuing safety improvements for the more visible aviation mishaps, for which past experience shows that 85 percent are in part attributable to human errors. We plan to try a new technique that would store critical flight performance data and allow the pilot to later replay a realistic animation of the flight.

ENVIRONMENTAL PROGRAMS

Encroachment

The military readiness of our forces is the highest priority of the Department of the Navy. Unfortunately, sustaining military readiness is becoming increasingly difficult because over time a host of factors, including urban sprawl, increasing regulation, litigation, and our own accommodations, although reasonable when viewed in isolation, have cumulatively diminished the Department of the Navy's ability to train and test systems effectively. Military bases and ranges represent some of the few remaining undeveloped large tracts, and are being looked at more and more by Federal and State regulators as a solution for difficult and costly conservation efforts. For example, initial proposals for critical habitat designations would have included about 56 percent of Marine Corps Base, Camp Pendleton, California. The Marine Corps and the U.S. Fish and Wildlife Service worked together in an effort to devise an approach that would satisfy the needs of both agencies. As a result of these efforts, the Secretary of the Interior determined that the speculative benefits of critical habitat designation were outweighed by military training needs at Camp Pendleton. This determination led to the designation of only 5 percent of Camp Pendleton's lands as critical habitat. However, a lawsuit challenging the U.S. Fish and Wildlife Service final rule quickly followed. As a result, U.S. Fish and Wildlife Service withdrew the designation. A new critical habitat designation is still pending.

We—the Congress, Federal and State regulators, and the military services—must identify a reasonable balance between the competing national priorities of military readiness and environmental stewardship. The Department of the Navy, in conjunction with the Department of Defense, has begun working with some regulatory agencies to identify changes in regulations and agency policies that can help restore the appropriate balance. However, many environmental laws do not always lend themselves to such changes because when enacted, no one considered their applicability to the military readiness activities of today.

The need for legislative change was demonstrated again recently when the use of a new defensive sensor known as SURTASS LFA, which was developed to deal with the threat of quiet diesel submarines now being deployed by potential adversaries, was recently restricted by a court order. The Navy had undertaken an unprecedented research program to ensure that marine mammals would not be injured, and worked closely with the National Marine Fisheries Service to develop mitigation measures so that marine mammals would not be injured. The Navy concluded that based on tests and analysis conducted by an independent panel of scientists, which was subjected to peer review and approved through a public rule making process by the National Marine Fisheries Service—the Federal regulatory agency tasked with protection and preservation of marine mammals, the system would have little impact upon marine mammals. Yet a Federal judge determined that the Marine Mammal Protection Act (MMPA) would not allow the Navy to deploy the defensive sensor in question in the manner the Navy had determined was needed. In the court's view, there were serious issues raised with regard to whether National Marine Fisheries Service had used a proper mechanism to identify the "specified geographic region" required under the MMPA to issue a "small take" authorization for the Navy's deployment of the sensors. The court ordered the Navy to confer with plaintiffs over possible restrictions on deployment of SURTASS LFA until the final hearing on the merits of the case currently scheduled for June 2003. Following these discussions, the court issued a preliminary injunction restricting the Navy's use to an area in the western Pacific between Japan and Guam.

The military services have been criticized by some for seeking legislative relief without first using national defense exemptions or Presidential waivers built into environmental laws. Although many of the laws contain some provision for the President to waive compliance with a specific requirement, these waivers are of limited scope and duration. Some laws have no provision for an exemption or require an adverse decision by a court before the exemption can be pursued. For example,

the MMPA contains no waiver provision, even for actions that are absolutely necessary for national defense. Many environmental laws, when enacted, did not consider their impact on military readiness activities. The exemptions or waivers that do exist were not intended to serve as routine management tools; they were designed to provide short term fixes for unanticipated or emergency situations.

Last year, the Department of Defense recommended legislative changes to address specific areas of environmental laws that had the greatest adverse impact on sustaining military readiness. Congress provided some relief in one critical area—the applicability of the Migratory Bird Treaty Act (MBTA) to military readiness activities. We are working with the Department of Interior to craft a mutually acceptable proposed rule consistent with report language accompanying the fiscal year 2003 National Defense Authorization Act authorizing take of migratory birds for military readiness activities, and a Memorandum of Understanding to promote migratory bird conservation, as required by executive Order 13186, for non-readiness related military actions.

The other five involved proposed changes to the MMPA, Endangered Species Act (ESA), Clean Air Act (CAA), Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), and the Resource Conservation and Recovery (RCRA) Act were not made. The Department of the Navy is particularly concerned with MMPA and ESA, and the need remains for a legislative solution. For example, the Department of Navy uses special management plans called Integrated Natural Resource Management Plans (INRMPs), pursuant to the Sikes Act, to protect habitat on military installations. A Federal district court in Arizona, however, recently decided the substitution of special management plans for critical habitat designation is impermissible under the ESA. In this case, which involved forest management plans, the court determined that the special management considerations could not substitute for the designation of critical habitat. The Department of Navy is concerned this reasoning could be relied upon by other Federal courts when reviewing INRMPs. The U.S. Fish and Wildlife Service is using other administrative options in an attempt to exclude installations with approved INRMPs from critical habitat designations, but more certainty would be provided by legislative actions.

In addition to the decision concerning restricting deployment of the SURTASS LFA system I mentioned earlier, two other recent decisions by different Federal district courts stopped scientific research after the court determined that the National Marine Fisheries Service had improperly authorized harassment of marine mammals during research by the National Science Foundation off the coast of Mexico and a Navy funded project to study the effects of underwater sound on Grey Whales off the coast of California.

We recognize the importance of resource preservation. We are not looking for wholesale suspension of environmental laws as they apply to military readiness. We are not attempting to avoid the issues that American industries and businesses face regarding environmental compliance. We are not abandoning the outstanding stewardship over the lands entrusted to us or shrinking from environmental protection requirements. We are merely trying to restore balance where environmental requirements adversely affect uniquely military activities—activities that are necessary to prepare Sailors and Marines to engage in combat and win.

Shipboard Environmental

The U.S. Navy is a recognized world leader in environmental stewardship at sea. In recent years the Navy has completed installation of pulpers, shredders and plastic waste processors on its surface ships. This ensures no plastic discharge to the world's oceans and provides environmentally benign disposal of other solid wastes, such as food, paper, cardboard, metal and glass. The Navy expects to have its submarine fleet fully outfitted with solid waste equipment by the end of 2005, well in advance of the 31 December 2008 Act to Prevent Pollution from Ships deadline. Next year, the Navy will begin to upgrade the solid waste equipment in the surface fleet. These upgrades will mean shipboard personnel will expend less time, energy and resources in processing solid waste.

The Navy continues to convert shipboard air-conditioning and refrigeration plants to ones that use non-ozone depleting, environmentally friendly refrigerants. As of today, over 75 percent of the fleet is CFC-free. Additionally, the Navy continues to upgrade the fleet's ability to safely and effectively handle hazardous materials by installing pollution prevention equipment on all our surface ships. We continue to work with the Environmental Protection Agency to set Uniform National Discharge Standards for all Armed Forces vessels, and in developing best management practices for preparing vessels for use as artificial reefs. These programs, along with others in the shipboard environmental program, reap enormous environmental and public relations benefits while maintaining the primary goal of allowing our ships

to operate anywhere in the world in a manner that complies with or exceeds domestic and international environmental laws and agreements.

Cleanup Program at Active Bases

For the second year in a row, the number of cleanups completed at active bases exceeded the planning target. While we still have work to do, almost seventy (70) percent of all sites now have remedies in place or responses complete. At the end of fiscal year 2002, 2,225 of the 3,668 sites at active installations have responses complete. We plan to continue this pace. By the end of fiscal year 2004 we plan to have about 2,500 sites completed at active bases.

Vieques Cleanup

On January 10, 2003, the Secretary of the Navy signed the letter of certification to Congress confirming that the U.S. Navy and Marine Corps will cease military training on the Vieques Inner Range by May 1, 2003. The Department of the Navy has identified training alternatives that will collectively provide equivalent or superior training to the options provided on the island of Vieques. The law requires the Navy to transfer Vieques to the Department of Interior. We have been working with Interior and the Environmental Protection Agency to do so.

We plan to conduct munitions clearance and any necessary cleanup in accordance with applicable laws. The clearance and cleanup will be done in a manner that is consistent with land use designated in the governing statute and where appropriate, minimizes disturbance of the natural environment. The designated land uses, once transferred to the Department of Interior, are wilderness area for the live impact area and a wildlife refuge for the remaining portions. We will be considering the need for land use controls to ensure long-term protectiveness as part of the remedial actions, including consideration of future land use plans. We have identified \$2 million in fiscal year 2004 funds from our Munitions Response Program line within the Environmental Restoration, Navy (ER, N) appropriation to begin munitions clearance efforts.

Environmental Range Management

The Navy and Marine Corps have initiated efforts to better understand and manage the environmental concerns on its ranges. The Navy has \$15.8 million in fiscal year 2004 to begin this effort at the Southern California, Fallon, Key West, and Gulf of Mexico range complexes. This environmental program addresses three major areas:

- Conduct living marine resource assessments, including ocean surveys of marine mammal population densities;
- Assess groundwater, surface water, soils conditions, natural resources and the environmental compliance status for each of the complex's land-based ranges and associated airspace;
- Integrate this information into complex-wide environmental planning in accordance with the National Environmental Policy Act, which will in turn drive Navy range complex management plans.

LEGISLATIVE PROPOSALS

I would like to call your attention to several legislative proposals of particular importance to the Department of Navy.

Readiness & Range Preservation Initiative

This legislative proposal is a top Department of Defense priority. It would provide legislative relief for military readiness activities under various environmental statutes. Of particular interest to the Department of the Navy are:

- Modifications to MMPA that would clarify the MMPA's definition of "harassment" as a biologically significant response, and resolve other procedural issues related to the MMPA.
- Modify the ESA to allow use of Integrated Natural Resources Management Plans now required under the Sikes Act to provide the special management considerations in lieu of the need to designate critical habitat on military lands.

Property Conveyance for Housing

We propose to extend to barracks existing authority that allows the transfer of land at locations closed under prior year BRAC actions for family housing. The Administration's request also includes a similar proposal that would allow the Services to transfer land at locations not related to BRAC for either housing, land suitable for siting housing, cash, or some combination of these. These proposals would provide additional tools that we could use to obtain housing for our Sailors and Marines and their families faster.

MILCON Streamlining

We propose several initiatives to streamline the administrative aspects of the military construction process. It typically takes 5 to 8 years from inception to completion for a military construction project. That's too long. Our proposal would increase the minor construction threshold to permit faster execution of smaller projects, and allow the use of the planning and design sub account to initiate early project design on design build projects. Such projects now include most of the design funds as part of the project cost, and thus must await line item authorization and appropriation of the project by the Congress to begin design work in earnest.

CONCLUSION

In conclusion, I would ask the members of this committee to not judge the merits of the Department of the Navy's installations and environmental program solely through a single lens comparison of this year's budget request vs. last year's enacted level. We continue progress on most fronts, and the decline in funding is generally due to reduced requirements or less costly alternatives.

We remain steadfast in resolving inadequate housing concerns. Consistent with Department of Defense and our own priorities, we will eliminate inadequate family housing by fiscal year 2007 through increased reliance on our privatization efforts and the help of BAH increases that it more likely for our members to find good, affordable housing in the community. We have maintained momentum to fix housing for our single Sailors and Marines, particularly with respect to getting our ship-board sailors a place ashore they can call home when their ship is in homeport. We hope to extend the benefits of family housing privatization to barracks with three pilot projects that are being developed. The very robust \$1.2 billion military construction request will revitalize existing facilities while acquiring those to support future weapon systems and readiness needs. We will apply the proceeds from selling Prior BRAC property to accelerate cleanup of remaining BRAC property. Facilities sustainment, restoration and modernization trends are positive, with the exception of the Navy recapitalization rate; regrettably, affordability required that we defer near term progress in using Operations and Maintenance, Navy funds to revitalize facilities.

We have fully funded all environmental commitments. The decline in environmental funds is tied to finishing the cleanup on Kaho'olawe, and the completion of several research and development projects and pollution prevention initiatives. Encroachment remains the primary environmental issue we must deal with. We will work with the Department of Interior to craft mutually acceptable solutions under MBTS. However, other environmental statutes, with ESA and MMPA of particular interest to the Department of Navy, remain to be resolved. We need to craft an appropriate balance between environmental stewardship and military readiness.

That concludes my statement. I appreciate the support of each member of this committee, and will try to respond to any comments or concerns you may have.

DEPARTMENT OF THE ARMY

STATEMENT OF HON. MARIO P. FIORI, ASSISTANT SECRETARY OF THE
ARMY, INSTALLATIONS AND ENVIRONMENT

Senator HUTCHISON. Thank you, Mr. Secretary.

Mr. Fiori.

Mr. FIORI. Madam Chairman, I am pleased to appear before you to review our fiscal year 2004 military construction program. We have provided a detailed written statement for the record. I would just like to briefly comment on the highlights of our program.

The Army's overall budget request for fiscal year 2004 supports the Army Vision, Transformation, Readiness, and People. It implements the strategic guidance to transform to a full spectrum force, while ensuring war-fighting readiness. It reflects a balanced base program that will allow the Army to remain trained and ready throughout fiscal 2004 while ensuring we fulfill our critical role in the global war on terrorism.

Our military construction budget request is \$3.2 billion, and will fund our highest priority facilities and family housing requirements. When we developed this year's budget, difficult decisions were made to optimize our resources in response to the global situation. The Army budget provides the best balance among all of our programs, including military construction.

Transformation is one facet of the Army Vision. The Army is fundamentally changing the way we fight and creating a force more responsive to the strategic requirements of the Nation. Our fiscal year 2004 budget includes facilities to support both the Active and Reserve components in this transition.

First, I would like to briefly tell you how we are transforming installation management. Recognizing the requirement to enhance support to the commanders and buttress Army transformation, the Secretary of the Army directed the reorganization of the Army's installation management structure. On October 1, 2002, the Army placed the management of Army installations under the Installation Management Agency. It is a new field operating agency reporting to the Assistant Chief of Staff for Installation Management, who in turn reports to me and to the Chief of Staff of the Army. A top down, regional alignment creates a corporate structure with the sole focus on efficient and effective management of all our installations. It frees up our mission commanders to concentrate on transformation and readiness. They will still have an influence on important installation decisions, but not the day-to-day headaches.

Second, in support of Army transformation, our budget contains \$329 million for 17 projects at four Active installations and an additional \$85 million for 31 Army National Guard projects.

Facilities requested cover the spectrum needed for effective operations and training, including ammunition supply point upgrades, mobilization facilities, training land acquisition, maintenance facili-

ties, ranges, information system facilities, barracks, and family housing. The Army National Guard Army Division Redesign Study facilities include readiness centers, maintenance shops, and training fire stations.

A second facet of the Army's Vision is Readiness. Army installations are our Nation's power projection platforms, and they provide critical support for the Army and joint operations. We have requested funding for key projects that specifically focus on readiness. These include live fire ranges, maintenance, test, deployment facilities, Army National Guard Readiness, and Army Reserve Centers. These critically needed projects constitute about \$266 million of our budget.

The third facet of the Army Vision is People. The Army continues its major campaign to modernize barracks to provide enlisted permanent party soldiers with quality living environments. The new complexes provide increased personal privacy and larger rooms with new furnishings. With the approval of our budget, 79 percent of our barracks requirements for permanent party soldiers will be funded. Additionally, we are including physical fitness centers and dining facilities to support soldier fitness and well being.

According to our surveys, adequate and affordable housing continues to be the major concern to soldiers and their families. We have waiting lists at all our major posts. With approval of the fiscal year 2004 budget, out of pocket expenses for soldiers living off post will be reduced to 3½ percent, as was previously mentioned by Messrs. Zakheim and DuBois. And by 2005, average out of pocket expenses should be reduced to zero.

This year's budget expands family housing privatization and increases improvements to existing housing to support our goal to provide adequate housing to all military families by 2007. Our privatization effort has been particularly successful. The current program of 28 projects will transition to privatized operations by the end of fiscal year 2006. These projects include almost 72,000 homes, more than 80 percent of our inventory in the United States. We have already transitioned four installations to developers.

At Fort Carson, for example, 1,823 existing homes were privatized in November 1999, and our partner developer will construct 840 more. So far, we have 618 homes, new homes, and 943 have been renovated. Families have moved into those homes, and the process has been very positive to date.

PREPARED STATEMENT

In closing, Madam Chairman, I sincerely thank you for the opportunity to outline our program. As I have visited Army installations, I have witnessed the progress that has already been made, and I attribute much of this success directly to the longstanding support of this Committee and your staff. We look forward to working with you as we transform our Army installations.

Thank you, ma'am.

[The statement follows:]

PREPARED STATEMENT OF MARIO P. FIORI

Madam Chairman and members of the subcommittee, it is a pleasure to appear before you to discuss the Active Army and Reserve Components' military construc-

tion budget request for fiscal year 2004. This request includes initiatives of considerable importance to The Army, as well as this Committee, and we appreciate the opportunity to report on them to you.

Our budget provides resources in our construction and family housing programs essential to support The Army's role in our National Military Strategy and our role in the Global War on Terrorism. The budget supports The Army's Vision and our Transformation strategy.

The program presented herein requests fiscal year 2004 appropriations and authorization of appropriations of \$1,536,010,000 for Military Construction, Army (MCA); \$1,399,917,000 for Army Family Housing (AFH); \$168,298,000 for Military Construction, Army National Guard (MCNG); and \$68,478,000 for Military Construction, Army Reserve (MCAR).

The Army has begun one of the most profound periods of transformation in its 227-year history. In 1999, we published The Army Vision—People, Readiness, and Transformation—that defined how we meet the Nation's military requirements today and into the future. After 3 years, we are on the road to implement the self-transformation that will allow us to continue to dominate conventional battlefields, but also provide the ability to deter and defeat adversaries who rely on surprise, deception and asymmetric warfare to achieve their objectives.

The attacks against our Nation and the ongoing Global War on Terrorism validated The Army's Vision and our Transformation. To meet the challenges of Army Transformation and to carry out today's missions at home and abroad, The Army must sustain a force of high quality, well-trained people; acquire and maintain the right mix of weapons and equipment; and maintain effective infrastructure and power projection platforms to generate the capabilities necessary to meet our missions. Taking care of soldiers and families is a readiness issue and will ensure that a trained and qualified soldier and civilian force will be in place to support the Objective Force and the transformed Army.

Installations are a key component in all three tenets of The Army Vision. They are the operational and service support centers where our soldiers and civilians work, live, and train; and from which we deploy, launch, and accomplish our missions. Our worldwide installations structure is inextricably linked to the Transformation of The Army and the successful fielding of the Objective Force.

Army installations, both Active and Reserve Component, must fully support our war fighting needs, while at the same time provide soldiers and their families with a quality of life that equals that of their peers in civilian communities. The Army Vision begins and ends talking about the well-being of people. Our installations are the hometowns to many of our people. To improve our installations, we realized we had to transform installation management to improve the way we operate and manage this important resource.

In support of the Transformation of Army installations, on October 1, 2002, The Army activated the Installation Management Agency (IMA). This activation symbolized a radical transformation in how The Army manages installations. Through the IMA, The Army has created a corporate structure for managing its installations. By shifting that responsibility from the 14 formerly land-holding major commands, the IMA seeks to enhance effectiveness in installation management, achieve regional efficiencies, eliminate the migration of installation support dollars, and provide consistent and equitable services and support.

Major Commanders can now focus solely on their primary missions. Though the major commands no longer have a primary responsibility for installation management, the support they receive from installations is a paramount mission of the IMA. The IMA exists to support and enable mission commanders. The senior mission commander on each installation is part of the rating chain for the garrison commander of that installation. The most senior commanders of the major commands, as well as the Director of the Army National Guard and the Chief of the Army Reserve, also sit on an Installation Management Board of Directors, providing oversight and guidance to the operations of the IMA.

The Army's transformation of installation management represents a significant paradigm shift in the way The Army manages installations. It represents a new commitment to installation management as a key component of Army Transformation. Mission readiness no longer competes with installation management tasks; and the soldier's well-being and quality of life on the installations does not compete with the mission. It will allow us to provide for our soldiers and their families and to permit us to implement our facilities strategy.

FACILITIES STRATEGY

The Army's Facilities Strategy (AFS) is the centerpiece of our efforts to fix the current state of Army facilities over 20 years. It addresses our long-term need to sustain and modernize Army-funded facilities in both Active and Reserve Components by framing our requirements for sustainment, restoration and modernization (SRM) using operations and maintenance (O&M) and military construction (MILCON) funding. The AFS addresses sustainment, recapitalization, quality, and quantity improvements so that The Army will have adequate facilities to support Transformation and our 21st Century missions.

The first objective of the strategy requires us to halt further deterioration of our facilities. Our sustainment funding, which comes from the Operation and Maintenance (O&M) SRM accounts, has improved. Our budget request funds 93 percent of our requirements in fiscal year 2004. This level of funding may be sufficient to slow further deterioration of Army facilities. We use the Installation Status Report (ISR) to rate the condition of our facilities. A C-1 quality rating indicates facilities support mission accomplishment; a C-2 quality rating indicates facilities support the majority of assigned missions; a C-3 quality rating indicates facilities impair mission performance; and a C-4 rating indicates facilities that significantly impair mission performance. Currently, The Army's overall quality rating is C-3 (impairs mission performance). We must have sufficient O&M SRM resources to sustain our facilities and prevent facilities from deteriorating further, or we put our MILCON investments at risk.

The second objective of our strategy addresses improving recapitalization of our facilities to a 67-year cycle. This will ensure we have adequate facilities to keep pace with future force structure changes and weapons modernization programs. The focus is on The Army's most obsolete infrastructure, such as vehicle maintenance facilities, Army National Guard Readiness Centers, and Army Reserve Centers. Unfortunately, our budget resources limit our recapitalization rate to 144 years for fiscal year 2004.

The third objective is to raise The Army facilities from the current C-3 quality rating (impairs mission performance) to an overall C-2 quality rating (supports majority of assigned missions) by the end of 2010. This will be accomplished by bringing a focused set of facilities to C-1 (supports mission performance) during that timeframe. Since we cannot afford a quick fix to buy down the SRM backlog, we will centrally manage resources towards focused investments. This capital investment requirement will primarily require MILCON funding, supplemented by O&M SRM project funding.

The fourth objective is to reduce facility shortfalls where they exist over the entire 20-year strategy. These shortfalls are a result of facilities modernization not keeping pace with our weapons modernization and supporting force structure. Ranges and training facilities are an example.

Modest MILCON investment will be made in fiscal year 2004 for these objectives. These four objectives will enable us to improve the health of Army real property and the ability to successfully support our worldwide missions and our soldiers. This year, our highest priority went to sustainment to achieve a 93 percent funding level.

In addition to implementing our facilities strategy, we continue our policy of eliminating excess facilities throughout the entire Army to allow us to use our limited resources where they have the most impact. During fiscal years 1988-2003, our footprint reduction program, along with the base realignment and closure process (including overseas reductions), resulted in the disposal of over 400 million square feet worldwide from our fiscal year 1990 peak of 1,157,700,000 square feet. In fiscal year 2004, we plan to reduce an additional 2.7 million square feet. We continue our policy of demolishing at least one square foot for every square foot constructed.

MILITARY CONSTRUCTION, ARMY (MCA)

This year's MCA program focuses on The Army's Vision and four major categories of projects: people, readiness, transformation, and other worldwide support. I will explain each category in turn.

PEOPLE

Fifty percent of our MCA budget is dedicated to providing for the well-being of our soldiers, their families, and civilians. We are requesting 23 barracks (plus an additional one for transformation), a dining facility and 2 physical fitness centers. These projects will improve not only the well-being of our soldiers and families, but also the readiness of The Army. We are requesting \$776.2 million for these projects.

Whole Barracks Renewal Program.—The Army continues its major campaign to modernize barracks to provide enlisted permanent party soldiers with quality living environments. The new complexes provide increased personal privacy, larger rooms, closets, new furnishings, adequate parking, and landscaping. In addition, administrative offices are separated from the barracks. With the approval of our budget, \$737.9 million, as requested, 79 percent of our barracks requirement (including the transformation barracks), will be funded at the new standard for our permanent party soldiers. Between fiscal years 2005 and 2009, we plan to invest an additional \$3.5 billion in MCA and host nation funds. While we are making considerable progress at installations in the United States, we will request increased funding for Germany and Korea in future budgets to compensate for the fact that these areas have been historically funded at lower levels than installations in the United States. A large portion of the remaining modernization effort—37 percent—is in overseas areas.

In fiscal year 2004, we are planning 23 barracks projects as part of our barracks modernization program, including 7 projects in Europe (one of which supports our Efficient Basing East initiative) and 3 projects in Korea. This will provide new or improved housing for at least 5,500 soldiers. The installations with the largest investment are Fort Bragg, North Carolina, with \$102 million (3 projects), and Schofield Barracks, Hawaii, with \$98 million (2 projects). At these installations, large soldier populations and inadequate barracks require sustained high investment to provide quality housing. Barracks projects are also requested for Fort Hood, Texas; Fort Riley, Kansas; Fort Campbell, Kentucky; Fort Lewis, Washington; Fort Richardson, Alaska; Fort Drum, New York; and Fort Stewart, Georgia. A barracks project supporting Transformation is also requested at Fort Wainwright, Alaska. Although we are requesting authorization for all phases of a multi-phase barracks complex at Fort Drum and Fort Bragg, we are only requesting the appropriation needed for the fiscal year 2004 phase. Our plan is to award each complex, subject to subsequent appropriations, as a single contract to gain cost efficiencies, expedite construction, and provide uniformity in building systems.

Community Facilities.—Our budget request includes a dining facility at Fort Meade, Maryland, for \$9.6 million. Also included are two physical fitness centers at Hohenfels, Germany (\$13.2 million) and Fort Stewart, Georgia (\$15.5 million) to improve soldier fitness and community wellness. The physical fitness center at Fort Stewart has been selected as a pilot project for the demonstration program for the reduction of long-term facility maintenance costs. We believe this demonstration program will decrease our maintenance expenses and increase the quality of our facilities. This project is one of three included in fiscal year 2004. An Army Reserve and a National Guard demonstration project are also included in the budget.

READINESS

In fiscal year 2004, there are 11 projects, \$153 million, to ensure The Army is deployable, trained, and ready to respond to meet its national security mission. The projects provide enhanced training and readiness via live fire ranges and simulators, maintenance and test facilities, and a deployment facility.

To improve soldier training, we are requesting \$45.8 million to construct five training and readiness projects. Our request includes Modified Record Fire Ranges at Schweinfurt, Germany; Fort Knox, Kentucky; and Fort Sill, Oklahoma; an instrumented Multipurpose Training Range Complex at Fort Benning, Georgia; and a live fire urban operations Shoot House at Fort Lewis, Washington. All five ranges will provide our soldiers with realistic, state-of-the-art live fire training.

A project to construct troop support facilities, including a physical fitness center and dining facility, and to renovate a headquarters facility and a postal facility at a cost of \$46 million will support the Efficient Basing, East, initiative at Grafenwoehr, Germany.

We are requesting three maintenance facilities for \$41 million to support Army missions.

Our request also includes \$5.5 million for a Vibration Dynamic Test facility at Redstone Arsenal, Alabama. This facility will enable The Army to test small rocket systems and components for reliability to ensure that equipment can withstand the rigors of military operations.

To support deployment of an airborne battalion ready task force, our request includes \$15.5 million for a Joint Deployment Facility in Aviano, Italy. This facility will be constructed on an Air Force Base and will provide support for deployments of the 173rd Airborne Brigade stationed in Vicenza, Italy. In addition, the facility will support other United States and NATO forces deploying through Aviano Air Base.

TRANSFORMATION

Our budget contains \$285.3 million for 16 projects at 4 installations that will support the deployment, training, unit operations, and equipment maintenance for Army Transformation. The projects include one barracks, one multi-purpose training range complex, one live fire urban operations Shoot House, upgrades to an existing Military Operations in Urban Terrain (MOUT) facility, two Mission Support Training Facilities (and the acquisition of additional lands in Hawaii to ensure our forces are properly trained), two Alert Holding Areas, expansion of a Deployment Staging Facility, an upgrade to an existing Ammunition Supply Point, a Pallet Processing Facility, an Information Systems Facility, Arms Storage, and an Aircraft Maintenance Hangar. The proposed projects in Hawaii will support the legacy force requirements that are currently not being met and future combat systems.

Following the Persian Gulf War, Congress charged the Department of Defense to determine strategic mobility requirements to support the revised national strategy of greater reliance on CONUS-based contingency forces and power projection capabilities. The Army established the Army Strategic Mobility Program (ASMP) in fiscal year 1994 that centered on the capability to deploy a five division contingency force with its associated support structure anywhere in the world within 75 days. We will successfully complete funding the program in fiscal year 2003. Over the 10-year period we funded approximately \$800 million in projects to support our strategic mobility.

The Army has reviewed the lessons learned from the successful ASMP and has analyzed current and future strategic environment; multiple, astute, and dynamic adversaries; and identified the need to deploy a brigade combat team anywhere in the world in 96 hours after liftoff, a division on the ground in 120 hours, and five divisions in theater in 30 days. To meet these goals, The Army has developed The Army Power Projection Program (AP3) beginning in fiscal year 2004. Five of the Transformation projects listed above support our new deployment requirements for a transformed Army and initiate the start of the AP3 program.

OTHER WORLDWIDE SUPPORT PROGRAMS

The fiscal year 2004 MCA budget includes \$100.7 million for planning and design (P&D). The fiscal year 2004 P&D request is a function of the construction programs for two fiscal years: 2005 and 2006. The requested amount will be used to complete design of fiscal year 2005 projects and initiate design of fiscal year 2006 projects. Without this level of funding, our ability to design future year projects will be impaired and this will ultimately impact delivery of critically needed facilities to our soldiers.

Host Nation Support (HNS) P&D: The Army, as Executive Agent, provides HNS P&D for oversight of host nation funded design and construction projects. The U.S. Army Corps of Engineers oversees design and construction to ensure facilities meet The Army's requirements and standards. Lack of oversight may result in an increase in design errors and construction deficiencies that might require United States dollars to rectify. Maintaining the funding level for this mission results in a payback where \$1 of United States funding gains \$44 worth of host nation construction. The fiscal year 2004 budget request for \$22 million will provide oversight for over \$950 million of construction in Japan, Korea, and Europe.

The fiscal year 2004 budget also contains \$20 million for unspecified minor construction. This funding level will allow us to address unforeseen, critical needs that cannot wait for the normal programming cycle.

ARMY FAMILY HOUSING

According to the Military Family Housing Standards Study done in April 2001, adequate and affordable housing continues to be a major concern to soldiers and their families. We have waiting lists at all of our major posts. Out-of-pocket expenses for soldiers living off post, though less than in prior years due to increases in Basic Allowance for Housing, will be reduced to 3.5 percent of the total cost of their housing with the approval of the Army fiscal year 2004 budget. By fiscal year 2005, we will meet our OSD goal to reduce our out-of-pocket expenses to zero. Maintaining and sustaining safe, attractive, and convenient housing for our soldiers and families is one of our continuing challenges. This year's budget expands privatization and increases improvements to existing housing. It supports the Secretary of Defense's goal to provide adequate housing to all military families by 2007.

Our fiscal year 2004 request for Army Family Housing is \$1,399,917,000. Table 1 summarizes each of the categories of the Army Family Housing program.

TABLE 1.—ARMY FAMILY HOUSING—FISCAL YEAR 2004

Facility Category	Dollars	Percent
New Construction	\$126,600	9
Post Acquisition Construction	197,803	14
Planning and Design	32,488	2
Operations	179,031	13
Utilities	167,332	12
Maintenance	432,605	31
Leasing	234,471	17
Privatization	29,587	2
Total	1,399,917	100

FAMILY HOUSING PRIVATIZATION

The Army continues to implement the Residential Communities Initiative (RCI) to create modern residential communities in the United States, using the military housing privatization authorities granted by the Congress. We are leveraging appropriated funds and government assets by entering into long-term partnerships with private sector real estate development and management firms to obtain financing and management expertise to construct, repair, maintain, and operate family housing communities.

The current program of 28 projects will transition to privatized operations by the end of fiscal year 2006. These projects include over 71,000 homes, more than 80 percent of our family housing inventory in the United States. We already have transitioned 4 installations to privatized operations: Forts Carson, Hood, Lewis and Meade. These projects include over 15,700 housing units. Families have moved into new and renovated housing at those locations and our experience to date has been very positive.

We have selected development partners and are currently negotiating Community Development and Management Plans (50-year construction, operations, and financing plan) at 8 additional locations with over 23,000 units. Five of these projects (Fort Bragg, Fort Campbell, Presidio of Monterey, Fort Irwin/Moffett Army Airfield/Camp Parks, and Fort Hamilton) will transition to privatized operations in fiscal year 2003 and the remaining three (Fort Belvoir, Forts Eustis/Story/Monroe and Fort Stewart) will transition in fiscal year 2004. In addition to these projects, four other projects are in various stages of the procurement process (Walter Reed Army Medical Center, Fort Shafter/Schofield Barracks, Fort Polk and Fort Detrick). Twelve more projects are scheduled for the future (Fort Leonard Wood, Fort Sam Houston, Fort Bliss, Fort Drum, Fort Benning, Fort Rucker, Fort Gordon, Fort Knox, Fort Leonard Wood, Picatinny Arsenal, Carlisle Barracks, and Redstone Arsenal).

Our development partners expertise, experience, and resources are resulting in significant improvements in our family housing communities. The fiscal year 2004 budget request is necessary to support continued implementation of this quality of life program.

FAMILY HOUSING CONSTRUCTION

The total fiscal year 2004 request for construction is \$356.9 million. It continues the Whole Neighborhood Revitalization initiative approved by Congress in fiscal year 1992, and supported consistently since that time, and our Residential Communities Initiative program. These projects are based on life-cycle economic analyses and support the Department of Defense's goal funding the elimination of inadequate housing by 2007.

New Construction.—The fiscal year 2004 new construction program provides Whole Neighborhood Revitalization projects at 4 locations, 496 units for \$126.6 million. Replacement construction provides adequate facilities, built to local standards, where there is a continuing requirement for the housing and it is not economical to renovate the current housing. New (deficit elimination) construction provides additional housing to meet requirements. All of these projects are supported by housing surveys, which show that adequate and affordable units are not available in the local community.

Construction Improvements.—The Construction Improvements Program is an integral part of our housing revitalization program. In fiscal year 2004, we are requesting \$197.8 million for improvements to 6,883 existing units at 6 locations in the

United States and 5 locations in Europe. Included within the scope of these projects are efforts to improve supporting infrastructure and energy conservation.

FAMILY HOUSING OPERATIONS AND MAINTENANCE

The operations, utilities, maintenance, and leasing programs comprise the majority of the fiscal year 2004 request. The requested amount of \$1.043 billion for fiscal year 2004 is approximately 74 percent of the total family housing budget. This budget provides for annual operations, municipal-type services, furnishings, maintenance and repair, utilities, leased family housing, demolition of surplus/uneconomical housing and funds supporting management of the Military Housing Privatization Initiative.

FAMILY HOUSING LEASING

The leasing program provides another way of adequately housing our military families. We are requesting \$234.5 million in fiscal year 2004 to fund over 14,300 housing units including existing Section 2835 (formerly known as 801 leases) project requirements, temporary domestic leases in the United States, and approximately 7,800 units overseas.

MILITARY CONSTRUCTION, ARMY NATIONAL GUARD (MCNG)

Focused on The Army's Vision, the Army National Guard's military construction program for fiscal year 2004 is giving special attention to People, Readiness and Transformation. The fiscal year 2004 Army National Guard program supports these elements.

TRANSFORMATION

This year we have concentrated on Army Division Redesign Study (ADRS) projects. ADRS addresses a long-standing Army problem of lack of Combat Support and Combat Service Support Force. The Army National Guard, in support of the National Military Strategy and wartime requirement shortfalls, is reorganizing selected units toward this end, i.e., Chemical, Medical, and Military Police units.

We are requesting \$84.9 million for 31 ADRS projects. These funds will support the construction of Readiness Centers, Organizational Maintenance Shops, Training Fire Stations, an Armed Forces Reserve Center, and a Working Animal Building.

The ADRS transformation, which began in fiscal year 2001, is scheduled to be completed by fiscal year 2009.

Readiness Centers/Armed Forces Reserve Center.—To accommodate the force structure change, the Army National Guard will make additions or alterations to 14 readiness centers in Alabama, Indiana, Kansas, Kentucky, Nebraska, New Mexico, New York and North Dakota. Six new Readiness Centers are planned for California, Kentucky, Michigan, Missouri, Nebraska and North Carolina.

We will also construct an Armed Forces Reserve Center in Mobile, Alabama. This facility will house all elements of a Support Group, Chemical Company, Medical Battalion, and Special Forces Detachment, as well as the Marine Reserves Reconnaissance Company, Intelligence Company, and the Marine Corps Inspector and Instructor staff.

Training Fire Stations.—Six training fire stations are scheduled for Alabama, Connecticut, Kentucky, North Carolina (2), and Nebraska. These training fire stations will provide the necessary administrative, training, maintenance and storage areas required for the units to achieve proficiency in their required training tasks.

Organizational Maintenance Shops.—The Army National Guard has three Organizational Maintenance Shops requested in fiscal year 2004. These facilities require additional space and upgrades to support the ADRS initiative. They are located in Montana (two) and New York.

Working Animal Building.—As a result of ADRS, there will be two Military Police Working Dog Teams assigned to the Connecticut Army National Guard. These facilities will provide for all phases of dog training for patrol and protection.

MISSION

In fiscal year 2004, the Army National Guard has requested \$55.3 million for the revitalization of four mission projects. They include a Readiness Center, a Consolidated Maintenance Facility (Phase I), an Army Aviation Support Facility and a Military Education Facility (Phase III)

Readiness.—A new Readiness Center at Lenoir, North Carolina, will replace the current 48-year old facility that was built in a flood plain. The State will provide 41 acres of State land to relocate the new Readiness Center. This project has been

selected as the Army National Guard fiscal year 2004 candidate for the demonstration program for the reduction of long-term facility maintenance cost.

Maintenance.—The Consolidated Maintenance Facility at Pineville, Louisiana, will consist of a Combined Support Maintenance Facility, a Maneuver and Training Equipment Site, and two Organizational Maintenance Shops. These facilities will provide direct support, general support, and limited depot maintenance for all vehicles and equipment in Louisiana and full-time organizational maintenance support to selected units. This facility will permit Army National Guard personnel to work in a safe and efficient environment.

An Army Aviation Support Facility in South Burlington, Vermont, will replace the current facility that was built in 1954. The new facility will provide the additional 80,650 square feet required to support three aviation units with 18 aircraft.

Training.—The Military Education Facility (Phase III) at Camp Shelby, Mississippi, is the last and final phase of this Regional School Project. This Regional Training Center, a Category A Training Site, supports units from Mississippi, Alabama, Arkansas, Kentucky, Louisiana, Oklahoma, Tennessee, and Texas. The school conducts leadership training, maintenance training, and armor crewman training.

WORLDWIDE UNSPECIFIED FUNDING

The Army National Guard's fiscal year 2004 budget request contains \$26.6 million for planning and design of future projects and \$1.5 million in unspecified minor construction to address unplanned health or safety issues that may arise during fiscal year 2004.

MILITARY CONSTRUCTION, ARMY RESERVE (MCAR)

This year's MCAR program focuses on the Army Reserve's highest priority—Readiness. Army Reserve Centers are the key component to the readiness of units and provide support to soldiers and their families. In fiscal year 2004, the Army Reserve has requested \$57.9 million to construct three Army Reserve Centers and a Maintenance and Storage facility.

MISSION FACILITIES

Army Reserve Centers.—Three Army Reserve Centers will be built in Fort Meade, Maryland; Cleveland, Ohio; and Nashville, Tennessee. The Fort Meade Army Reserve Center will replace 50 World War II wood buildings, which will be returned to the installation for demolition. This project has been selected as the Army Reserve fiscal year 2004 candidate for the demonstration program for the reduction of long-term facility maintenance cost. The Cleveland Army Reserve Center will replace two 1950s era facilities and three leased facilities. The Nashville Army Reserve Center will replace a high-cost leased facility.

Maintenance.—An Organizational Maintenance Shop/Direct Support Maintenance Shop and Storage facility will be built on Fort Gillem, Georgia.

PLANNING AND DESIGN/UNSPECIFIED MINOR CONSTRUCTION

The fiscal year 2004 MCAR budget includes \$7.712 million for planning and design (P&D), which provides essential planning and design capability in order to properly execute the MCAR program. The fiscal year 2004 budget also contains \$2.886 million for unspecified minor construction to satisfy critical and emergent mission requirements.

SUSTAINMENT, RESTORATION AND MODERNIZATION (SRM)

In addition to MCA and AFH, the third area in the facilities arena is the O&M portion of the Sustainment, Restoration and Modernization (SRM) program. Sustainment is the primary account in installation base support funding responsible to maintain the infrastructure to achieve a successful readiness posture for The Army's fighting force. Installation facilities are the power projection platforms of America's Army and must be properly maintained to be ready to support current Army missions and any future deployments.

O&M SRM consists of two major functional areas: (1) facilities sustainment of real property and (2) restoration and modernization. Facilities sustainment provides resources for maintenance costs and contracts necessary to keep an inventory of facilities in good working order. It also includes major repairs or replacement of facility components, usually accomplished by contract, that are expected to occur periodically throughout the life cycle of facilities. Restoration includes repair and restoration of facilities damaged by inadequate sustainment, excessive age, natural disaster, fire, accident or other causes. Modernization includes alteration or moderniza-

tion 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. The Active Army's OMA Sustainment funding request in fiscal year 2004 is \$1.8 billion. The Army National Guard is requesting \$380 million and the Army Reserve is requesting \$182 million.

In fiscal year 2004, The Army's top O&M priority in SRM is to fully sustain its facilities. This prevents further deterioration of the facilities we own and allows the facilities to support The Army's mission. The basic maintenance and repair of all Army facilities is funded at 93 percent of the OMA requirement. At the current funding levels, facilities will be properly maintained and deterioration will be minimal. Restoration and modernization initiatives supplement MILCON funding and meet recapitalization requirements. The Army has used the O&M R&M for barracks, strategic mobility, and other needs. The Army's demolition program will eliminate unneeded facilities. In fiscal year 2004, we plan to eliminate approximately 2.7 million square feet of facilities worldwide.

The Army's privatization or outsourcing of utilities is the first part of our Long Range Utilities Strategy within the SRM program to provide reliable and efficient utility services at our installations. All Army-owned electrical, natural gas, water, and waste water systems are being evaluated to determine the feasibility of privatization. When privatization appears economical, we use competitive contracting procedures as much as possible. The Army is on track and continues to seek ways to privatize as many systems as possible by September 30, 2003. OMA restoration and modernization resources will be programmed for systems we are not able to privatize so that all systems are brought to a C2 (quality) status by 2010. To date, 18 percent (64 of 351 systems) of all CONUS systems and 23 percent (250 of 1,068) of systems worldwide have been privatized. During fiscal year 2003, the negotiation and evaluation process for an additional 103 CONUS systems will be completed. Recent successes include privatization of the natural gas system at Fort Campbell, Presidio of Monterey and Fort Benning; electrical systems at Fort AP Hill, Picatinny Arsenal, Presidio of Monterey, Red River Army Depot, and Fort Bliss; and water and waste water systems at Red River Army Depot and Presidio of Monterey.

BASE REALIGNMENT AND CLOSURE (BRAC)

Our facilities strategy strives to meet the needs of today's soldiers while also focusing on the changes required to support The Army of the 21st Century. For BRAC in fiscal year 2004, we are requesting \$67 million. This budget represents the Army's requirement to continue unexploded ordnance (UXO) removal, environmental restoration, and property management of those facilities not yet disposed from the first four rounds of BRAC. In fiscal year 2001, The Army began saving \$924 million annually upon completion of the first four rounds of BRAC. Although these savings are substantial, we need to achieve even more, and bring our infrastructure assets in line with projected needs. The Army supports the need to close and realign additional facilities and we appreciate the Congress' authority to have an additional round in fiscal year 2005.

The Army is now in the second year of exclusively caretaking and completing the remaining environmental restoration activities at BRAC installations. We request \$67,067,000 in fiscal year 2004 to continue this important work. These funds allow us to properly caretake these properties and to continue environmental and ordnance removal efforts that will facilitate economic revitalization and will render these properties safe. This budget includes the resources required to support projected reuse in the near term and to continue with current projects to protect human health and the environment. The Army implemented innovative approaches to environmental restoration at BRAC sites in fiscal year 2002, which supported the early transfer of several properties. The Army will continue to support early property transfers in fiscal year 2003 and beyond.

Although the extensive overseas closures do not receive the same level of public attention as those in the United States, they represent the fundamental shift from a forward-deployed force to one relying upon overseas presence and power projection. Without the need for a Commission, we are continuing to reduce the number of installations overseas. The total number of Army overseas sites announced for closure or partial closure since January 1990 is 685. Additional announcements and efficient basing initiatives will occur until the base structure matches the force identified to meet U.S. commitments.

The significant challenges posed by the removal of unexploded ordnance, the remediation of groundwater, and the interface of a variety of regulatory authorities continue to hinder the disposal of property. A number of innovative approaches for

environmental restoration were recently developed in an effort by The Army to expedite the transfer of property, while ensuring the protection of human health and the environment. Two innovative mechanisms are being utilized to complete environmental restoration efforts: Guaranteed/Fixed Price Remediation (G/FPR) Contracts and Environmental Services Cooperative Agreements (ESCA). A G/FPR Contract obligates BRAC funds necessary for regulatory closure of specified restoration activities. The Army retains responsibility for completion of the environmental restoration, overseeing the contractor and ensuring that regulatory closure of the property is obtained. An ESCA is a different mechanism, authorized under the environmental restoration program that obligates Army BRAC funds and apportions some amount of liability to a governmental entity representing the reuse interests of the particular BRAC installation, in exchange for specific environmental restoration services outlined in the ESCA.

The Army used a G/FPR to accelerate regulatory closure from 2003 to 2002 at Fort Pickett, Virginia, at a cost that will not escalate over the course of the work. We estimate that this \$2.9 million contract saved us \$0.8 million based on our initial estimates. An ESCA allows The Army to transfer property and associated cleanup responsibilities to a local reuse authority or developer. This allows the developer to integrate cleanup with their redevelopment plans. An ESCA completed in 2001 was used in conjunction with early transfer authority at Military Ocean Terminal, Bayonne, New Jersey, saving The Army an estimated \$5 million. An ESCA will facilitate the early transfer in fiscal year 2003 of property at Oakland Army Base, California. The benefits of the G/FPR and ESCA initiatives are that they limit Army environmental remediation cost growth liability and facilitate property disposal.

We remain committed to promoting economic redevelopment at our BRAC installations. We are supporting early reuse of properties through economic development conveyances, as well as the early transfer of properties along with cooperative agreements to accelerate the completion of remaining environmental remediation. The Army is also making use of leasing options approved by Congress and awarding guaranteed fixed price remediation contracts to complete environmental cleanup and make properties available earlier. Real property assets are being conveyed to local communities, permitting them to quickly enter into business arrangements with the private sector. Local communities, with The Army's support and encouragement, are working to develop business opportunities that result in jobs and tax revenues. The successful conversion of former Army installations to productive use in the private sector benefits The Army and ultimately the local community.

SUMMARY

Madam Chairman, our fiscal year 2004 budget is a balanced program that permits us to execute our essential construction programs; provides for the military construction required to improve our readiness posture; provides for family housing leasing, operations and maintenance of the non-privatized inventory; and initiates privatization at four additional installations. This request is part of the total Army budget request that is strategically balanced to support the current war effort, the readiness of the force and the well-being of our personnel.

Over the past few years with your support, we have successfully improved our infrastructure posture and postured ourselves for further improvements as The Army moves to the Objective force and The Army of the future. We implemented a revolutionary management system with the establishment of the Installation Management Agency. We have reduced our infrastructure by a third. In addition, we have initiated efforts to privatize family housing and utilities systems where it makes economic sense and supports our military mission. We have the resources to improve the living conditions of 106,000 single soldiers and will be 79 percent complete with approval of this budget. We have expedited the process to turn over closed facilities and save the taxpayers money.

Our long-term strategy can only be accomplished through sustained, balanced funding, divestiture of excess capacity, and improvements in management and technology. With your support, we will continue to streamline, consolidate, and establish community partnerships that generate effective relationships and resources for infrastructure improvement, continuance of services, and improved quality of life for soldiers, their families, and the local communities of which we are a part.

The fiscal year 2004 request for the Active Army is for appropriations and authorization of appropriations of \$2,935,927,000 for Military Construction, Army, and Army Family Housing.

The request for appropriations and authorization of appropriations is \$168,298,000 for Military Construction, Army National Guard, and \$68,478,000 for the Military Construction, Army Reserve.

Madam Chairman, this concludes my statement. Thank you.

DEPARTMENT OF THE AIR FORCE

STATEMENT OF HON. NELSON GIBBS, ASSISTANT SECRETARY OF THE
AIR FORCE, INSTALLATIONS, ENVIRONMENT AND LOGISTICS

Senator HUTCHISON. Thank you, Mr. Secretary.
Secretary Gibbs.

Mr. GIBBS. Madam Chairman, thank you very much. I appreciate the opportunity to appear before you today to discuss the Department of the Air Force fiscal year 2004 budget request for military construction, military family housing, and dormitories. I have submitted a statement for the record, and I would like to summarize it now.

The Air Force total military construction and military family housing programs play a vital role supporting Air Force operational needs, workplace productivity, and the quality of life. This committee's support for those programs has remained steadfast over the years. The Secretary of Defense has made a commitment to transform the Department of Defense—this includes installations and facilities—into those that are required for our 21st Century military. Given the ever-present competing priorities, the Air Force has developed an executable and fiscally responsible plan for getting its facilities on a path to recovery.

The Air Force top priority within this year's President's budget are to sustain the facilities that already exist, enhance the quality of life by improving housing for both single and married members, complying with existing environmental statutes and supporting new missions and weapons systems.

AIR FORCE FACILITIES AND INFRASTRUCTURE

For fiscal year 2004, the Air Force is requesting over \$4.4 billion to invest in Air Force facilities and infrastructure, an increase of approximately \$200 million over its request for fiscal year 2003. This includes nearly \$2 billion for sustainment, restoration, and modernization to maintain our existing infrastructure and facilities, up slightly from our fiscal year 2003 request.

This budget request also reflects the Air Force's continuing commitment to taking care of its people and their families. Their welfare is a critical factor to overall Air Force combat readiness, and the family housing program, dormitory program, and other quality of life initiatives reflect a commitment by the Air Force to provide its people with the facilities that they deserve. The Air Force is requesting \$1.5 billion for military family housing, approximately the same as it requested last year.

QUALITY OF LIFE

To improve the quality of life for the Air Force unmarried junior enlisted members, the Air Force is requesting \$200 million for its

fiscal year 2004 dormitory program, which consists of 10 enlisted dormitories in stateside bases and two at overseas bases.

Our fiscal year 2004 request also includes over \$750 million for active force military construction, \$60 million to the Air National Guard, and \$40 million for the Air Force Reserves, all a slight increase over the request for 2003.

MILITARY FAMILY HOUSING

In conclusion, I want to thank the committee for its continuing strong support of Air Force military construction, military family housing, and dormitory programs. With the committee's assistance and support, the Air Force will meet the most urgent need of commanders in the field, while providing quality facilities for the men and women who serve in and are the backbone of the most respected Air and Space Force in the world.

Thank you very much, Madam Chairman.

[The statement follows:]

PREPARED STATEMENT OF NELSON F. GIBBS

INTRODUCTION

Madam Chairman and members of the committee, good afternoon. I appreciate the opportunity to appear before you and present the Department of the Air Force fiscal year 2004 military construction program. Today, I will present to the committee the Air Force investment strategies for facilities, housing, and environmental programs.

OVERVIEW

Our Total Force military construction and military family housing programs (MFH) play vital roles supporting Air Force operational needs, work place productivity, and quality of life. Today, when our Nation needs its Air Force more than ever before, our installations are the platforms from which we project the global air and space power so important to combat operations overseas. During Operation ENDURING FREEDOM, we flew the longest bomber combat mission in history . . . 44 hours traveling more than 16,000 miles . . . from Whiteman Air Force Base, Missouri, against targets in Afghanistan. Our military construction program is a direct enabler of this kind of dominant combat capability. In that same vein, as we send tens of thousands of airmen overseas to prepare for possible conflict with Iraq, the peace-of-mind they enjoy, knowing their families are safe and secure, living in adequate housing with state-of-the-art quality of life facilities, has direct impact on their ability to focus on the task at hand.

While the Air Force has always acknowledged the importance of robust funding for facility sustainment and recapitalization, in the past we have found that higher competing priorities have not permitted us to address all the problems we face with our aging infrastructure. We turned a corner with our fiscal year 2002 and 2003 military construction and family housing budget requests, both well in excess of \$2 billion. You supported those requests and increased them to nearly \$3 billion, making the last 2 years' infrastructure investment programs the two largest in more than a decade. We sincerely appreciate your support.

We're continuing this positive trend in fiscal year 2004 . . . we are requesting more than \$2.4 billion for Total Force military construction and Military Family Housing, a \$160 million increase over last year's request. The request includes more than \$770 million for Active military construction, \$60 million for Air National Guard military construction, more than \$40 million for Air Force Reserve military construction, and more than \$1.5 billion for Military Family Housing. In addition, we have maintained our focus on Operations and Maintenance (O&M) sustainment, restoration, and modernization (SRM) funding. Last year's O&M SRM request was nearly \$400 million more than in fiscal year 2002. This year, we protected and actually increased that program growth. With the fiscal year 2004 budget request, we will invest more than \$2 billion in critical infrastructure maintenance and repair through our O&M program.

When one considers our level of effort across the entire infrastructure spectrum (military construction, MFH, and O&M SRM), we plan to invest more than \$4.4 billion in fiscal year 2004.

These Air Force programs were developed using a facility investment strategy with the following objectives:

- Accommodate new missions
- Invest in quality of life improvements
- Continue environmental leadership
- Sustain, restore, and modernize our infrastructure
- Optimize use of public and private resources
- Continue demolition of excess, uneconomical-to-maintain facilities, and
- Base realignment and closure

Madam Chairman, Air Force missions and people around the world clearly depend upon this committee's understanding of and support for our infrastructure programs. That support has never wavered, and for that we are most grateful.

With this background, I will discuss in more detail our military construction budget request for fiscal year 2004.

ACCOMMODATE NEW MISSIONS

New weapon systems will provide the rapid, precise, global capability that enables our combat commanders to respond quickly to conflicts in support of national security objectives. Our fiscal year 2004 Total Force new mission military construction program consists of 43 projects, totaling more than \$273 million. These projects support a number of weapons system beddowns; two of special significance are the F/A-22 Raptor and the C-17 Globemaster III.

The F/A-22 Raptor is the Air Force's next generation air superiority fighter. Tyndall Air Force Base, Florida, will house the F/A-22 flying training program. Nellis Air Force Base, Nevada, will be the location for F/A-22 Follow-on Operational Test and Evaluation. Langley Air Force Base, Virginia, will be home for the first operational squadrons. The fiscal year 2004 military construction request includes one F/A-22 project at Tyndall for \$6 million, and three F/A-22 projects at Langley totaling \$25 million.

The C-17 Globemaster III aircraft is replacing our fleet of C-141 Starlifters. The C-17 provides rapid global mobility by combining the C-141 speed and long-range transport capabilities; the C-5 capability to carry outsized cargo; and the C-130 capability to land on short, forward-located airstrips. We are planning to bed down C-17s at Elmendorf Air Force Base, Alaska; Travis Air Force Base and March Air Reserve Base in California; Dover Air Force Base, Delaware; Hickam Air Force Base, Hawaii; Jackson Air National Guard Base, Mississippi; McGuire Air Force Base, New Jersey; Altus Air Force Base, Oklahoma; Charleston Air Force Base, South Carolina; and McChord Air Force Base, Washington. Thanks to your support, construction requirements for Charleston and McChord were all funded in prior-year military construction programs. Our request for fiscal year 2004 includes a \$1 million facility project at Altus, an \$8 million assault runway at Camp Shelby (near Jackson, Mississippi), two facility projects for \$12 million at McGuire, and six facility projects for \$63 million at Hickam. Other new mission requirements in fiscal year 2004 include the Global Hawk beddown at Beale Air Force Base, California; Combat Search and Rescue aircraft beddown at Davis-Monthan Air Force Base, Arizona; C-130J beddown at Pope Air Force Base, North Carolina, and Little Rock Air Force Base, Arkansas; and Joint Strike Fighter facilities at Edwards Air Force Base, California.

INVEST IN QUALITY OF LIFE IMPROVEMENTS

The Air Force is committed to taking care of our people and their families. Quality of life initiatives acknowledge the increasing sacrifices our airmen make in support of the Nation and are pivotal to recruiting and retaining our best. When our members deploy, they want to know that their families are stable, safe, and secure. Their welfare is a critical factor to our overall combat readiness. Our family housing and dormitory programs, and other quality of life initiatives reflect our commitment to provide facilities they deserve.

Family Housing

Our Air Force Family Housing Master Plan provides the road map for our Housing military construction, O&M, and privatization efforts, to meet the goal of providing safe, affordable, and adequate housing for our members. Our fiscal year 2003 budget request reflected an increase of more than \$140 million over the prior year—we have built on that increase with our fiscal year 2004 request and in the pro-

grammed budgets for the next 3 years. With the exception of four northern-tier locations, we will eliminate our inadequate housing units in the United States by 2007. The inadequate units at those four northern-tier locations will be eliminated by 2008, and the inadequate units at our overseas installations will be eliminated by 2009.

For fiscal year 2004, the \$700 million we have requested for housing investment constructs nearly 2,100 units at 18 bases, improves more than 1,500 units at eight bases, and supports privatization of nearly 7,000 units at seven bases. I'll discuss our housing privatization program in more detail later. Our fiscal year 2004 housing operations and maintenance program totals nearly \$835 million.

Dormitories

Just as we are committed to provide adequate housing for families, we have an ambitious program to house our unaccompanied junior enlisted personnel. The Air Force Dormitory Master Plan is a comprehensive, requirements-based plan, which identifies and prioritizes our dormitory military construction requirements. The plan includes a three-phased dormitory investment strategy. The three phases are: (1) fund the replacement or conversion of all permanent party central latrine dormitories; (2) construct new facilities to eliminate the deficit of dormitory rooms; and (3) convert or replace existing dormitories at the end of their useful life using a new, Air Force-designed private room standard to improve airman quality of life. Phase 1 is complete, and we are now concentrating on the final two phases of the investment strategy.

Our total requirement is 79,400 Air Force dormitory rooms. We currently have a deficit of 11,400 rooms, and the existing inventory includes 3,700 inadequate rooms. It will cost approximately \$1 billion to execute the Air Force Dormitory Master Plan and achieve Office of the Secretary of Defense's (OSD) fiscal year 2007 goal to replace all of our inadequate dormitory rooms. This fiscal year 2004 budget request moves us closer to that goal.

The fiscal year 2004 dormitory program consists of 12 dormitory projects at nine U.S. bases and two overseas bases, for a total of \$203 million. On behalf of all the airmen affected by this important quality of life initiative, I want to thank the committee. We could never have made it this far without your tremendous support.

Fitness Centers

Other traditional quality of life investments include community facilities, such as fitness centers, vital in our efforts to attract and retain high-quality people and their families. A strong sense of community is an important element of the Air Force way of life, and these facilities are important to that sense of community as well as to the physical and psychological well being of our airmen. The fiscal year 2004 military construction program includes fitness centers at Lajes Air Base, Azores; Mountain Home Air Force Base, Idaho; Spangdahlem and Ramstein Air Bases, Germany; and Royal Air Force Bases Lakenheath and Mildendall in the United Kingdom.

CONTINUE ENVIRONMENTAL LEADERSHIP

The Air Force continues to ensure operational readiness and sustain the public trust through prudent environmental stewardship. We are meeting our environmental cleanup commitments and Department of Defense goals through effective outreach and partnering with Federal and State regulators and team building with stakeholders and communities. Meeting our legal obligations remains a primary objective of the Air Force environmental quality program. Our record of environmental stewardship illustrates our environmental ethic, both here in the United States and overseas.

In addition to ensuring our operations comply with all environmental regulations and laws, we are dedicated to enhancing our already open relationships with both the regulatory community and the neighborhoods around our installations. We continue to seek partnerships with local regulatory and commercial sector counterparts to share ideas and create an atmosphere of better understanding and trust. By focusing on our principles of ensuring operational readiness, partnering with stakeholders, and protecting human health and the environment, we remain leaders in environmental compliance, cleanup, conservation, and pollution prevention. We have reduced our open enforcement actions from 263 in 1992 to just 22 at the end of 2002.

We have one project (\$7 million) in our fiscal year 2004 environmental compliance military construction program. With it, we will install arsenic treatment systems on water wells at Kirtland Air Force Base, New Mexico, to ensure the base is in full compliance with the U.S. Environmental Protection Agency's (EPA) new standard

for maximum arsenic levels allowed in drinking water. Failure to install these treatment systems could result in fines from the EPA, shutdown of water wells at Kirtland, and the increased cost of purchasing and distributing potable water on the base.

SUSTAIN, RESTORE, AND MODERNIZE OUR INFRASTRUCTURE

Overseas Military Construction

The quality of our installations overseas continues to be a priority to us. Even though the majority of our Air Force personnel are assigned in the United States, 16 percent of our forces are permanently assigned overseas, including 29,000 Air Force families. The Air Force overseas base structure has stabilized after years of closures and force structure realignments. At this level, our overseas infrastructure still represents 11 percent of our Air Force physical plant. Now, old and progressively deteriorating infrastructure at these bases requires increased investment. Our fiscal year 2004 military construction request for European and Pacific installations is \$171 million totaling 22 projects. The program consists of infrastructure and quality of life projects in the United Kingdom, Germany, the Azores, Italy, Turkey, and Korea, as well as critical facilities on Wake Island. We ask for your support of these operational and quality of life projects.

Planning and Design / Unspecified Minor Construction

We are also requesting planning and design and unspecified minor construction funding. Our request for fiscal year 2004 planning and design is \$102 million. These funds are required to complete design of the fiscal year 2005 construction program, and to start design of our fiscal year 2006 projects. We have requested \$23 million in fiscal year 2004 for our total force unspecified minor construction program, which is our primary means of funding small, unforeseen projects that cannot wait for the normal military construction process.

Operations and Maintenance Investment

To sustain, restore, and modernize what we own, we must achieve a balance between our military construction and O&M programs. Military construction allows us to restore and recapitalize our facilities. O&M funding allows us to perform facility sustainment activities necessary to prevent facilities from failing prematurely. Without proper sustainment, facilities and infrastructure wear out sooner. We also rely on O&M funding to directly address many of our critical restoration and less-expensive recapitalization needs. These funds enable commanders in the field to address the facility requirements that impact their near-term readiness.

Since the early nineties, constrained defense budgets resulted in reduced military construction funding. For a few years, adequate O&M funding partially offset this military construction decline. However, between fiscal year 1997 and fiscal year 2001, competing priorities forced the Air Force to cut sharply into both military construction and O&M funding. Our effort to sustain and operate what we own was strained by minimally funded O&M, which forced us to defer much-needed sustainment and restoration requirements. Thankfully, along with the robust military construction programs provided in the last two years, we have been able to restore our O&M balance for the second year in a row. In fiscal year 2004, our sustainment, restoration, and modernization share of the Air Force O&M funding is more than \$2 billion—allowing us to properly invest in facility sustainment (to keep our good facilities good) and invest some O&M funding in restoration and modernization work compared to fiscal year 2003. Our known restoration and modernization O&M backlog has grown to nearly \$8 billion, so it will be important for us to continue this precedent of higher O&M facility investment in the future.

OPTIMIZE USE OF PUBLIC AND PRIVATE RESOURCES

In order for the Air Force to accelerate the rate at which we revitalize our inadequate housing inventory, we have taken a measured approach to housing privatization. We started with a few select projects, looking for some successes and “lessons learned” to guide our follow-on initiatives. We awarded our first housing privatization project at Lackland Air Force Base, Texas, in August of 1998, and all 420 of those housing units were constructed and are occupied by military families. Since then, we have completed two more projects (at Robins Air Force Base, Georgia, and Dyess Air Force Base, Texas) and have two more under construction (at Elmendorf Air Force Base, Alaska, and Wright-Patterson Air Force Base, Ohio). Once these two projects are complete, our privatized unit total will exceed 3,800. We are on-track to award another eight projects in the next 12 months. Looking at 2005 and beyond, we are targeting an end-state of privatizing 60 percent of the U.S.-based housing

inventory. Our fiscal year 2004 budget request includes \$44 million to support the privatization of nearly 7,000 units at seven bases: Luke Air Force Base, Arizona; Altus and Tinker Air Force Bases in Oklahoma; Shaw Air Force Base, South Carolina; Sheppard Air Force Base, Texas; McChord Air Force Base, Washington; and F.E. Warren Air Force Base, Wyoming.

We continue to pursue privatization of utility systems at Air Force installations. Our goal is to privatize utility systems where it makes economic sense and does not negatively impact national security. The Air Force has identified 420 of our 650 systems as potential privatization candidates. We expect to release approximately 190 requests for proposal over the next 24 months.

CONTINUE DEMOLITION OF EXCESS, UNECONOMICAL-TO-MAINTAIN FACILITIES

For the past 7 years, we have pursued an aggressive effort to demolish or dispose of facilities that are not economical to sustain or restore. From fiscal year 1998 through fiscal year 2002, we demolished more than 12 million square feet of non-housing building space. We expect to demolish an additional 2 million square feet in fiscal year 2003, for a total reduction of 14 million square feet. This is equivalent to demolishing six Air Force bases equal to the combined square footage of Whiteman, Goodfellow, Moody, Brooks, Vance, and Pope Air Force Bases. Looking at fiscal year 2004 and beyond, we will continue to identify opportunities for Air Force demolition through facility consolidation. In general, we consider our facility demolition program a success story enabling us to reduce the strain on our infrastructure funding by getting rid of facilities we don't need and can't afford to maintain.

BASE REALIGNMENT AND CLOSURE

The Air Force views the fiscal year 2005 Base Realignment and Closure (BRAC) process as a unique opportunity to reshape our infrastructure to optimize military readiness and to ensure we are most efficiently postured to meet new security challenges. In January of this year, we created a Basing and Infrastructure Analysis group within Headquarters Air Force. This office will serve as the Air Force focal point for the fiscal year 2005 BRAC process. Our major commands are following suit with creating their own analysis structures to support the BRAC process. As in previous rounds of base closures, we are establishing a Base Closure Executive Group (BCEG) composed of general officers and senior civilians representing a variety of functional areas, including those with range and airspace operational expertise. We continue to participate in joint BRAC forums with our sister services and the Office of the Secretary of Defense to meet the Secretary of Defense guidance and develop the required processes and procedures.

The Air Force leadership is committed to meeting the BRAC fiscal year 2005 statutory deadlines and ensuring our analytical processes are unbiased and defensible.

The Air Force continues to work with the local reuse authority at each base closed under previous rounds of BRAC to minimize the impact on the local community from the closure. This effort has led to the creation of over 48,000 jobs with 86 percent of the property transitioned for reuse.

While these facilities are being returned to their respective communities, the Air Force has a continuing responsibility for environmental cleanup from past industrial activities. The Air Force approaches this responsibility at our BRAC bases with the same prudent environmental stewardship as at our active bases. We have spent \$2.2 billion since fiscal year 1991 in environmental cleanup at closing bases, and for fiscal year 2004, the Air Force is requesting \$176 million to continue the cleanup.

CONCLUSION

In conclusion, Madam Chairman, I thank the committee for its strong support of Air Force military construction and family housing. With your help, we will ensure we meet the most urgent needs of commanders in the field while providing quality facilities for the men and women who serve in and are the backbone of the most respected aerospace force in the world. I will be happy to address any questions.

Senator HUTCHISON. I want to thank all three of you, and say I appreciate all that you are doing, and I want to ask a couple of general questions. The issue of environmental cleanup has come up in our committee since I have been on it, and I would ask two questions of each of you.

ENVIRONMENTAL CLEANUP

Number 1, the numbers are staggering in these environmental cleanups. Has anyone actually assessed these costs to know that they are absolutely efficient and necessary? Are we doing this in the best possible way to get the result that we want, or are we just throwing these huge numbers out there and accepting it at face value?

Then secondly, I would like to just go ahead and have the second question for each of you as well, and that is, when you are looking at the bases that you are going to put on the BRAC list for 2005, are you going to put environmental cleanup on the list of factors, which does not seem to have been done in the past, although obviously, Mr. Johnson, you are the expert here, and maybe you did consider these things. But it certainly—let me say that the costs that we are now dealing with were not the costs that were brought up when these bases were closed, so with that, let me start with you.

Mr. JOHNSON. Yes, ma'am. Two questions. Obviously, we look and try to find the most efficient way to clean up bases. There are many factors that affect it. Number 1 is the intended use, and the receiving agency often will use an intended use for cleanup purposes that requires more than if you used a different use, so some of it is driven by the receiving agency, normally the community.

And the techniques are evolving. We look very carefully to use the most efficient ones, but quite frankly, environmental cleanup techniques each year get a little better, or a little different. We have our challenges with the local regulatory organizations, as well as the national EPA, but our services have worked very closely with them and have a good relationship.

The second question came up when in another life I was on a BRAC, and I understand what you are saying, that we should consider the environmental cleanup. The thought in those days and my continuing thoughts are that the property should be cleaned whether it is kept in the active inventory or transferred, so environmental aspects should not be a decision in any BRAC decisions. That is my personal view.

We have not considered any bases for BRAC, and we intend to, in our service anyway, not to select any bases until we look at all of the functions across the bases and then, if you have too many functions, a base will be selected, but we will start from what we need as opposed to looking at individual bases.

Senator HUTCHISON. I hear what you are saying. It is just, I think, a difference when you are closing a base than when the base is ongoing in its usage. I am not sure you could clean up a base that was ongoing in certain respects.

Mr. JOHNSON. We can certainly do a better job of estimating what the costs are to clean bases, but we really do not know until you go through the process, and also go through the intended use.

Senator HUTCHISON. It just seems to me that it should be a factor to be considered when that comes up in 2005.

Mr. Gibbs.

Mr. GIBBS. I would agree with my colleague, generally just a couple of points to add to his. The first question, are we doing it in

the most effective manner, we believe we are as we go along, and I will split it into two pieces, those that are closed bases, and those that are continuing ones.

We do have significant activities and costs for cleanup on our existing bases, and we pursue those in a manner that is a little more straightforward and a little easier to do because we know the intended use when we start out, and we can be more consistent over time.

For the bases that have been closed, in some cases it takes quite a while to find out exactly how the community wants to use the land that they are going to get back, so we are a little hesitant in proceeding on the cleanup activities. In other cases, it changes over time, so we may have to change from one level of cleanup to another.

As I said, I agree with Secretary Johnson, the costs should be the same whether we are going to stay or whether we are going to leave. It is just the time period over which the costs are going to be incurred. At the final date, whenever that is, all of the facilities, continually owned or returned to the local communities, will be put back in the state that they were when the Air Force received them, so it is a method of timing.

BASE REALIGNMENT AND CLOSURE

In terms of the determination for consideration for BRAC, I basically believe the only determination there would be on the speed with which it is going to be done, and if an economic analysis is placed on that, the net present value of the cost should be the same whether we do it sooner or later, so it really should not, in my view, make a substantive difference in terms of the utilization of the facilities.

Senator HUTCHISON. Dr. Fiori.

Mr. FIORI. I certainly agree with you, Madam Chairman, that the costs are staggering when we look at all of our environmental mortgage. That goes just beyond the BRAC mortgage. We have our UXO, unexploded ordnance throughout the country, and that is not funded very high, so we are estimating 100 years to clean it up. So to solve that problem and to get the speed, to bring it in a little closer than 100 years from now, we have to look at various technologies that are transportable that we could bring to the scene to explode this ordnance, we have to find the ordnance, so there is a good technology program available to try to speed up the UXO issues that are both on BRAC and off BRAC, so that is one way.

We are also looking at more innovative business ways of the BRAC properties, in transferring them and sharing the responsibility, or again the end use is key to the whole thing. If I have to make it pristine clean, it is going to cost us a fortune. If we are going to use it forever as a habitat, I may not have to do much of anything to it. It just depends.

As my counterparts have said, a lot has to do with the local regulatory issues, and some could be extreme. In one case I note that I am going to take 14 years at least to clean up 7,000 acres. It almost by definition is going to take that long, and that is a regulatory local issue that you have to resolve.

These issues are different throughout the country, but by business and by technology we can assist this. It is still going to be very expensive.

Our bases to BRAC, of course, we have not put any bases online. Our process is to examine all our bases, and that is what we are going to do, and I cannot really add much to what my counterparts have said, because we work very closely together on the BRAC issues.

We need and we will have some new tools to get rid of the property faster. I still have 140,000 acres I am getting from the first four BRAC's that I am trying to eliminate, and it is a slow process. Even when the recipient is anxious and you are anxious to give and he is to take, and we agree on the price and everything else, the regulatory issues can really bog you down.

Senator HUTCHISON. I agree with you. I do think there is a difference, by the way, on environmental cleanup for an ongoing use versus turning it over for a different use. I think you have to make those assessments, and it should be a factor in a BRAC, in my opinion.

But secondly, all of the savings that BRACs are supposed to bring would, I think, be curtailed by the fact that so many of these bases are not yet completely turned back, and I just hope these factors are considered in the next BRAC. I mean, certainly we should have learned from these past BRACs what the problems are, and I would hope it would be factored in what the environmental cleanup costs would be, and what the problems in turning it back would be, as well as all the other factors that would be relevant. And so I am hoping that we are going to learn from past mistakes and past problems that have arisen that were not expected.

OVERSEAS MILITARY CONSTRUCTION

Along that line, I assume that you heard what we were talking about in the previous panel. Are you dealing with the new strategies, are you keeping in mind that things are changing in Europe and perhaps in other places, and are you taking that into consideration as you begin to spend the 2003 dollars, and also as you are coming to us with your 2004 requests?

Once again I say, we have got \$288 million now being requested for MILCON in Germany at a time when our own commander in Europe is saying that there will be a significant drawdown from Germany, and then \$173 million or so in South Korea. Are you taking these things, all of these issues into consideration before you even spend the dollars that have been allocated in the 2003 cycle, and is it going to be a part of what we are going to be looking at in 2004?

Mr. FIORI. Perhaps I should answer, since most of it is mine.

Senator HUTCHISON. A lot of it is yours, right. There is some Air Force, of course.

Mr. FIORI. The Secretary of Defense has asked our major commanders to review everything in 2003 and to see if there is any flexibility to either not build or do it somewhere else, or do it smarter, whichever, so we have halted all the construction, and it must be reviewed by either General LaPorte or General Jones prior to our starting construction in the 2003 time frame.

For the 2004 budgets, we are supporting the Army program pretty much as it is, and I really cannot add much to what Mr. DuBois and Dr. Zakheim said. We have put the program together clearly looking at the facilities that we will probably need in most cases, and we will obviously do a review as soon as these policy decisions are made.

We had to submit a budget to you, and I did hear the comment made that it would be nice to get it done before the budgeting process, but the way the timing is of these things, sometimes a re-programming might be the only alternative we have to make sense of this, and all these things, we do not do them overnight. I think that was the point made, and I would certainly agree to it.

A lot of these facilities we will be using for 2, 3 years, particularly in the housing area, which I am concerned with overseas quite a bit. We will still have our soldiers there for quite a while, so it is going to have to be a balance, ma'am.

Senator HUTCHISON. Mr. Gibbs.

GERMANY

Mr. GIBBS. Being second in line for the amount, as you heard Dr. Zakheim say, the hold that is occurring in Germany has excluded Ramstein, the major Air Force facility in Germany, actually one of only two that we are going to end up with. The reason for that is, we have an agreement with the German Government to vacate the Rhein-Main facility, which has been heretofore the major transshipment point from the United States through Europe and into points east from there.

Various levels of the German Government, from the Federal Government and on down through the local governments, have committed in excess of \$400 million to facilitate that move that is going on out there. They are paying the bulk of the cost. However, there are some aspects of it that we are responsible for, and we are continuing with that program, so it should remain intact both in 2003 and in the request for 2004.

There has been, I believe, a determination that we will need a major transshipment hub through Europe, and that is the only place that it basically can be, so Ramstein is pretty much different than the other ones.

KOREA

In the case of Korea, we are in need, dire need of some of the housing facilities, and we have a request in to General LaPorte to review those specifically, because if we lose the window on a dormitory for the people then we lose it for a year, so he has I believe agreed to take a look at those and see whether they should go on an individual basis or not.

PRIVATIZATION

Senator HUTCHISON. My last question is—in fact, we have several questions that we may submit to you in writing that are on the details. But one is the issue of privatizing military barracks and dorms. We have all seen the privatized housing for married families, but the issue of privatizing barracks and dorms, to what

extent do you think this could work, and do you think you can save money doing it, and do you think you can protect the troops with that type of privatization?

Mr. JOHNSON. I think we have the most in the Department of the Navy. We plan and have submitted three pilots. One is at San Diego, one at Norfolk, and one at Camp Pendleton. When we do that, we have to look at things a little bit differently if we are going to privatize a dormitory, and when you privatize things you have to have alternative uses. In other words, if the military moved out, it has to be in a location that other people can use, so we will be building those more on the edge of bases rather than in the middle.

We believe we worked out all of the concerns. We believe that we can get three times the number of sailors and marines housed for the same amount of money, and overall it is much cheaper, but it is something that we are working with your staff very carefully to make sure we do it just right, and we do the pilots.

Fortunately, San Diego and Norfolk work very, very well. Pendleton will work well, but it is not quite as severable. In other words, you cannot build it quite on the edge of the base, but we are confident we can, number 1, assure our private partners that it will be filled, and number 2, that it will really serve our Nation much better, and number 3, and perhaps it should be number 1, is that we provide much better quarters for our bachelors, and it becomes a self-sustaining entitlement.

In other words, the private partnership will continue to upgrade the dormitories and rebuild them at certain cycles so we think that we can take the same lessons we have learned from the family housing and transform it into barracks, but there are new issues which we are working very carefully with your staff.

Senator HUTCHISON. Okay, thank you very much. We may have a few more submissions. I am sorry, were you going to comment on this? Do you have this in the works as well?

ELMENDORF AIR FORCE BASE

Mr. GIBBS. Yes, we do. The Air Force fortunately has been working on its dormitory program for a number of years, and it is in relatively good shape. All of the gang type latrines were eliminated about 2 years ago, but we still have requirements, and we are always looking for ways to make the most effective use of the resources we have. So we have a pilot program that we are trying to work through up at Elmendorf to do the privatization of one of the dormitories there. We think that we may be successful there, and to the extent that we learn from that, then we may be able to move it on out to other locations.

Mr. FIORI. I would like to comment, ma'am.

As I pointed out, we have about 79 percent of our permanent party barracks that we have rehabilitated in one way or another to meet the standards of today, but we are still looking at, and we have two for permanent party barracks in the Presidio and Fort Lewis, but I have a massive amount of training barracks that are really in less than good shape—that would be a charitable statement to make—so we are looking at ways to consider privatizing

them because they serve much more like a hotel, with transients coming and going on a constant basis.

So we are looking at several places, but there are some serious issues, not the least of which is scoring, funding. If I am going to get scored the same amount as military construction I might as well build it, because we have done such a detailed job. And execution with deployments is an issue that we have not yet totally resolved.

So we are looking at it, but we are not charging off massively to do it. I have a request to do defense logistics—excuse me, the language school in California, in Monterey, and that might be—you know, it is one of these hotels you have to stay for 4 or 5 months type thing, and we are looking at seeing how we could transfer that into private industry.

ADDITIONAL COMMITTEE QUESTIONS

Senator HUTCHISON. All right. Unless there is anything else—yes, Mr. Johnson.

Mr. JOHNSON. Ma'am, I would like to take the opportunity to tell you and your committee what great staff you have. It is a great pleasure to work with Sid Ashworth and Alycia Farrell, Christina Evans, I think, just left, and also B.G. Wright. You and we are well served by this strong team of professionals.

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

QUESTIONS SUBMITTED TO H.T. JOHNSON

QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

BARRACKS/DORMITORIES

Question. I understand that all three services are working toward the elimination of inadequate permanent party barracks by 2007. The success of that program will be largely dependent on significant funding increases that the Army, Navy and Air Force have programmed for military construction beginning in 2005 and into the future. Past experience has shown that those increases in the out years seem to disappear, as it gets closer to the submission of the budget.

Is the DOD goal of 2007 realistic and achievable?

Answer. Yes. In developing the fiscal year 2004 program to meet the DOD goal, the Department of the Navy defined inadequate permanent party barracks as those barracks containing gang heads. Using O&M and MILCON-funded projects, the Navy will eliminate their inadequate barracks by fiscal year 2007; the Marine Corps will eliminate their inadequate barracks by fiscal year 2005.

Question. Would you also comment on the likelihood of realizing future funding increases for MILCON?

Answer. The Department of the Navy is pursuing the use of privatization authorities to house our bachelors. This will determine the amount of traditional military construction necessary to achieve our goals.

Question. Several of you are assessing the issue of privatizing military barracks and dormitories.

Have you worked out the financial issues associated with this proposal and how would the Office of Management and Budget (OMB) score these proposals?

Answer. We are currently developing concepts for pilot projects at Hampton Roads, Camp Pendleton (Del Mar), and San Diego. Financial issues, including OMB scoring, will be resolved as these concepts are finalized.

Question. Has the OSD provided the services guidance on privatization?

Answer. OSD has provided general guidance to the Services on family housing privatization. Some of the guidance is likely to be applicable to bachelor housing as well. OSD has not provided specific guidance to the Services on bachelor housing privatization. The Department of the Navy will work with OSD during the develop-

ment of the bachelor housing privatization pilot projects to document proposed guidance for future projects.

Question. What are the major cost concerns that will potentially impact this initiative?

Answer. Major factors that will impact the costs of barracks privatization include: (1) the private sector's assessment of financial risk (i.e. no assignment of sailors, impact of deployment, secondary market, etc.); (2) the project concept (i.e. number and type of units); (3) income stream (i.e. intended demographics, rent set at full vs. partial BAH); (4) available assets (Government investment, inclusion of existing units and land availability); and, (5) construction requirement (supporting facilities requirement, applicability of Antiterrorism/Force Protection modifications, site costs and/or land cost, etc.). These issues are being addressed as the bachelor housing privatization pilot project concepts are being developed.

RECAPITALIZATION RATE

Question. With the funding proposed in the 2004 budget for MILCON, how does that impact your recapitalization rate?

Answer. Based upon the funding budgeted in fiscal year 2004 for those appropriations used for restoration and modernization projects, the facility recapitalization rate in fiscal year 2004 is 140 years for the Navy and 88 years for the Marine Corps.

Question. How does that compare to last year's rate?

Answer. The recapitalization rate for the President's fiscal year 2003 budget submission was 116 years for the Navy and 156 years for the Marine Corps.

Question. Gentlemen, there have been a lot of promises made over the past 2 years regarding revitalizing our defense facilities. Are we back to business as usual neglecting our facilities?

Answer. The Department of Defense has established two specific installation infrastructure performance goals and associated metrics to improve readiness over the long term: (1) fully sustain facilities; and (2) recapitalize the existing infrastructure at a 67 year rate by fiscal year 2008. These metrics provide important credibility and visibility to facility funding levels that did not exist in the past.

Question. What are your long-term plans to reach the Department's proposed recapitalization rate of 67 years?

Answer. The Navy and Marine Corps plan to reach the 67 year recapitalization rate through a combination of (1) restoration and modernization funding, (2) reduction in excess infrastructure, and (3) efficiencies in managing and maintaining our infrastructure.

Question. When will that happen?

Answer. The fiscal year 2004 President's FYDP indicates that both the Navy and the Marine Corps will achieve the 67-year rate recapitalization goal in fiscal year 2008.

Question. I worry about the message we send our young soldiers, airmen, and sailors as well as their families, about the condition of the facilities in which they live, work and train, especially as we try to retain them. How does the condition of your infrastructure relate to the services' goal of recruitment and retention?

Answer. The Navy and Marine Corps are meeting its recruitment goals and currently finds no correlation between recruitment and facilities condition. However, facilities condition is very important to retention. It is critical that we provide adequate, comfortable housing for our families and bachelors as well as safe, modern working facilities for our highly trained military and civilian workforce.

INSTALLATION READINESS

Question. I understand that all three services rate the readiness of their infrastructure on a scale of C-1 to C-4. It appears that C-1 indicates only minor deficiencies with negligible impact on capability to support missions. I was disturbed to find out that such a large percentage of your overall facilities are rated C-3 or worse.

How does that impact mission readiness?

Answer. The readiness ratings of our installations are based on condition assessments of the individual facilities at the base. These ratings are then aggregated into eight major facility types for our four major commands. The inspection-based ratings are verified and adjusted by our force commanders to ensure they match the readiness condition. The way facility conditions affect readiness is both direct and indirect. The direct affect, for example, might be where we have to close a runway because of pavement issues. These problems are rare and are quickly corrected. The most common readiness issue is indirect, caused by years of underfunding, that im-

pact on the quality of life of installation tenants, or causes temporary interruptions of daily operations.

Question. What would be the bill to bring all of your C-3 and C-4 facilities to at least C-2?

Answer. The total unfunded bill to bring all current facilities in fiscal year 2004 to at least C-2 is \$17.7B for the Navy and \$4.1B for the Marine Corps. This amount includes those funds to satisfy both quality and quantity deficiencies.

Question. What is the associated timeline?

Answer. The Department of Defense goal is to improve our existing facilities to C-2 by fiscal year 2010. Current funding levels indicate that the Navy will not attain that goal until fiscal year 2021 and the Marine Corps by fiscal year 2013.

Question. I note that the services have goals to improve your facilities to C-1 by the end of the decade. Is that realistic based on current funding projections?

Answer. Simply adding more money cannot realistically solve this problem. We need to resolve C-3/C-4 deficiencies through a combination of (1) funding, (2) reduction in excess infrastructure, and (3) efficiencies in managing and maintaining our infrastructure.

FAMILY HOUSING PRIVATIZATION

Question. I want to compliment the military departments for improving military family housing for our service members. Through buying down the military member's out-of-pocket expenses for housing costs as well as eliminating inadequate housing units through military construction and privatization-you are making great progress. I am particularly proud of the fact that our state is leading the way with more housing privatization projects awarded at Texas military installations than any other state with six private-public partnerships (NAS Corpus Christi, Lackland Air Force Base, Dyess Air Force Base, NAS Kingsville, Fort Hood and NC South Texas) or 33 percent of the total projects awarded within the Department of Defense.

While housing revitalization is a good news story for our military families, I am concerned with the message being sent to our service members with the budget proposal to cut impact aid funding for the education of soldier's, sailors', airmen and marines' children, and I've spoken to the administration about my concerns. A total of 1,300 school districts across the nation receive impact aid funding to pay the salaries of teachers, purchase textbooks and computers and pay for advanced placement classes among other things. Cutting this funding sends a negative message at a time when we are promoting quality education for all children and sending their mothers and fathers into harm's way in the Persian Gulf region and around the world.

With regards to privatization, I understand that some of these contracts are for 50 years and beyond. What happens when one of our family housing contractors goes out-of-business or does not fulfill its commitments?

Answer. The business agreements the Department of the Navy enters into for housing privatization are crafted to preserve the financial viability of the company and protect the interests of the government. In the event of a default by our managing partner the Department of the Navy may remove the partner and designate a new partner to manage the company or cause the sale of the managing partner's interest in the company and admit the transferee to the company as the new managing partner.

Question. There seems to be a growing emphasis on privatizing more housing in a shorter period of time. Are there concerns that moving too quickly on such major procurement contracts could lead to future problems?

Answer. No. The Department of the Navy carefully considered the variables and possible uncertainties, over the long term, in crafting its approach to housing privatization. The Department has structured its business agreements to include provisions that protect the Government's interests while providing flexibility to adapt to future changes. Lessons learned on the first nine privatization efforts, and the use of document templates allow the Department to pursue family housing privatization efficiently without compromising the integrity of the process.

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

NAVY

Question. The fiscal year 2004 Navy request for BRAC cleanup is \$101.9 million, a 62 percent decrease from the fiscal year 2003 enacted level. How much money

above the budget request could the Navy execute in fiscal year 2004 to expedite its BRAC cleanup programs?

Answer. The Navy's fiscal year 2004 budget consists of an appropriation request for \$101.9 million plus a conservative estimate of \$68 million from land sales and a \$10.7 million adjustment from the DOD Comptroller providing a total of \$180.6 million in spending authority. The Navy has substantial contract execution capacity in place and could readily obligate as much as about \$500 million in fiscal year 2004 for BRAC cleanup under normal BRAC outlay rates. Other factors that impact expediting BRAC cleanup programs include regulator support for additional workload, timing when funds become available, and making sure that we get real cleanup and property disposal progress for the investment.

Question. Did you request a higher level of funding from the Defense Department?

Answer. No. The fiscal year 2004 BRAC budget request fully funds all legally enforceable agreements with environmental regulators and other must-fund agreements with communities. The Navy believes that the budget request and land sales receipts will be sufficient to meet BRAC cleanup requirements in fiscal year 2004.

Question. Also, please provide a list of those BRAC properties that were sold publicly and give an analysis of where those dollars were directed within the BRAC accounts.

Answer. Below is the list of Navy BRAC property that has been sold by public sale, negotiated sale, or where reimbursement was received under a public benefit conveyance through 13 March 2003. Total sales are \$257.6 million, of which \$208.5 million is from the recent sale of three parcels totaling 235 acres at the former Marine Corps Air Station Tustin, CA. The other \$49.1M, which spans nearly 13 years since implementation of BRAC 1988, were previously spent on BRAC environmental and caretaker needs. The Department of the Navy has complied with the law, which requires that all land sale revenue from BRAC actions be used for environmental cleanup and caretaker costs at BRAC locations. An analysis of where those dollars were directed within the BRAC accounts is not available, as all BRAC land sale revenue is commingled with appropriated funds, recovery of prior year unobligated or unexpended funds, and additional BRAC funding allocations occasionally provided by the DOD comptroller. With the normal execution vagaries of some cleanup projects cost more, some cost less, some must be delayed due to regulator or other concerns, while others must be advanced for similar reasons, it is impracticable and would serve little purpose to maintain an audit trail of where any particular dollar is applied.

[In dollar amount]

Property	Cost	Type of sale
NAS Chase Field, TX	\$168,000	Economic Development Conveyance
NTC Orlando, FL	1,850,000	Economic Development Conveyance
NAS Chase Field, TX	623,000	Negotiated Sale (GSA)
NTC Orlando, FL	235,000	Negotiated Sale (GSA)
NTC Orlando, FL	10,300	Negotiated Sale (GSA)
NTC Orlando, FL	158,000	Negotiated Sale (GSA)
NTC Orlando, FL	9,300	Negotiated Sale (GSA)
NTC San Diego, CA	80,000	Negotiated Sale (GSA)
NAS Moffett Field, CA	6,250,000	Negotiated Sale (GSA)
NCBC Davisville, RI	62,500	Negotiated Sale (GSA)
NTB Salton Sea, CA	13,617	Negotiated Sale (GSA)
NAWC Trenton, NJ	651,622	Public Sale (GSA)
DOD Fam Hsg Niagara, NY	1,125,000	Public Sale (GSA)
NAWC Warminster, PA	62,500	50 percent PBC
NTC Orlando, FL	3,849,000	Economic Development Conveyance
NS Philadelphia, PA	2,000,000	Economic Development Conveyance
NAS Cecil Field, FL	48,000	Negotiated Sale (GSA)
NAS Dallas, TX	1,500	Negotiated Sale (GSA)
NRL Orlando, FL	2,500	Negotiated Sale (GSA)
NH Philadelphia, PA	25	Negotiated Sale (GSA)
NRL Orlando, FL	79,000	Public Sale (GSA)
NRC Coconut Grove, FL	7,134,173	Public Sale (GSA)
NRC Pittsfield, MA	52,000	Public Sale (GSA)
NS Staten Island, NY	601,842	Public Sale (GSA)
NRC Jamestown, NY	53,280	Public Sale (GSA)
NH Long Beach, CA	10,968,409	Economic Development Conveyance
PWC SanFranBay (Novato), CA	8,130,000	Negotiated Sale (GSA)
NRC Perth Amboy, NJ	1,000,000	Negotiated Sale (GSA)

[In dollar amount]

Property	Cost	Type of sale
PWC SanFranBay (Novato), CA	1,300,000	Public Sale (GSA)
NTC Orlando, FL	415,000	Public Sale (GSA)
NAS Key West, FL	600,000	Fed-to-Fed (DOI)
NH Oakland, CA	453,500	Negotiated Sale (GSA)
NAWC Trenton, NJ	1,160,000	Public Sale (GSA)
MCAS Tustin, CA	157,500,000	Public Sale (GSA)
MCAS Tustin, CA	51,000,000	Public Sale (GSA)

Question. Does the 2004 request include anticipated revenue from sales? If so, how much, and from where?

Answer. The fiscal year 2004 budget request includes anticipated revenue in the amount of \$68 million from property sales at 4 locations Naval Hospital Long Beach, CA; Naval Hospital Oakland, CA; Marine Corps Air Station Tustin, CA; Marine Corps Air Station El Toro, CA. This differs from the \$208 million received from the recent sale of Tustin because the Department of the Navy used very conservative estimates, including the expectation that in some cases, the actual receipt of funds would be spread across several fiscal years. While Tustin sold for far more than expected, the sale of Naval Hospital Oakland was terminated after the winner bidder defaulted and litigation ensued, and the sale of El Toro is still in the formative stage. We did not want to unduly raise community expectations for environmental cleanup if the revenue proved to be less than expected, or that funds arrived later than initially expected. The law requires that all BRAC land sale revenue be deposited into the BRAC account and be used only for environmental cleanup and caretaker costs at BRAC locations. To the extent that actual revenue exceeds budgeted estimates, the Department of the Navy will use the additional land sale revenue to further accelerated cleanup and property disposals at BRAC locations.

ALAMEDA POINT NAVAL AIR STATION FUNDING

Question. I am aware that the former Alameda Point Naval Air Station is currently being considered as a candidate for early transfer based on the recent agreement between the Navy and the community of Alameda for reuse, development, and preservation of the property. Early transfer of this land and associated facilities would serve as a model for all the military services of base conversion in an urban environment.

It is critical for the community that this early transfer be completed by October 2004 for cleanup and redevelopment to occur in line with community plans. As I understand it, the Navy is full supportive of that goal and intends to meet the October 2004 deadline. Is that correct?

Answer. Yes. The Navy is in full support of the requested Early Transfer at the Former NAS Alameda and has been working closely with the Local Redevelopment Agency to expedite the proposed Early Transfer of approximately 1,000 acres. Our most notable challenge will be obtaining regulator concurrence from both the Environmental Protection Agency (EPA) and California's Department of Toxic Substances Control (DTSC). Both agencies have presented requirements that pose a challenge to the 2004 anticipated conveyance.

HUNTERS POINT NAVAL SHIPYARD

Question. What is the Navy's estimated cost to complete the cleanup of Hunters Point Shipyard? What is the budget for the current fiscal year and each of the next 2 fiscal years?

Answer. Cost to complete for fiscal year 2004 and out is \$103.9 million. Budgets for current and next 2 fiscal years are \$40.2 million in fiscal year 2003, \$21.6 million in fiscal year 2004, and \$1.9 million in fiscal year 2005. Budget estimates for fiscal year 2004 and fiscal year 2005 assume the receipt of land sale revenue to finance cleanup costs.

Question. Given the Navy's recent discovery of more than 100 boxes of previously unknown Shipyard radiological documents, will the new radiological review and survey work come at the expense of other important, and budgeted, cleanup activities or will the Navy find other funds to pay for it?

Answer. Funding to pay for the expanded Historical Radiological Assessment (HRA) will not be taken from funds budgeted for cleanup at Hunters Point.

Question. Does the Navy see any remaining hurdles to moving forward with the Conveyance Agreement in the next 1-2 months?

Answer. The Navy is working diligently with the City of San Francisco to reach agreement on the Hunters Point Conveyance Agreement. The Navy's goal is to achieve a mutually agreeable solution to the remaining two significant issues (utilities transition plan and finalization of the deeds) within the next 1 or 2 months.

NATO

Question. Last year, at the request of the Navy, the Committee approved a \$6.6 million barracks quarter's complex in Larissa, Greece, to support a NATO headquarters. With the proposed headquarters structure changes in NATO Allied Command Operation, Larissa is on a list to be dropped as a headquarters site. With this change, is the barracks complex still needed for U.S. troops?

Answer. If NATO determines that Larissa will no longer be required as a headquarters site as a result of their ongoing military structure review, scheduled to be completed during the summer of 2003, and that U.S. troops will not be needed at Larissa, it is a reasonable assumption that the barracks complex for U.S. troops would no longer be required.

Question. Would each of you provide the committee with a copy of your service's current FYDP and unfunded priorities by March 31?

Answer. Attached are (1) MCON FYDP, (2) MCNR FYDP, and (3) CNO & CMC unfunded priorities.

MCON POM04 FYDP CONGRESSIONAL SUBMIT

[In dollars]

ST	ACTIVITY	PNO	TITLE	PRG COST
	PY 2004			
AZ	YUMA AZ MCAS	442	A/C MAINTENANCE HANGAR	\$14,250
AZ	YUMA AZ MCAS	484	STATION ORDNANCE AREA	7,980
CA	CAMP PENDLETON CA MCB	02	TERTIARY SWG TRTMT (INCI)	24,960
CA	CAMP PENDLETON CA MCB	98B	BACHELOR ENLISTED QUARTERS	22,930
CA	CHINA LAKE CA NAWCWPNSDIV	521	AIRFIELD PAVEMENT UPGRADE	12,890
CA	LEMOORE CA NAS	217	MAINT HANGAR—O/H SPACE	24,610
CA	LEMOORE CA NAS	271	OPERATIONAL TRAINER	9,900
CA	MIRAMAR CA MCAS	95	A/C FIRE/RESCUE STATION	4,740
CA	MONTEREY CA NPGS	198	BACHELOR OFFICER QTRS REPL	35,550
CA	SAN CLEMENTE IL CA NAF	493	OPERATIONAL ACCESS—SHOBA	18,940
CA	SAN DIEGO CA NAS NORTH IS	748	TAXIWAY/TOWER	13,650
CA	SAN DIEGO CA NAS NORTH IS	751	SQUADRON OPERATIONS FAC	35,590
CA	SAN DIEGO CA NAVSTA	501	BEQ HOMEPORT ASHORE	42,710
CA	SAN NICOLAS ISLAND CA	268	BACH ENL QTRS—TRANS E1/E4	6,150
CA	TWENTYNINE PALMS CA MAGCC	426	EXPLOSIVE ORDNANCE OPS	2,290
CA	TWENTYNINE PALMS CA MAGCC	605	BACHELOR ENLISTED QUARTERS	26,100
DC	WASH DC MCBKS	901	MOTOR TRANSPORT FAC ADDN	1,550
FL	JACKSONVILLE FL NAS	268	AIRFLD PERIM SECURITY ENHAN	3,190
FL	JAX FL BLOUNT ISLAND	01	LAND ACQUISITION	115,711
FL	PANAMA CITY FL NSWCSTSYS	376	LITTORAL WARFARE RESRH CPL	9,550
FL	WHITING FLD FL NAS	243	CLEAR ZONE ACQ (OLF BARIN)	4,830
GA	KINGS BAY GA SWFLANT	588	RIFLE RANGE	8,170
GA	KINGS BAY GA SWFLANT	589	SFF ADDN & HMMWV GARAGE	3,340
HI	LUALUALEI HI NM	172	ORDNANCE HOLDING AREAS	6,320
HI	PEARL HARBOR HI FISC	193	WATERFRONT IMPROVEMENTS	32,180
HI	PEARL HARBOR HI NSY	905	PERIMETER/SECURITY LIGHTING	7,010
IL	GREAT LAKES IL NTC	736	RECRUIT BARRACKS	31,600
IL	GREAT LAKES IL NTC	737	RECRUIT BARRACKS	34,130
IL	GREAT LAKES IL NTC	745	BATTLE STA TRNG FAC INC I	13,200
MD	INDIAN HEAD MD NSWCTRDIV	160	WATER SYSTEM IMPROVEMENTS	14,850
MD	PATUXENT RIVER MD AWCACDV	129	JSF TEST FACILITY	24,370
MS	MERIDIAN MS NAS	295	FIRE & RESCUE STATION	4,570
NJ	EARLE NJ NWS	32	GENL PURP/BERTHING PIER	26,740
NJ	LAKEHURST NJ NAWC ACFTDIV	252	EMALS FACILITY	20,681
NC	CAMP LEJEUNE NC MCB	1093	US JOINT MARITIME INST FAC	6,300
NC	CAMP LEJEUNE NC MCB	1094	JOINT MARITIME OPS & TRNG	12,880
NC	CAMP LEJEUNE NC MCB	227	CONSOLIDATED ARMORY	10,270
NC	NEW RIVER NC MCAS	647	WATER TREATMENT FACILITY	6,240
RI	NEWPORT RI NS	454	BEQ REPLACEMENT (NAPS)	16,140
RI	NEWPORT RI NUSWCTR DIV	11	UNDERWATER WEAPON SYS LAB	10,890

MCON POM04 FYDP CONGRESSIONAL SUBMIT—Continued

[In dollars]

ST	ACTIVITY	PNO	TITLE	PRG COST
VA	ARLINGTON VA HQMC	01A	PHYSICAL FITNESS CENTER	1,970
VA	DAHLGREN VA NAVSPACECOM	292	NAVAL NETWORKS OPS CTR ADN	20,520
VA	LITTLE CREEK VA NAVPHIBSE	535	GATE 1 IMPROVEMENTS	3,810
VA	NORFOLK VA NS	94	PIER 11 REPLACEMENT INC I	27,610
VA	NORFOLK VA NS	293A	BEQ HOMEPORT ASHORE INCII	46,730
VA	NORFOLK VA NS	526	A/C MAINTENANCE HANGARS	36,460
VA	PORTSMOUTH VA NORFOLK NSY	514	CRANE/WGHT HNDLG EQP SHOP	17,770
VA	QUANTICO VA MCCOMBDEV CMD	549	WTBN LOAD & TEST FACILITY	3,700
WA	BANGOR WA NAVSUBASE	395	SVC PIER UPGD/MOD BLD 7111	33,820
WA	BANGOR WA NAVSUBASE	971	WTRFRNT SECURITY FORCE FAC	6,530
WA	INDIAN ISLAND WA NAVMAG	334	ORDNANCE TRANSFER FAC	2,240
BA	NAVSUPPACT BAHRAIN	927	OPS CONTROL CENTER	18,030
IT	LAMADDALENA IT NSO	995	CONSOL SANTO STEFANO FACS	39,020
IT	SIGONELLA ITALY NAS	635	BASE OPS SUPPORT I	34,070
UK	ST MAWGAN	115	BACHELOR ENLISTED QUARTERS	7,070
VAR	X/MCON DESIGN FUNDS	204	MCON DESIGN FUNDS (N4)	55,558
VAR	X/MCON DESIGN FUNDS	504	MCON DSGN FNDS—MARCORPS	10,054
VAR	X/UNSPECIFIED MINOR CONST	204	UNSPECIFIED MINOR CONSTR	12,334
VAR	Z/VARLOCS MILCON	689	OLF FACS (INC I)	27,610
	FISCAL 2004 TOTAL			1,132,858
	PY 2005			
AZ	YUMA AZ MCAS	440	BACHELOR ENLISTED QUARTERS	25,636
AZ	YUMA AZ MCAS	485	STATION ORDNANCE AREA	6,518
CA	CAMP PENDLETON CA MCAS	32	CONSOL OPERATIONS CENTER	5,454
CA	CAMP PENDLETON CA MCAS	38	WEIGHT HANDLING SHOP	7,177
CA	CAMP PENDLETON CA MCB	02A	TERTIARY SWG TRTMNT (INCII)	24,843
CA	CAMP PENDLETON CA MCB	13	ASSAULT BREACHER VEH FAC	4,256
CA	CAMP PENDLETON CA MCB	14	BACHELOR ENLISTED QUARTERS	19,293
CA	CAMP PENDLETON CA MCB	608	PHYSICAL FITNESS CENTER	7,070
CA	CAMP PENDLETON CA MCB	613	CLOSE COMBAT PISTOL COURSE	1,951
CA	CHINA LAKE CA NAWCWPNSDIV	453D	PROPELLANT/EXP LAB (03 ADD)	13,609
CA	EL CENTRO CA NAF	201	BEQ TRANSIENT	25,085
CA	EL CENTRO CA NAF	207	APRON & HANGAR RECAP	45,249
CA	SAN DIEGO CA NAVSTA	404	BEQ—SHIPBOARD ASHORE	52,840
CA	SEAL BEACH CA NAVWPNSTA	222	LAND PURCHASE	754
CT	NEW LONDON CT NSB	463	RBUILD PIER 6	27,464
DC	WASHINGTON DC NRL	10	ADVANCED COMPUTING FAC	12,862
FL	MAYPORT FL NS	185	EXPAND FLIGHT TRAINER	1,393
GA	KINGS BAY GA SWFLANT	586	LA UTILITIES & SITE IMPVS	1,896
GA	KINGS BAY GA SWFLANT	590	MISSILE MAGAZINE	90,021
HI	KANEOHE BAY HI MCB	801	RUNWAY PERIMETER ROAD	2,060
HI	LUALUALEI HI NM	177	PASS OFC & SECURITY UPGRD	3,877
HI	PEARL HARBOR HI NS	616	PERIMETER/SECURITY LIGHTNG	1,508
HI	PEARL HARBOR HI NS	624	SECURTY/PERIMTR FENCE/WALL	8,330
IL	GREAT LAKES IL NTC	738	RTC BARRACKS	35,859
IL	GREAT LAKES IL NTC	745A	BATTLE STATIONS TRNG FAC	45,548
IL	GREAT LAKES IL NTC	748	RTC INFRASTRUCTURE UPGRADE	6,614
ME	BRUNSWICK ME NAS	191	RELOCATE BASE ENTRANCE	7,301
ME	KITTERY ME PORTSMOUTH NSY	280	GATE 2 IMPROVEMENTS	2,275
MS	GULFPORT MS NAVCONSTRACEN	800	PASS RD AT/FP SECURITY IMP	2,325
NJ	EARLE NJ NWS	32A	UPGRADE PIER CMLX (INC II)	47,579
NJ	EARLE NJ NWS	34	SECURTY/PERIMTR FENCE/WALL	4,465
NC	CAMP LEJEUNE NC MCB	1025	ASSUALT BREACHER VEH FAC	3,665
NC	CAMP LEJEUNE NC MCB	1041	ARMORY CAMP GEIGER	3,375
NC	CHERRY POINT NC MCAS	122	UAV OPERATIONS/MAINTENANCE	9,752
NC	CHERRY POINT NC MCAS	124	AICUZ LAND ACQUISITION	2,931
NC	NEW RIVER NC MCAS	617	ADD TO SIMULATOR BUILDING	2,804
NC	NEW RIVER NC MCAS	630	BACHELOR ENLISTED QUARTERS	18,253
NC	NEW RIVER NC MCAS	648	CONSTRUCT FREST FACILITY	7,281
PA	MECHANICSBURG NAVSUPPACT	573	OXFORD GATE SECRTY IMPROVS	3,926
PA	MECHANICSBURG NAVSUPPACT	575	SECURTY/PERIMTR FENCE/WALL	2,669

MCON POM04 FYDP CONGRESSIONAL SUBMIT—Continued

[In dollars]

ST	ACTIVITY	PNO	TITLE	PRG COST
RI	NEWPORT RI NAVSTA	457	SECURTY/PERIMTR FENCE/WALL	2,364
SC	BEAUFORT SC MCAS	428	EXPLOSIVE ORDNANCE FAC	1,238
SC	CHASN NAVAL WPN STATION	76	SOUTH ANNEX GATE 4	2,275
VA	CAMP ELMORE VA MCCD	820	COMMAND OPERATIONS FAC	10,464
VA	DAHLGREN VA NSWCTR DIV	287	MISSILE SUPPORT FAC REPL	14,870
VA	LITTLE CREEK VA NAVPHIBSE	376	PERIMETER SECURITY FENCE	2,611
VA	NORFOLK VA LANFLTHQSPACT	830	CLF/TYCOM HDQTRS FAC INC I	59,051
VA	NORFOLK VA NS	94A	PIER 11 REPLACEMENT INC II	45,065
VA	NORFOLK VA NS	295	BEQ—SHIPBOARD ASHORE INC I	28,363
VA	NORFOLK VA NS	463	SUSPECT CARGO HANDLING FAC	1,422
VA	NORFOLK VA NS	994	TRUCK INSPECTION FAC	3,781
VA	OCEANA VA NAS	467	SUSPECT CARGO HOLDNG FAC	1,422
VA	QUANTICO VA MCAF	449	GREEN SIDE HANGAR COMPLEX	11,779
VA	QUANTICO VA MCAF	495	AIRCRAFT PARKING APRON	9,981
VA	QUANTICO VA MCCOMBDEV CMD	152	H&S BN HEADQUARTERS, TBS	3,791
VA	QUANTICO VA MCCOMBDEV CMD	531	BACHELOR ENLISTED QUARTERS	11,789
VA	QUANTICO VA MCCOMBDEV CMD	539	TBS ARMORY	4,217
VA	QUANTICO VA MCCOMBDEV CMD	667	HERITAGE CENTER ROAD IMPVS	947
VA	YORKTOWN VA	617	MAIN GATE SECURITY IMPROVS	2,529
VA	YORKTOWN VA NWS	518	ORD HNDLNG VEH MAINT SHOP	7,002
VA	YORKTOWN VA NWS	534	EXPLOSIVES TRUCK HOLDG YD	1,769
WA	BANGOR WA SWF PAC	968	LA U&SI EMERG GENERATOR	1,896
WA	PUGET SOUND WA NAVSHIPYD	346	CVN MAINTENANCE COMPLEX	17,590
CU	GUANTANAMO BAY CUBA NS	502	BASEWIDE WSTWTR TRTNT FAC	6,179
GU	GUAM MI COMNAVMARIANAS	451	KILO WHARF IMPROVEMENTS	11,906
IC	KEFLAVIK ICELAND NAS	832	SEWER CONNECTION CHARGE	3,782
IT	NAPLES ITALY NSA	211	BEQ HOMEPORT ASHORE	27,320
VAR	X/MCON DESIGN FUNDS	205	MCON DESIGN FUNDS (N4)	96,876
VAR	X/MCON DESIGN FUNDS	505	MCON DSGN FNDS—MARCORPS	11,913
VAR	X/UNSPECIFIED MINOR CONST	205	UNSPECIFIED MINOR CONSTR	12,842
VAR	Z/VARLOCS MILCON	689A	OLF FACS (INC II)	27,803
	FISCAL YEAR 2005 TOTAL			1,040,605
	PY 2006			
AZ	YUMA AZ MCAS	364	PHYSICAL FITNESS CTR ADD	3,706
CA	CAMP PENDLETON CA MCB	15	BACHELOR ENLISTED QUARTERS	22,003
CA	CAMP PENDLETON CA MCB	73	BACHELOR ENLISTED QUARTERS	21,110
CA	CAMP PENDLETON CA MCB	330	PHYSICAL FITNESS CTR HORNO	9,681
CA	CAMP PENDLETON CA MCB	725	REG MAINT SUPPORT COMPLEX	9,789
CA	CHINA LAKE CA NAWCWPNSDIV	513	ELECTRONIC WAR TRNG RANGE	17,405
CA	CHINA LAKE CA NAWCWPNSDIV	515	COMBINED BOS FACILITY	17,220
CA	CHINA LAKE CA NAWCWPNSDIV	529	BACHELOR QUARTERS	14,455
CA	LEMOORE CA NAS	59	CORROSION CNTL HANGAR	13,125
CA	LEMOORE CA NAS	216	EXPAND AIR TRAFFIC CTL TWR	2,473
CA	LEMOORE CA NAS	242	GALLEY REPLACEMENT	1,572
CA	PORT HUENEME CA CBC	491	OPER VEH MAINT FAC	15,978
CA	PORT HUENEME CA NSWC DIV	13	COMBAT SYS/BATTLEGRP INTGR	15,250
CA	SAN DIEGO CA AUXLNDFLD	740	BACHELOR ENLISTED QUARTERS	15,978
CA	SAN DIEGO CA NAS NORTH IS	731	BEQ—SHIPBOARD ASHORE	38,146
CA	SAN DIEGO CA NAVMEDCEN	07	BACHELOR ENLISTED QUARTERS	25,399
CA	SAN DIEGO CA NAVSTA	406	BEQ—SHIPBOARD ASHORE	43,473
CA	SAN DIEGO CA NSB	118	PIER 5002 SUB FNDR INSTALL	7,916
CA	SAN DIEGO CA NSB	119	TACTICAL TRNG FAC ADDN	14,601
CA	SEAL BEACH CA NAVWPNSTA	221	REPLACE FIRE STATION	1,892
CA	SEAL BEACH CA NAVWPNSTA	223	VLS MISSILE MAGAZINE	8,160
CA	TWENTYNINE PALMS CA MAGCC	556	ENLISTED DINING FAC	10,934
CA	TWENTYNINE PALMS CA MAGCC	617	WASTE HNDLNG & RECOVERY FAC	5,132
DC	WASHINGTON DC NAVOBSY	50	ATOMIC CLOCK VAULT	3,425
FL	CAPE CANAVERAL FL NOTU	988	ENGINEERING SERVICES BLDG	23,526
FL	JACKSONVILLE FL NADEP	246	AIRCRAFT PARTS STNGG FAC	1,330
FL	JACKSONVILLE FL NAS	204	CONSOLIDATED OPER SUPT FAC	11,574
FL	JACKSONVILLE FL NAS	265	AIRCRAFT PARKING APRON	11,535

MCON POM04 FYDP CONGRESSIONAL SUBMIT—Continued

[In dollars]

ST	ACTIVITY	PNO	TITLE	PRG COST
FL	KEY WEST FL NAF	678	STRUCT ACFT FIRE & RESCUE	6,830
FL	MAYPORT FL NS	189	AIRFIELD CONTROL TOWER	4,822
FL	MAYPORT FL NS	253	SHIP MAINTENANCE CONSOL	4,531
FL	MAYPORT FL NS	774	SECURITY BLDG	1,717
FL	ORLANDO FL NAWCTSD	03	FORCE PROTECTION IMPVS	2,280
FL	PANAMA CITY FL DIVSALTRAC	315	JNT AQUATIC CMBT DVR TRNG	6,743
FL	PENSACOLA FL NAS	711	BEQ A SCHOOL (NATTC)	17,511
FL	WHITING FLD FL NAS	245	INSTL/RELOCATE PERIM FENCE	2,949
HI	CAMP HM SMITH HI CINCPAC	113	PACIFIC WARFIGHTING CENTER	27,872
HI	LUALUALEI HI NM	166	SECURITY LIGHTING	5,095
HI	PEARL HARBOR HI FISC	194	SECURITY FENCING	1,901
HI	PEARL HARBOR HI NB	02	SEC UPGRADES ADMIN/OPS FAC	11,317
HI	PEARL HARBOR HI NS	132	RECONSTRUCT WHARF S20	29,202
HI	PEARL HARBOR HI NS	137	WHARF RECONSTRUCTION	27,775
HI	PEARL HARBOR HI NS	400A	OILY WASTE COLL TRTMT FAC	11,894
HI	PEARL HARBOR HI NS	619	SEC UPGRADES ADMIN/OPS FAC	34,436
HI	PEARL HARBOR HI NS	634	GENL PURP/BERTHING WHARF	24,728
HI	PEARL HARBOR HI NSY	266	SHORE POWER IMPVS DD4	3,803
IL	GREAT LAKES IL NTC	667	RTC DRILL HALL RPL	12,913
IL	GREAT LAKES IL NTC	739	RTC BARRACKS	36,827
IL	GREAT LAKES IL NTC	740	RTC BARRACKS	36,827
IL	GREAT LAKES IL NTC	741	RTC BARRACKS	39,038
IL	GREAT LAKES IL NTC	771	REPLACE PERIMETER FENCE	3,521
MD	BETHESDA MD NSWCCARDEROCK	188	ENGR MNGMT & LOGISTICS FAC	12,370
MD	INDIAN HEAD MD NSWCTRDIV	161	AGILE CHEMICAL FACILITY	11,894
MD	PATUXENT RIVER MD AWCACDV	558	AIRCRAFT PROTOTYPE FAC	34,556
MD	PATUXENT RIVER MD AWCACDV	560	MARITIME T&E SUPPORT LAB	11,166
MD	PATUXENT RIVER MD AWCACDV	977	LANDING SYS TEST FAC ADDN	5,152
MS	GULFPORT MS NAVCONSTRACEN	781	STLWRKRS APPLIED INST FAC	8,683
NV	FALLON NV NAS	342	WEAPONS MAGAZINE	3,813
NV	FALLON NV NAS	361	RANGE IMPROVEMENTS TGTB-20	8,168
NJ	EARLE NJ NWS	32B	UPGRADE PIER CMLX(IN III)	32,704
NC	CAMP LEJEUNE NC MCB	1011	BACHELOR ENLISTED QUARTERS	20,471
NC	CAMP LEJEUNE NC MCB	1092	US JOINT MARITIME BEQ	16,608
NC	CHERRY POINT NC MCAS	720	ORDNANCE MAGAZINES	4,221
NC	CHERRY POINT NC NADEP	973	HAZ WASTE STOR/XFER FAC	5,491
NC	CHERRY POINT NC NADEP	974	ENGRN PROD SUP FAC	8,207
PA	MECHANICSBURG NAVSUPPACT	10	NAVSUPSYSCOM HQ FACS INC I	32,383
SC	BEAUFORT SC MCAS	420	PHYSICAL FITNESS CENTER	9,789
SC	PARRIS ISLAND SC MCRD	350	INDOOR PISTOL RANGE	1,165
TX	CORPUS CHRISTI TX NAS	356	RUNWAY EXTENSION	4,657
TX	INGLESIDE TX NS	73	MINE WARFARE COMMAND HQTRS	5,666
TX	KINGSVILLE TX NAS	271	AIRFIELD LIGHTING (NALFOG)	5,035
VA	DAHLGREN VA NSWCTR DIV	281	WEAPONS DYNAMICS RDT&E CTR	3,231
VA	LITTLE CREEK VA NAVPHIBSE	283	REPLACE PIERS & QUAYWALL	44,119
VA	LITTLE CREEK VA NAVPHIBSE	406	POLICE & SEC OPRS FAC	4,754
VA	NORFOLK VA LANTFLHQSPACT	830A	CLF/TYCOM HDQTRS FAC (INII)	47,565
VA	NORFOLK VA NS	94B	PIER 11 REPLACEMENT INC III	40,116
VA	NORFOLK VA NS	295A	BEQ SHIPBOARD ASHORE INCII	31,510
VA	NORFOLK VA NS	395	OPERATIONAL STORAGE (MISC)	13,320
VA	OCEANA VA NAS	714	BEQ	22,168
VA	PORTSMOUTH VA NORFOLK NSY	239	BEQ TRANSIENT INC I	28,541
VA	PORTSMOUTH VA NORFOLK NSY	515	SHIP SVCS SHOP CONSOLID	16,764
VA	QUANTICO VA MCCOMBDEV CMD	519	SNCO ACADEMIC FACILITY	8,265
VA	QUANTICO VA MCCOMBDEV CMD	552	NETWORK OPERATIONS CENTER	13,677
VA	YORKTOWN VA NWS	211	RECAP IGL00 MAGAZINES	7,711
VA	YORKTOWN VA NWS	387	NORTH TRESTLE&PIER REPL I	38,048
WA	BANGOR WA NAVSUBASE	124A	SMALL ARMS TRN CTR (O3 ADD)	14,184
WA	BANGOR WA SWF PAC	964	EXPLOSIVES SHIP/TRAN DEP	2,823
WA	BANGOR WA SWF PAC	969	MSL TRANSPORTER SAFEHAVENS	5,664
WA	INDIAN ISLAND WA NAVMAG	333	MISSILE MAGAZINES	11,516
WA	KEYPORT WA NUWC DIV	381B	USW SYSTEMS CTR (O3 ADD)	2,685
WA	KEYPORT WA NUWC DIV	386	U/S VEH MAINT & ENGR CTR	12,370

MCON POM04 FYDP CONGRESSIONAL SUBMIT—Continued

[In dollars]

ST	ACTIVITY	PNO	TITLE	PRG COST
WA	PUGET SOUND WA NAVSHIPYD	359	SHIP REPAIR PIER 3 IMPVS	10,468
WA	PUGET SOUND WA NAVSHIPYD	372	DRYDOCK #4 CAISSON REPLACE	11,321
WA	PUGET SOUND WA NAVSHIPYD	373	DRYDOCK #5 CAISSON REPLACE	9,129
WA	WHIDBEY IS WA NAS	41	STRUC ACFT/FIRE STA ADDN	3,328
WA	WHIDBEY IS WA NAS	164	ADMINISTRATIVE OFFICE	16,687
BA	NAVSUPPACT BAHRAIN	908	OPERATIONS & SUPPORT FACS	25,953
BF	ANDROS IS BF NUWC DET	200	BACHELOR ENLISTED QUARTERS	19,278
CU	GUANTANAMO BAY CUBA NS	343	FIRE STATIONS	5,084
CU	GUANTANAMO BAY CUBA NS	503	PERIMETER ROAD LIGHTING	1,427
DG	DIEGO GARCIA NAVSUPPFAC	146	SANITARY/CUT FIL DISP AREA	6,956
GU	GUAM MI COMNAVMARIANAS	431	GENL PURP/BERTHING PIER	5,045
GU	GUAM MI COMNAVMARIANAS	432	DELTA/ECHO WHARVES IMPVS	4,754
GU	GUAM MI COMNAVMARIANAS	433	ROMEO/SIERRA WHARVES IMPVS	5,423
GU	GUAM MI COMNAVMARIANAS	439	VICTOR WHARF IMPROVEMENT	9,129
GU	GUAM MI COMNAVMARIANAS	440	VICTOR WHARF FENDER SYSTEM	3,997
GU	GUAM MI COMNAVMARIANAS	457	SINGLE SAILOR SUPT/GALLEY	7,334
GU	GUAM PWC	256	WATER TREATMENT PLT UPG	12,010
IT	LAMADDALENA IT NSO	991	BEQ HOMEPORT ASHORE	21,822
IT	LAMADDALENA IT NSO	999	ADMINISTRATIVE OFFICE	52,721
IT	NAPLES ITALY NSA	213	BEQ/NEX LAGO PATRIA	13,243
IT	NAPLES ITALY NSA	921	AFSOUTH NATIONAL ELEM FAC	7,730
IT	SIGONELLA ITALY NAS	640	BASE OPERATIONS SUPPORT II	38,505
VAR	X/MCON DESIGN FUNDS	206	MCON DESIGN FUNDS (N4)	118,176
VAR	X/MCON DESIGN FUNDS	506	MCON DSGN FNDS—MARCORPS	12,915
VAR	X/UNSPECIFIED MINOR CONST	206	UNSPECIFIED MINOR CONSTR	13,771
VAR	Z/VARLOCS MILCON	998	WHARF UPGRADE	38,048
	FISCAL YEAR 2006 TOTAL			1,487,981
	PY 2007			
CA	CAMP PENDLETON CA MCB	41	AVTB/DEL MAR BOAT BASN FAC	3,177
CA	CAMP PENDLETON CA MCB	42	AAAV MAINTENANCE FACILITY	10,647
CA	CAMP PENDLETON CA MCB	51	BACHELOR ENLISTED QUARTERS	19,071
CA	CAMP PENDLETON CA MCB	52	BACHELOR ENLISTED QUARTERS	19,466
CA	CAMP PENDLETON CA MCB	97	BACHELOR ENLISTED QUARTERS	18,967
CA	CAMP PENDLETON CA MCB	112	WASTEWATER CONVEYANCE (PH3)	20,547
CA	CAMP PENDLETON CA MCB	563	FIRE STATION DEL MAR	2,227
CA	CAMP PENDLETON CA MCB	780	FSSG HQ CHAPPO	13,684
CA	CAMP PENDLETON CA MCB	991	BACHELOR ENLISTED QUARTERS	13,684
CA	CHINA LAKE CA NAWCWPNSDIV	527	MISSILE MAGAZINES	3,032
CA	CHINA LAKE CA NAWCWPNSDIV	528	RANGE RESIDUE FACILITY	2,685
CA	CORONADO CA NAVPHIBASE	739	WATERFRONT CMD/CTL FAC	14,064
CA	CORONADO CA NAVPHIBASE	742	BEQ—SHIPBOARD ASHORE	16,345
CA	EL CENTRO CA NAF	04	COMBINED FIRE/RESCUE STA	4,669
CA	EL CENTRO CA NAF	206	ORDNANCE LOAD PADS	9,741
CA	EL CENTRO CA NAF	244	APRON & HANGAR RECAP	12,645
CA	LEMOORE CA NAS	215	AVIATION WAREHOUSE	1,024
CA	LEMOORE CA NAS	233	COLLEGE CAMPUS	3,789
CA	LEMOORE CA NAS	234	BEQ TRANSIENT	5,345
CA	MONTEREY CA NPGS	188	EDUCATIONAL FAC REPL I	8,894
CA	NAS PT MUGU CA NAVAIRWARC	276	TACTICAL SUPPORT CENTER	6,443
CA	POINT MUGU CA NAVBASE	773	READY MISSILE MAGAZINE	3,041
CA	PORT HUENEME CA CBC	537	APPLIED INSTRUCTION BLDG	3,789
CA	PORT HUENEME CA CBC	543	OPER BATTALION FACILITY	5,289
CA	PORT HUENEME CA NSWCDIV	14	CMBT SYS/BATTLEGRP INT FAC	10,990
CA	SAN DIEGO CA MCRD	293	RECRUIT SUPPORT BARRACKS	14,271
CA	SAN DIEGO CA NAS NORTH IS	503	CHILD DEVELOP CTR CONSOL	9,023
CA	SAN DIEGO CA NAS NORTH IS	835	ORDNANCE HANDLING PAD	2,388
CA	SAN DIEGO CA NAS NORTH IS	840	BEQ—SHIPBOARD ASHORE	31,296
CA	SAN DIEGO CA NAVSTA	327	REPLACE BERTHING PIER	66,331
CA	SAN DIEGO CA SPAWARSYSCEN	96	C4I SYSTEM INTEGRATION	10,507
CA	SEAL BEACH CA NAVWPNSTA	224	AMMO WHARF & TURNING BASIN	54,528
CA	TWENTYNINE PALMS CA MAGCC	604	STUDENT INDEPENDENT STUDY	2,331

MCON POM04 FYDP CONGRESSIONAL SUBMIT—Continued

[In dollars]

ST	ACTIVITY	PNO	TITLE	PRG COST
CA	TWENTYNINE PALMS CA MAGCC	614	OPERATIONAL TRAINING CTR	11,729
CT	NEW LONDON CT NAVSUBSCH	462	MK-10 SUB ESCAPE TRNG FAC	13,386
CT	NEW LONDON CT NSB	465	PIER 2 REPLACEMENT	18,176
CT	NEW LONDON CT SUBSUPPFAC	430	TOMAHAWK MISSILE MAGAZINE	2,331
FL	JACKSONVILLE FL NADEP	244	PRODUCT SUPPORT BLDG	3,677
FL	JACKSONVILLE FL NADEP	245	WAREHOUSE REPLACEMENT	3,362
FL	JACKSONVILLE FL NADEP	250	ORDNANCE OPERATIONS FAC	2,846
FL	MAYPORT FL NS	773	BEQ—SHIPBOARD ASHORE INC I	27,659
FL	PANAMA CITY FL NSWCSTSYS	380	BACHELOR QTRS TRANSIENT	6,419
FL	PENSACOLA FL NAS	721	PIER 302 RECAPITALIZATION	8,137
HI	KANEOHE BAY HI MCB	06	PHYSICAL FITNESS CENTER	8,725
HI	KANEOHE BAY HI MCB	604	HANGAR 102 FIRE PROTECTION	3,709
HI	KANEOHE BAY HI MCB	751	BACHELOR ENLISTED QUARTERS	17,987
HI	KANEOHE BAY HI MCB	809	PARKING STRUCTURE	11,770
HI	PEARL HARBOR HI NS	582	ADMINISTRATIVE OFFICE	6,008
HI	PEARL HARBOR HI NS	587	DEPERMING PIER SEE 159-30	24,498
HI	PEARL HARBOR HI NS	621	BRAVO DOCK IMPROVEMENTS	7,902
HI	PEARL HARBOR HI NS	625	BQ/CMD BLDGS SECURITY SYS	13,829
HI	PEARL HARBOR HI NS	629	RECONSTRUCT WHARF (F)	31,610
HI	PEARL HARBOR HI PWC	704	RELIEF SEWER LINE SO. AVE	4,113
ID	BAYVIEW ID NSURFWARCEDET	207	PIER & BOATHOUSES	3,515
IL	GREAT LAKES IL NTC	664	EXTEND RECRUIT SUPPORT CTR	2,854
IL	GREAT LAKES IL NTC	742	RTC BARRACKS	32,433
IL	GREAT LAKES IL NTC	743	RTC BARRACKS	34,166
IL	GREAT LAKES IL NTC	744	RTC BARRACKS	33,441
IN	CRANE IN NAVSURFWARCENDIV	310	PROD ASSURANCE MGMT FAC	9,798
IN	CRANE IN NAVSURFWARCENDIV	318	ORDNANCE T&E COMPLEX	9,136
IN	CRANE IN NAVSURFWARCENDIV	321	WATER DIST SYS REPL	5,927
IN	CRANE IN NAVSURFWARCENDIV	322	SEWER SYSTEM REPLACEMENT	1,072
IN	CRANE IN NAVSURFWARCENDIV	327	JOINT ORD ENG&LOG MGMT FAC	9,838
ME	KITTERY ME PORTSMOUTH NSY	264	ENGINEERING MGMT BLDG IMPV	1,064
ME	KITTERY ME PORTSMOUTH NSY	266	STRUCTURAL SHOP CONSOL	14,224
ME	KITTERY ME PORTSMOUTH NSY	267	TRANSDUCER TEST & CALB FAC	7,507
ME	KITTERY ME PORTSMOUTH NSY	269	EMERGENCY RESPONSE FAC	4,580
MD	BETHESDA MD NSWCARDEROCK	102	SHIP PROTECT DYNAMICS LAB	8,693
MD	INDIAN HEAD MD NSWCTRDIV	120	JOINT CAD/PAD TEST FAC	14,305
MD	INDIAN HEAD MD NSWCTRDIV	144	CONFINED BURN FACILITY	16,200
MD	PATUXENT RIVER MD AWCACDV	536	AIRCRAFT SYS LAB ADDN	3,362
MD	PATUXENT RIVER MD AWCACDV	729	ATC & LS INTEGRATION LAB	5,846
MD	PATUXENT RIVER MD AWCACDV	966	AIR OPS CONTROL TOWER	5,855
MD	PATUXENT RIVER MD AWCACDV	978	ID SYSTEM ENGINEERING LAB	16,483
MS	MERIDIAN MS NAS	293	STUDENT UN/SNGL SAILOR FAC	3,435
MS	PASCAGOULA MS NS	120A	BEQ—SHIPBD ASHR (03 ADD)	9,117
MS	PASCAGOULA MS NS	122	WEAPONS WHARF	10,273
NV	FALLON NV NAS	362	RANGE IMPROVEMENTS TGTB-20	3,081
NC	CAMP LEJEUNE NC MCB	1030	ENLISTED DINING FACILITY	9,410
NC	CAMP LEJEUNE NC MCB	1047	BACHELOR ENLISTED QUARTERS	14,781
NC	CAMP LEJEUNE NC MCB	1086	4TH MEB COMMAND CENTER	7,345
NC	CAMP LEJEUNE NC MCB	1089	4TH MEB OPERATIONS COMPLEX	13,039
NC	CAMP LEJEUNE NC MCB	882	ENLISTED DINING FACILITY	9,483
NC	CAMP LEJEUNE NC MCB	945	EOD OPERATIONAL FACILITY	4,060
NC	CHERRY POINT NC NADEP	985	V22 GEAR BX REP & TEST FAC	9,064
NC	CHERRY POINT NC NADEP	986	V22 ROTOR BLADE REPL FAC	3,895
PA	MECHANICSBURG NAVSUPPACT	10A	NAVSUPSYSCOMHQ FACS INC II	16,886
PA	NSY NORFOLK DET PHILA PA	610	INSIDE MACHINE SHOP IMPVS	13,668
PA	PHILADELPHIA PA NSWCSSSES	205	FS ELECTRIC DRIVE TEST FAC	9,879
RI	NEWPORT RI NAVSTA	452	CBQ	31,756
RI	NEWPORT RI NAVWARCOL	10	NATIONAL SECURITY RES CTR	35,142
RI	NEWPORT RI NS	451	BEQ REPLACEMENT (BOOST)	22,659
RI	NEWPORT RI NS	454A	BEQ REPLACEMENT (NAPS)	4,435
SC	BEAUFORT SC MCAS	414	F/A-18 SUPPORT FAC (PH II)	6,604
SC	BEAUFORT SC MCAS	425	CONSOLIDATED COMM FACILITY	6,322
SC	BEAUFORT SC MCAS	427	GROUND SUPPORT EQUIP SHOP	3,378

MCON POM04 FYDP CONGRESSIONAL SUBMIT—Continued

[In dollars]

ST	ACTIVITY	PNO	TITLE	PRG COST
SP	ROTA SP NCB CB CPMITCHELL	690	BACHELOR ENLISTED QUARTERS	15,202
TN	MILLINGTON TN SUPPACT	357	BLDG 750 ALT/EMPRIS/DPRIS	4,266
VA	DAHLGREN VA NSWCTR DIV	274	FITNESS CENTER ADDITION	3,766
VA	LITTLE CREEK VA NAVPHIBSE	203	PIER 18 & 19 REPLACEMENT	21,498
VA	LITTLE CREEK VA NAVPHIBSE	223	REPLACE PIERS 58 & 59	19,756
VA	LITTLE CREEK VA NAVPHIBSE	386	MOB DIVING SALVGE UNT OPS	4,781
VA	NORFOLK VA LANFLTHQSPACT	830B	CLF/TYCOM HQ FACS INC III	35,562
VA	NORFOLK VA NS	154	STRENGTHEN ACFT PARKG APRN	3,952
VA	NORFOLK VA NS	155	RECONSTRUCT TAXIWAY D	4,741
VA	NORFOLK VA NS	297	BEQ—SHIPBOARD ASHORE INC I	28,449
VA	NORFOLK VA NS	303	BEQ—SHIPBOARD ASHORE INC I	28,449
VA	NORFOLK VA NS	399	CARGO TERMINAL FAC INC I	33,191
VA	NORFOLK VA NS	495	CHAMBERS FIELD MAGAZINE	4,234
VA	NORFOLK VA NS	527	BEQ HOMEPORT ASHORE INC I	31,627
VA	NORFOLK VA NS	701	FIRE STATION	3,491
VA	PORTSMOUTH VA NORFOLK NSY	239A	BEQ TRANSIENT INC II	24,530
VA	PORTSMOUTH VA NORFOLK NSY	382	DRYDOCK #8 EXTENSION	21,982
VA	PORTSMOUTH VA NORFOLK NSY	391	SHIP REPAIR PIER REPL	13,668
VA	YORKTOWN VA	34	CONSOL CARGO HANDLING AREA	3,871
VA	YORKTOWN VA NWS	215	RECAP IGL00 MAGAZINES	6,008
VA	YORKTOWN VA NWS	387A	NORTH TRES&PIER REPL (II)	14,443
VA	YORKTOWN VA NWS	397	FAMILY SERVICES CENTER	1,580
WA	BANGOR WA NAVSUBASE	379	ELEC DIST UPGRADES	2,532
WA	BANGOR WA NAVSUBASE	380	STEAM DIST MODERNIZATION	4,959
WA	BANGOR WA SWF PAC	813	SPECIAL WEAPONS MAGAZINES	2,451
WA	BREMERTON WA NS	305	BEQ HOMPORT ASHORE PH I	19,595
WA	BREMERTON WA NS	307	BEQ—SHIPBOARD ASHORE	20,224
WA	BREMERTON WA NS	311	CONSOLIDATE FUEL FACILITY	4,266
WA	EVERETT WA NAVSTA	155	BEQ HOMEPORT ASHORE (PH I)	28,224
WA	KEYPORT WA NUWC DIV	382	UNDERSEA VEH SHIP/RCV FAC	5,451
WA	PUGET SOUND WA NAVSHIPYD	347	PRODUCTION SHOP CNSLDTN	22,127
WA	PUGET SOUND WA NAVSHIPYD	356	CVN MAINT PIER REPLACEMENT	60,799
WA	PUGET SOUND WA NAVSHIPYD	360	ADMINISTRATIVE OFFICE	10,693
WA	PUGET SOUND WA NAVSHIPYD	367	SEISMIC IMPROVEMENTS	7,669
WA	WHIDBEY IS WA NAS	129	JP-8 TRUCK LOADING FAC	2,307
WA	WHIDBEY IS WA NAS	155	CORROSION CONTROL HANGAR	11,378
WA	WHIDBEY IS WA NAS	156	COMBAT A/C LOADING AREA	16,758
WA	WHIDBEY IS WA NAS	159	ACADEMIC INSTR BUILDING	669
WA	WHIDBEY IS WA NAS	160	WASHRACK (INDOOR)	7,194
BA	NAVSUPPACT BAHRAIN	906	AVIATION FACILITIES	33,254
DG	DIEGO GARCIA NAVSUPPFAC	113	HAZARDOUS WASTE FACILITY	629
DG	DIEGO GARCIA NAVSUPPFAC	124	WATER SYSTEM IMPROVES	7,902
GR	SOUDA BAY CRETE NAVSUPACT	744	QOL UPGRADES	11,736
GU	GUAM MI COMNAVMIARIANAS	436	DRDGING ROMEO/SIERRA/BRAVO	15,572
IT	LAMADDALENA IT NSO	992	BEQ HOMEPORT ASHORE	18,968
IT	SIGONELLA ITALY NAS	641	ADMINISTRATIVE OFFICE	20,517
UK	LONDON UK NAVACTS	701	HQ MODERNIZATION I	11,935
VAR	X/MCON DESIGN FUNDS	217	MCON DESIGN FUNDS (N4)	111,710
VAR	X/MCON DESIGN FUNDS	507	MCON DSGN FNDS—MARCORPS	17,831
VAR	X/UNSPECIFIED MINOR CONST	207	UNSPECIFIED MINOR CONSTR	13,164
	FISCAL YEAR 2007 TOTAL			1,959,375
	PY 2008			
AZ	YUMA AZ MCAS	520	FIXED WING FUELING APRON	4,042
CA	BARSTOW CA MCLB	608	BUILDING MODERNIZATION	25,368
CA	BARSTOW CA MCLB	930	FLD MAINT SHOP	9,264
CA	CAMP PENDLETON CA MCB	09	ISR CAMP INTEL BATTALION	11,312
CA	CAMP PENDLETON CA MCB	43	BACHELOR ENLISTED QUARTERS	22,608
CA	CAMP PENDLETON CA MCB	90	BACHELOR ENLISTED QUARTERS	11,183
CA	CAMP PENDLETON CA MCB	110	RECL FOR MARG BASIN (PH4)	17,115
CA	CHINA LAKE CA NAWCWPNDIV	61	SURFACE TARGETS DEV LAB	4,649
CA	CHINA LAKE CA NAWCWPNDIV	102	SHIPS/MAR SYS INTERGR LAB	6,966

MCON POM04 FYDP CONGRESSIONAL SUBMIT—Continued

[In dollars]

ST	ACTIVITY	PNO	TITLE	PRG COST
CA	CHINA LAKE CA NAWCWPNDIV	126	WAREHOUSE (SNI)	7,378
CA	CHINA LAKE CA NAWCWPNDIV	253	MULTI-PURPOSE REC CEN SNI	14,310
CA	CHINA LAKE CA NAWCWPNSDIV	104	CONSOLID A/F ADMIN FAC	11,002
CA	CHINA LAKE CA NAWCWPNSDIV	105	RECONSTRUCT RUNWAY/TAXIWAY	6,887
CA	CHINA LAKE CA NAWCWPNSDIV	359	AIR TRAFFIC CONTROL TOWER	2,273
CA	CORONA CA NAVSURFWARCENDI	08	GUIDED MISSILE LAB	10,623
CA	CORONADO CA NAVPHIBASE	142	OPERATIONS FACILITY	4,434
CA	MIRAMAR CA MCAS	110	INSTALL HVAC TO BLDG 9277	3,289
CA	MONTEREY CA NPGS	188A	EDUCATIONAL FAC REPL II	33,119
CA	NORTH ISL CA NAVAIRDEPOT	729	SUPPORT EQUIP MAT STAGING	2,393
CA	POINT MUGU CA NAVBASE	85	JET ENGINE TEST CELL	8,610
CA	PORT HUENEME CA CBC	479	FITNESS CENTER REPL	7,722
CA	PORT HUENEME CA CBC	542	MILITRY READINESS TRNG FAC	6,044
CA	SAN DIEGO CA NAS NORTH IS	180	ENVIRONMENTAL LABORATORY	2,583
CA	SAN DIEGO CA NAS NORTH IS	657	REPLACE TAXIWAY	9,479
CA	SAN DIEGO CA NAS NORTH IS	745	APPLIED INSTRUCTION BLDG	12,062
CA	SAN DIEGO CA NAS NORTH IS	767	REPLACE MWR COMPLEX	12,483
CA	SAN DIEGO CA NAS NORTH IS	841	BEQ—SHIPBOARD ASHORE	33,413
CA	SAN DIEGO CA NAS NORTH IS	842	BEQ—SHIPBOARD ASHORE	33,413
CA	SAN DIEGO CA NAS NORTH IS	864	AUTO VEHICLE MAINT SHOP	8,747
CA	SAN DIEGO CA NAVSTA	407	BEQ HOMEPORT ASHORE	38,562
CA	SAN DIEGO CA NAVSTA	410	LEGAL SERVICES FACILITY	7,128
CA	SAN DIEGO CA NSB	144	FIRE PROTECTION	2,066
CA	TWENTYNINE PALMS CA MAGCC	175	FIRE STA/PROVOST MARSHALL	4,563
CA	TWENTYNINE PALMS CA MAGCC	686	BACHELOR ENLISTED QUARTERS	21,514
CA	TWENTYNINE PALMS CA MAGCC	906	BEQ & POV PARKING STRUCT	25,368
CA	TWENTYNINE PALMS CA MAGCC	908	BACHELOR ENLISTED QUARTERS	17,046
CT	NEW LONDON CT NSB	404	SWIMMING POOL REPLACEMENT	6,715
CT	NEW LONDON CT NSB	464	PIER 31 REPLACEMENT	20,421
DC	WASHINGTON DC COMNAVDIST	22	CONVERT BUILDING W-101	6,793
DC	WASHINGTON DC COMNAVDIST	351	REG INTRUSION DETECT SYS	4,555
DC	WASHINGTON DC COMNAVDIST	357	PERIMETER WALL—ANACOS/BELV	3,711
FL	JACKSONVILLE FL NAS	269	LAND PURCHASE	1,790
FL	KEY WEST FL NAF	579	POST OFFICE	3,038
FL	KEY WEST FL NAF	901	AT/FP	1,790
FL	KEY WEST FL NAF	903	CVQ & GALLEY AT/FP UPGRADE	4,279
FL	MAYPORT FL NS	192	ACADEMIC INSTRUCTION BLDG	1,024
FL	MAYPORT FL NS	773A	BEQ—SHIPBOARD ASHORE INCII	22,040
FL	MAYPORT FL NS	888	UPGRADE WHARF B	21,851
FL	PENSACOLA FL NAS	720	CARRIER DREDGING	50,821
GA	ATHENS GA NSCS	998	POUND HALL RENOVATIONS	6,182
GA	KINGS BAY GA SWFLANT	587	MSL TRNSPORTER SAFEHAVENS	3,797
HI	BARKING SANDS HI PMRF	410	CONSOL RANGE CTL CENTER	13,500
HI	BARKING SANDS HI PMRF	413	SECURTY/PERIMTR FENCE/WALL	6,749
HI	LUALUALEI HI NM	167	SECURITY LIGHTING	4,890
HI	PEARL HARBOR HI FISC	156	CONSOL AUTOMATED WAREHOUSE	19,491
HI	PEARL HARBOR HI FISC	189	SHORE PWR IMPVS HOTEL/KILO	20,250
HI	PEARL HARBOR HI FISC	195	SECURTY/PERIMTR FENCE/WALL	8,858
HI	PEARL HARBOR HI NS	124	RECONSTRUCT WHARF S-1	33,499
HI	PEARL HARBOR HI NS	150	BERTHING WHARF IMPROV	15,694
HI	PEARL HARBOR HI NS	596	CONSOLIDATE TRNG CAMPUS	27,248
HI	PEARL HARBOR HI NS	620	SECURITY UPGRADE (MAKALAPA)	10,124
HI	PEARL HARBOR HI NS	622	MIKE IMPROVEMENTS	4,218
HI	PEARL HARBOR HI NSY	98	CONSOLIDATE CRANE DEPT	5,063
HI	PEARL HARBOR HI NSY	315	DRYDOCK	10,297
HI	PEARL HARBOR HI PWC	706	UTILITIES SECURITY IMPVS	3,797
HI	PEARL HARBOR HI PWC	709	CONSOL/SECTY IMPVS (INCR I)	16,874
IL	GREAT LAKES IL NTC	485	HVAC UPGRADE BLDG I	7,232
IL	GREAT LAKES IL NTC	629	RTC PASS/SECURITY BUILDING	1,102
IL	GREAT LAKES IL NTC	713	BEQ A SCHOOL REPLACEMENT	29,392
IL	GREAT LAKES IL NTC	714	BEQ A SCHOOL REPLACEMENT	29,943
IL	GREAT LAKES IL NTC	773	RELOCATE SECURITY FACILITY	3,737
IL	GREAT LAKES IL PWC	533	PUBLIC WORKS SHOPS	11,915

MCON POM04 FYDP CONGRESSIONAL SUBMIT—Continued

[In dollars]

ST	ACTIVITY	PNO	TITLE	PRG COST
IL	GREAT LAKES IL PWC	753	WASTEWATER TREATMENT FAC	5,192
IN	CRANE IN NAVSURFWARCENDIV	906	ANTITERR/FORCE PROT IMPV	9,995
ME	BRUNSWICK ME NAS	175	WEAPONS MAGAZINES REPL	3,185
ME	KITTERY ME PORTSMOUTH NSY	268	WATERFRONT SUPPORT FAC	16,789
MD	ANNAPOLIS MD NAVACAD	165A	CENTRAL CHILLER SYS UPGRD	5,183
MD	BETHESDA MD NSWCCARDEROCK	901	SECURITY FACILITY	4,890
MD	INDIAN HEAD MD NSWCTRDIV	154	JOINT CAD/PAD TRANSFER FAC	7,263
MD	INDIAN HEAD MD NSWCTRDIV	166	WEAPONS ENGINEERING FAC	8,377
MD	INDIAN HEAD MD NSWCTRDIV	167	RESEARCH LAB COMPLEX	13,629
MD	INDIAN HEAD MD NSWCTRDIV	171	FORCE PROTECTION IMPVS	11,812
MD	PATUXENT RIVER MD AWCACDV	103	RD&E COMMAND OPS CENTER	11,984
MD	PATUXENT RIVER MD AWCACDV	107	ROTARY WING TEST SUPT FAC	6,208
MD	PATUXENT RIVER MD AWCACDV	110	CONSOL A/C INTER MAINT FAC	17,796
MD	PATUXENT RIVER MD AWCACDV	115	FINGER PIER REPL, KEY WEST	3,349
MD	PATUXENT RIVER MD AWCACDV	123	SECURE MAIL FACILITY	1,722
MD	PATUXENT RIVER MD AWCACDV	128	BATTLE FORCE SUPPORT	29,401
MD	PATUXENT RIVER MD AWCACDV	960	ACFT APRON EXPAN & IMPR	8,815
MD	PATUXENT RIVER MD AWCACDV	961	ROTARY WING TEST FACILITY	6,346
MD	PATUXENT RIVER MD AWCACDV	981	HIGH EXPLOSIVE MAGAZINES	3,591
MD	PATUXENT RIVER MD AWCACDV	986	FORCE PROT IMPV GUARD HSE	11,303
MD	PATUXENT RIVER MD AWCACDV	987	RANGE THEODOLITE TRACK STN	3,340
MS	GULFPORT MS NAVCONSTRACEN	782	BUILDERS APPLIED INST FAC	6,500
MS	GULFPORT MS NAVCONSTRACEN	784	CONSOLIDATED DRT FACILITY	3,883
MS	MERIDIAN MS NAS	296	RENOVATE BUILDING 100	1,636
MS	MERIDIAN MS NAS	299	PUBLIC SAFETY FACILITY	1,541
MS	MERIDIAN MS NAS	310	AIRFIELD PERIMETER FENCING	4,727
NJ	LAKEHURST NJ NAWC ACFTDIV	999	PERIM & IS SECURITY IMPVS	3,641
NC	CAMP LEJEUNE NC MCB	1017	BACHELOR ENLISTED QUARTERS	15,247
NC	CAMP LEJEUNE NC MCB	1033	CONSOL ACADEMIC BLDG (PH2)	12,406
NC	CAMP LEJEUNE NC MCB	1042	ARMORIES (2D MEF)	4,063
NC	CAMP LEJEUNE NC MCB	1372	BACHELOR ENLISTED QUARTERS	15,247
NC	CAMP LEJEUNE NC MCB	1381	BACHELOR ENLISTED QUARTERS	17,718
NC	CAMP LEJEUNE NC MCB	920	MAINT SHOP/UTIL PLATOON	3,953
NC	CHERRY POINT NC MCAS	130	MOTOR TRANSPORT & COM SHOP	7,806
NC	CHERRY POINT NC NADEP	981	CENTRAL COMP AIR FACILITY	6,939
NC	NEW RIVER NC MCAS	526	AIRCRAFT HANGAR	11,915
PA	MECHANICSBURG NAVSUPPACT	10B	NAVSUP HQ FACS INCR III	21,773
PA	NSY NORFOLK DET PHILA PA	611	PRODUCTION SHOP MODERN	7,844
PA	PHILADELPHIA PA NSWCSSSES	106	VIRT INTEG SHIP TSTNGFAC	6,122
RI	NEWPORT RI NAVSTA	370	TRAINING POOL REPLACEMENT	3,331
RI	NEWPORT RI NAVSTA	453	REPL FUEL OIL STOR TANKS	2,859
RI	NEWPORT RI NAVSTA	455	NAVAL JUSTICE SCHOOL ALTS	5,622
RI	NEWPORT RI NUSWCTR DIV	75	SUB PAYLOADS/INTEGR LAB	8,385
RI	NEWPORT RI NUSWCTR DIV	76	U/S LAUNCHER/MISLE SYS LAB	8,351
SC	BEAUFORT SC MCAS	424	AICUZ LAND ACQUISITION	13,611
SC	CHASN NAVAL WPN STATION	53	ENGINEERING FUNCTION CONSOL	4,149
SC	PARRIS ISLAND SC MCRD	336	SUPT BN BARRACKS & OPS CTR	4,218
TN	MILLINGTON TN SUPPACT	352	ACADEMIC INSTRUCTION BLDG	3,340
TN	MILLINGTON TN SUPPACT	359	HAZARDOUS WASTE STRG FAC	757
TX	CORPUS CHRISTI TX NAS	353	AVIATION TRAINER FACILITY	5,838
TX	CORPUS CHRISTI TX NAS	435	CONTROL TOWER	8,438
TX	INGLESIDE TX NS	72	COMMUNITY SUPPORT FACILITY	5,209
TX	KINGSVILLE TX NAS	192	CRASH STRIP RUNWAY	16,995
VA	DAHLGREN VA NAVSPACECOM	17	PHYS SECTY ENHANCE (CENT)	6,233
VA	DAHLGREN VA NSWCTR DIV	295	MARITIME DIRECTED ENGY CTR	11,812
VA	DAHLGREN VA NSWCTR DIV	300	EMERGENCY OPERATIONS CTR	4,218
VA	DAHLGREN VA NSWCTR DIV	305	INFRASTR ASSURANCE FAC ADDN	5,399
VA	LITTLE CREEK VA NAVPHIBSE	205	SWDG SUPPORT FACILITY	1,937
VA	LITTLE CREEK VA NAVPHIBSE	227	REP/UPGR PIER & QUAYWALL	17,546
VA	LITTLE CREEK VA NAVPHIBSE	257	PIERS 14 & 15 REPLACEMENT	19,741
VA	LITTLE CREEK VA NAVPHIBSE	261	BOAT REPAIR FACILITY	3,547
VA	NORFOLK VA LANTFLTHQSPACT	830C	CLT/TYCOM HQ FAC (INCR IV)	32,836
VA	NORFOLK VA NS	49	PIER 3 REPLACEMENT	41,996

MCON POM04 FYDP CONGRESSIONAL SUBMIT—Continued

[In dollars]

ST	ACTIVITY	PNO	TITLE	PRG COST
VA	NORFOLK VA NS	51	PIER 10 REPLACEMENT	38,725
VA	NORFOLK VA NS	297A	BEQ—SHIPBOARD ASHORE INCII	25,311
VA	NORFOLK VA NS	303A	BEQ—SHIPBOARD ASHORE INCII	25,311
VA	NORFOLK VA NS	311	BEQ HOMEPORT ASHORE INC I	28,410
VA	NORFOLK VA NS	391	PIER 15 INCR I	33,748
VA	NORFOLK VA NS	527A	BEQ—SHIPBOARD ASHORE INCII	25,311
VA	NORFOLK VA NS	668	FLEET OPERATIONS CENTER	30,881
VA	NORFOLK VA NS	765	POLICE STATION	2,531
VA	NORFOLK VA NS	977	BRIG RENOVATIONS	4,132
VA	OCEANA VA NAS	401	HANGAR 200 UPGRADE	1,265
VA	OCEANA VA NAS	936	MAGAZINE REPLACEMENT	1,076
VA	PORTSMOUTH VA NORFOLK NSY	353	FIRE DEPARTMENT BUILDING	5,063
VA	PORTSMOUTH VA NORFOLK NSY	377	PWC SUPPORT FACILITY ALTS	3,125
VA	PORTSMOUTH VA NORFOLK NSY	383	CONTROLLED INDUSTRIAL FAC	32,208
VA	PORTSMOUTH VA NORFOLK NSY	513	WTRFRNT PROD SUPPORT FAC	18,562
VA	QUANTICO VA MCCOMBDEV CMD	479	INFRASTRUCTURE RUSSELL RD	8,158
VA	YORKTOWN VA	389	TRESTLE & PIER REPL INC I	29,530
VA	YORKTOWN VA NWS	213	RECAP IGL00 MAGAZINES	6,500
VA	YORKTOWN VA NWS	381	FELGATES CREEK BRIDGE REPL	1,145
VA	YORKTOWN VA NWS	385	CHILD DEVELOPMENT CENTER	8,438
WA	BANGOR WA SWF PAC	311	UTIL & SITE IMPVS (PH IV)	2,850
WA	BANGOR WA SWF PAC	973	LA PROCESSING & STG CMLX	45,560
WA	BANGOR WA SWF PAC	974	HARDENED MISSILE MAGAZINE	71,716
WA	EVERETT WA NAVSTA	151	AEGIS TRAINING FACILITY	4,391
WA	EVERETT WA NAVSTA	155A	BEQ HOMEPORT ASHORE (PH II)	30,132
WA	INDIAN ISLAND WA NAVMAG	335	MISSILE MAGAZINES	8,902
WA	INDIAN ISLAND WA NAVMAG	336	MISSILE MAGAZINES	7,929
WA	KEYPORT WA NUWC DIV	392	EMERGENCY COMMAND CENTER	6,413
WA	PUGET SOUND WA NAVSHIPYD	366	PLANNING YARD&SHOP STG FAC	8,858
WA	PUGET SOUND WA NAVSHIPYD	368	WELDER/SHOPFITTER SHOP IMP	18,312
WA	PUGET SOUND WA NAVSHIPYD	374	DRYDOCK #6 CAISSON REPLMNT	12,002
WA	WHIDBEY IS WA NAS	119	YOUTH CENTER	3,814
DG	DIEGO GARCIA NAVSUPPFAC	135	THEATER	7,258
GU	GUAM MI COMNAVAMARIANAS	425	HIGH PERFORMANCE MAGS	22,532
GU	GUAM MI COMNAVAMARIANAS	446	GYMNASIUM	9,109
GU	GUAM MI COMNAVAMARIANAS	462	BEQ RENOVATIONS	8,351
IC	KEFLAVIK ICELAND NAS	565	BASE PERIMETER SECTY FENCE	2,502
IT	NAPLES ITALY NSA	218	COMMUNITY FACILITIES GAETA	15,261
IT	SIGONELLA ITALY NAS	650	BASE OPERATIONS SUPPORT IV	16,119
PR	ROOSEVELT RDS PR NS	143	CESE WAREHOUSE	4,089
PR	ROOSEVELT RDS PR NS	526	CONCRETE BARRIER/BOXER DR	1,265
PR	ROOSEVELT RDS PR NS	620	TACTICAL SUPPORT CENTER	7,844
SP	ROTA SPAIN NS	648	PUBLIC WORKS COMPLEX	18,497
SP	ROTA SPAIN NS	662	AIR OPERATIONS UPGRADES	4,625
UK	LONDON UK NAVACTS	702	HQ MODERNIZATION II	7,823
UK	LONDON UK NAVACTS	703	UXBRIDGE RELOCATION I	19,942
UK	LONDON UK NAVACTS	704	UXBRIDGE RELOCATION II	20,574
VAR	X/MCON DESIGN FUNDS	218	MCON DESIGN	125,174
VAR	X/MCON DESIGN FUNDS	508	MCON DSGN FNDS—MARCORPS	28,641
VAR	X/UNSPECIFIED MINOR CONST	208	UNSPECIFIED MINOR CONSTR	15,797
VAR	Z/VARLOCS MILCON	251	EARS LAND BASED SITE	10,969
	FISCAL YEAR 2008 TOTAL			2,377,878
	PY 2009			
AZ	YUMA AZ MCAS	378	SECURITY OPS FACILITY	10,762
CA	BARSTOW CA MCLB	167	BACHELOR ENLISTED QUARTERS	10,228
CA	BARSTOW CA MCLB	203	INDOOR PHYSICAL FIT CTR	6,496
CA	BARSTOW CA MCLB	403	CONSOLIDATED SEC FAC	1,454
CA	BARSTOW CA MCLB	935	HQ BLDG FOR FLEET SUPT CTR	2,889
CA	BARSTOW CA MCLB	939	ENGINE DYNAMOMETER FAC	3,761
CA	CAMP PENDLETON CA MCAS	78	TACTICAL VAN PAD EXPANSION	2,734
CA	CAMP PENDLETON CA MCB	06	DEMO STP SOUTH SYS (PH 5)	5,507

MCON POM04 FYDP CONGRESSIONAL SUBMIT—Continued

[In dollars]

ST	ACTIVITY	PNO	TITLE	PRG COST
CA	CAMP PENDLETON CA MCB	25	BACHELOR ENLISTED QUARTERS	14,921
CA	CAMP PENDLETON CA MCB	28	BACHELOR ENLISTED QUARTERS	12,449
CA	CAMP PENDLETON CA MCB	32	MARDIV COMMAND HEADQUARTER	5,507
CA	CAMP PENDLETON CA MCB	65	MESS HALL, DEL MAR	15,135
CA	CAMP PENDLETON CA MCB	79	5 MILLION GALLON RESERVOIR	7,523
CA	CAMP PENDLETON CA MCB	94	BACHELOR ENLISTED QUARTERS	24,229
CA	CAMP PENDLETON CA MCB	101A	BACHELOR ENLISTED QUARTERS	16,152
CA	CAMP PENDLETON CA MCB	113	WATER/WW TDS RED FAC (B-PH3)	30,685
CA	CAMP PENDLETON CA MCB	569A	FIRE STATION, PULGAS	2,561
CA	CAMP PENDLETON CA MCB	604	CHILD DEVELOPMENT CENTER	7,825
CA	CHINA LAKE CA NAWCWPNDIV	106	CONSOLIDATE AIRFIELD FAC	7,611
CA	CHINA LAKE CA NAWCWPNDIV	111	PUBLIC WORKS COMPOUND	15,580
CA	CHINA LAKE CA NAWCWPNDIV	356	CHILD DEVELOPMENT CENTER	4,178
CA	CHINA LAKE CA NAWCWPNSDIV	133	BACHELOR QUARTERS	16,841
CA	CORONADO CA NAVPHIBASE	148	MISSILE COMPT SLING TESTER	6,767
CA	CORONADO CA NAVPHIBASE	765	LIBRARY/COMMUNITY BLDG	5,623
CA	EL CENTRO CA NAF	232	AVIATION EASEMENTS	10,180
CA	EL CENTRO CA NAF	242	SURVEILLANCE RADAR INSTALL	1,182
CA	LEMOORE CA NAS	218	AIR COMBAT TRNG FACILITY	3,781
CA	MIRAMAR CA MCAS	67	CONSTR RUNWAY 6L OVERRUN	15,580
CA	MIRAMAR CA MCAS	124	GROUND COMBAT TRNG RANGE	3,335
CA	MIRAMAR CA MCAS	126	POLICE STATION	3,335
CA	NAS PT MUGU CA NAVAIRWARC	255	LAND ACQ IN ESQD ARC	1,901
CA	POINT MUGU CA NAVBASE	281	AIRCRAFT TEST STAND PAD	689
CA	POINT MUGU CA NAVBASE	505	GENERAL WAREHOUSE, NAVY	9,046
CA	SAN DIEGO CA FASWTC PAC	387	GYMNASIUM	4,082
CA	SAN DIEGO CA NAS NORTH IS	749	S-3/C-2 HANGAR	33,750
CA	SAN DIEGO CA NAS NORTH IS	759	THIRD ST EXTENSION/GATE	17,956
CA	SAN DIEGO CA NAS NORTH IS	844	HANGAR MODERNIZATION	22,522
CA	SAN DIEGO CA NAVSTA	105	BUILDING 12 CONVERSION	20,932
CA	SAN DIEGO CA NAVSTA	300	BRIDGE REPLACEMENT	1,648
CA	SAN DIEGO CA NAVSTA	331	UPGRADE PIER 6	22,804
CA	SAN DIEGO CA NAVSTA	415	BEQ TRANSIENT	43,426
CA	SAN DIEGO CA NSB	138	BEQ UPGRADE	4,750
CA	TWENTYNINE PALMS CA MAGCC	904	BACHELOR ENLISTED QUARTERS	21,446
CT	NEW LONDON CT NSB	80	VEHICLE MAINTENANCE FAC	1,901
CT	NEW LONDON CT NSB	392	SUBMARINE BERTHING IMPRVS	7,223
CT	NEW LONDON CT NSB	466	REPLACE PIER 12	26,604
CT	NEW LONDON CT NSB	467	REPLACE PIER 10	23,753
CT	NEW LONDON CT NSB	469	REPLACE PIER 33	25,654
DC	WASHINGTON DC COMNAVDIST	332	ANACOSTIA SWIMMING POOL	4,750
FL	JACKSONVILLE FL NAS	216	COMBINE NCF OPS FACILITY	6,748
FL	JACKSONVILLE FL NAS	267	WHITEHOUSE OLF GUARD HOUSE	4,750
FL	JACKSONVILLE FL SUPSHIP	175	INDUSTRIAL MATRL COMPLEX	2,850
FL	KEY WEST FL NAF	677	HQS CONSOLIDATED FAC	8,930
FL	MAYPORT FL NS	999	UPGRADE WHARF E	10,830
FL	PENSACOLA FL NAS	727	HANGAR 1853 RECAPITALZTN	19,197
FL	PENSACOLA FL NAS	728	HANGAR 1854 RECAPITALZTN	22,804
HI	BANGOR WA SWF PAC	312	UTIL & SITE IMPVS (PH V)	3,500
HI	BARKING SANDS HI PMRF	407	CONSOL OPS ADMIN CENTER	13,496
HI	BARKING SANDS HI PMRF	408	CONSOLIDATED SUPPLY COMPLX	7,223
HI	KANEOHE BAY HI MCB	703	HAZ MATL/WASTE CONSOL FAC	5,419
HI	KANEOHE BAY HI MCB	749	BACHELOR ENLISTED QUARTERS	24,151
HI	KANEOHE BAY HI MCB	750	BACHELOR ENLISTED QUARTERS	22,047
HI	KANEOHE BAY HI MCB	758	BACHELOR ENLISTED QUARTERS	21,514
HI	KANEOHE BAY HI MCB	770	BACHELOR ENLISTED QUARTERS	22,154
HI	KANEOHE BAY HI MCB	774	PTA STORAGE FACILITIES	4,712
HI	LUALUALEI HI NM	138	FIRE STATION	2,375
HI	PEARL HARBOR HI FISC	185	SECONDARY SUPPLY WAREHOUSE	9,879
HI	PEARL HARBOR HI FISC	196	RECAP HOTEL 1-4	28,504
HI	PEARL HARBOR HI NS	516	CONSTRUCT CVN HARBOR DEPTH	35,727
HI	PEARL HARBOR HI NS	578	PHYS READINESS TRNG CTR	20,903
HI	PEARL HARBOR HI NS	579	REGIONAL BEQ	28,699

MCON POM04 FYDP CONGRESSIONAL SUBMIT—Continued

[In dollars]

ST	ACTIVITY	PNO	TITLE	PRG COST
HI	PEARL HARBOR HI NS	586	BEQ MODERNIZATION	3,994
HI	PEARL HARBOR HI NS	590	BACH ENLISTED QTRS MODERN	20,330
HI	PEARL HARBOR HI NS	600	APPLIED INSTRUCTION BLDG	27,554
HI	PEARL HARBOR HI NS	605	DREDGE MAIN CHANNEL (PH I)	40,856
HI	PEARL HARBOR HI NS	611	BEQ MODERNIZATION	24,704
HI	PEARL HARBOR HI NS	612	BEQ MODERNIZATION	3,326
HI	PEARL HARBOR HI NS	613	DREDGE NORTH CHANNEL	67,460
HI	PEARL HARBOR HI NS	633	JICPAC RELOCATION (INCR I)	48,457
HI	PEARL HARBOR HI NSB	119	PIER & WATERFRONT UTIL	38,005
HI	PEARL HARBOR HI NSY	210	STRUCTURAL SHOP CONSOL	11,402
HI	PEARL HARBOR HI NSY	270	DD2 AFT WATERFRONT FAC	6,651
HI	PEARL HARBOR HI NSY	271	DD1 WATERFRONT FACILITY	6,651
HI	PEARL HARBOR HI PAC NFEC	461	FIELD ENGINEERING OPS CTR	28,504
HI	PEARL HARBOR HI PWC	442	ELEC DISTRIB SYSTEM IMPRS	15,203
HI	PEARL HARBOR HI PWC	477	ELEC SYS UPGRADE	9,724
HI	PEARL HARBOR HI PWC	488	ELEC DIST SYS IMPV (PUULUA)	23,753
HI	PEARL HARBOR HI PWC	492	HALAWA WATERLINE REPL	2,095
HI	PEARL HARBOR HI PWC	493	WTR DISTRIB LINE (WAIAWA)	10,451
HI	PEARL HARBOR HI PWC	705	UTIL DIST SYS (FD IS) INC I	20,428
IL	GREAT LAKES IL NTC	507	CBU TRAINING BUILDING	5,323
IL	GREAT LAKES IL NTC	715	BEQ A SCHOOL REPLACEMENT	34,390
IL	GREAT LAKES IL NTC	716	BEQ A SCHOOL REPLACEMENT	35,475
IL	GREAT LAKES IL NTC	717	BEQ A SCHOOL REPLACEMENT	35,475
IL	GREAT LAKES IL NTC	751	PHYSICAL TRAINING FACILITY	5,875
IL	GREAT LAKES IL NTC	755	BEQ (NAVAL HOSPITAL)	12,942
IL	GREAT LAKES IL NTC	767	RECRUIT PROCESSING FAC ADD	11,460
IL	GREAT LAKES IL NTC	768	BEQ TPU	23,307
IL	GREAT LAKES IL PWC	564	WATER PLANT UPGRADE	6,651
IL	GREAT LAKES IL PWC	565	AUTO VEHICLE MAINT SHOP	7,611
IL	GREAT LAKES IL PWC	675	MODERNIZE 2.4KV SYS	12,207
ME	BRUNSWICK ME NAS	197	FIRE PROT SYS UPGRADES	10,200
ME	KITTERY ME PORTSMOUTH NSY	217	PAINT AND BLASTING SHOP	15,299
MD	ANNAPOLIS MD NAVACAD	208	SUPPLY WAREHOUSE	3,045
MD	ANNAPOLIS MD NAVACAD	309	BOAT SHOP RENOV B/234	1,901
MD	ANNAPOLIS MD NAVACAD	312	MULTI-PURPOSE BLDG	1,997
MD	ANNAPOLIS MD NAVACAD	316	PUBLIC WORKS SHOP	1,522
MD	ANNAPOLIS MD NAVACAD	320	APPLIED INSTRUCTION BLDG	32,809
MD	ANNAPOLIS MD NAVACAD	334	FIELD HOUSE @ TURNER FIELD	30,724
MD	BETHESDA MD NSWCCARDEROCK	304	SHIP VIRTUAL PROTPTNG LAB	13,020
MD	INDIAN HEAD MD NSWCTRDIV	170	JOINT INTEROP CERT FAC	7,194
MD	PATUXENT RIVER MD AWCACDV	120	MARINE OPS FACILITY	6,787
MD	PATUXENT RIVER MD AWCACDV	127	AIRCRAFT EM T&E CATAPULT	21,145
MD	PATUXENT RIVER MD AWCACDV	130	AIRCRAFT DEVELOP SUPPT FAC	27,137
MD	PATUXENT RIVER MD AWCACDV	976	BOQ REPLACEMENT	11,188
MS	GULFPORT MS NCBC	791	REGMT/GROUP HQ (MARCOR)	2,211
MS	PASCAGOULA MS NS	101	ELEC DISTRIB LINES REPL	4,266
MS	PASCAGOULA MS NS	128	HAZ/FLAM/CHRMF WAREHOUSE	747
MS	STENNIS SPC CTR MS NAVOCO	10	OCEAN SCIENCE LAB	19,313
NV	FALLON NV NAS	289	AIR NAVIGATION BUILDING	3,704
NJ	LAKEHURST NJ NAWC ACFTDIV	112	ENGINEERING SUPPORT FAC	17,432
NC	CAMP LEJEUNE NC MCB	1016	BACHELOR ENLISTED QUARTERS	23,240
NC	CAMP LEJEUNE NC MCB	1034	INTEL OPERATIONS CENTER	12,246
NC	CAMP LEJEUNE NC MCB	1035	MATERIAL DISTRIBUTION CTR	11,402
NC	CAMP LEJEUNE NC MCB	1088	BACHELOR ENLISTED QUARTERS	33,352
NC	CAMP LEJEUNE NC MCB	126	ASP UPGRADES PH II	5,506
NC	CAMP LEJEUNE NC MCB	417	ORGANIZATIONAL EQUIP STRG	4,159
NC	CAMP LEJEUNE NC MCB	919	MAINT SHOP/BULK FUEL CO	7,300
NC	CAMP LEJEUNE NC MCB	963	BEQ	17,102
NC	CHERRY POINT NC MCAS	658	PHYSICAL FITNESS CENTER	6,834
NC	CHERRY POINT NC NADEP	987	PROT A/C MAINT STORAGE FAC	11,092
NC	NEW RIVER NC MCAS	632	BACHELOR ENLISTED QUARTERS	17,102
PA	PHILADELPHIA PA NSWCSSES	105	STEAM GENERATION FACILITY	13,399
PA	PHILADELPHIA PA NSWCSSES	404	TANK FARM	7,795

MCON POM04 FYDP CONGRESSIONAL SUBMIT—Continued

[In dollars]

ST	ACTIVITY	PNO	TITLE	PRG COST
RI	NEWPORT RI NS	450	CBQ REPLACEMENT	20,263
SC	BEAUFORT SC MCAS	419	ENLISTED DINING FACILITY	10,451
SC	BEAUFORT SC NH	515	BACHELOR ENLISTED QUARTERS	6,961
SC	CHASN NAVAL WPN STATION	24	ENGINEERING MGMNT CENTER	23,753
SC	CHASN NAVAL WPN STATION	56	SPAWAR CONSOLIDATION	15,203
SC	PARRIS ISLAND SC MCRD	337	BACHELOR ENLISTED QUARTERS	15,057
SC	PARRIS ISLAND SC MCRD	338	COMM CTR ADDN	5,284
SC	PARRIS ISLAND SC MCRD	351	BACHELOR ENLISTED QUARTERS	16,637
TN	MILLINGTON TN SUPPACT	281	CENTRAL WAREHOUSE	2,230
TN	MILLINGTON TN SUPPACT	358	PW TRANSPORT MAINT FAC	4,159
TN	MILLINGTON TN SUPPACT	360	IMPV GATE/PERIMTR SECURITY	5,895
TX	KINGSVILLE TX NAS	193	NALFOG CRASH STRIP RUNWAY	10,394
VA	DAHLGREN VA NSWCTR DIV	294	COLLAB MULTIWRFRE ENG CPLX	11,402
VA	LITTLE CREEK VA NAVPHIBSE	209	PIERS 12 & 13 REPLACEMENT	27,554
VA	LITTLE CREEK VA NAVPHIBSE	219	UPGRADE ELECTRICAL DISTRIB	7,931
VA	LITTLE CREEK VA NAVPHIBSE	221	PIER 56 & 57 REPLACEMENT	23,753
VA	LITTLE CREEK VA NAVPHIBSE	354	EOD GRU2 FACILITY	6,176
VA	NORFOLK VA NS	48	PIER 1 REPLACEMENT	35,727
VA	NORFOLK VA NS	52	PIER 9 REPLACEMENT	36,009
VA	NORFOLK VA NS	95	PIER 4 REPLACEMENT	51,307
VA	NORFOLK VA NS	96	PIER 5 REPLACEMENT	53,208
VA	NORFOLK VA NS	253	RECONSTRUCT TAXIWAY	11,402
VA	NORFOLK VA NS	311A	BEQ HOMEPORT ASHORE INC II	29,086
VA	NORFOLK VA NS	336	INDOOR PHYSICAL FIT FAC	9,502
VA	NORFOLK VA NS	391A	PIER 15 INCR II	37,434
VA	NORFOLK VA PWC	02	HEATING PLANT BUILDING	5,149
VA	OCEANA VA NAS	263	AIR WARRIOR SQUAD SPT FAC	13,457
VA	OCEANA VA NAS	697	ROAD IMPROVEMENTS	11,692
VA	OCEANA VA NAS	722	CHILD DEV CENTER	7,407
VA	OCEANA VA NAS	906	ROAD IMPROVEMENTS	2,636
VA	PORTSMOUTH VA NORFOLK NSY	333	CHILD DEVELOPMENT CENTER	6,196
VA	PORTSMOUTH VA NORFOLK NSY	337	ADMIN SUPT FAC RESTORATION	19,003
VA	PORTSMOUTH VA NORFOLK NSY	373	AUTO VEHICLE MAINT NONCOMB	34,205
VA	PORTSMOUTH VA NORFOLK NSY	520	DRYDOCK #2 CAISSON REPLACE	8,551
VA	PORTSMOUTH VA NORFOLK NSY	522	DRYDOCK #4 CAISSON REPLACE	10,171
VA	PORTSMOUTH VA NORFOLK NSY	532	ROAD IMPROVEMENTS	2,375
VA	QUANTICO VA MCAF	448	WHITE SIDE COMPLEX	27,777
VA	QUANTICO VA MCAF	517	CONSTRUCT TYPE II HANGAR	12,091
VA	QUANTICO VA MCCOMBDEV CMD	489	RELIGIOUS/FAMILY SVCS CTR	3,316
VA	YORKTOWN VA	389A	TRESTLE & PIER REPL INC II	24,888
VA	YORKTOWN VA NWS	235	HVAC MAKE UP AIR	2,636
VA	YORKTOWN VA NWS	416	TOMAHAWK MAGAZINE	3,161
VA	YORKTOWN VA NWS	436	AMRAAM MAGAZINE	1,231
WA	BANGOR WA SWF PAC	960	UTIL & SITE IMPVS (PH III)	640
WA	BREMERTON WA NS	304	INDUSTRIAL OPS SUPPORT FAC	7,980
WA	BREMERTON WA NS	313	FLEET RECREATION COMPLEX	3,132
WA	BREMERTON WA NS	315	PUBLIC WORKS FACILITY	7,980
WA	BREMERTON WA NS	319	TRANSPORTATION FACILITY	4,557
WA	INDIAN ISLAND WA NAVMAG	325	AMMUNITION WHARF IMPRS	60,809
WA	KEYPORT WA NUWC DIV	390	MINE & U/S WARFARE SPT FAC	13,680
WA	PUGET SOUND WA NAVSHIPYD	355	POLLUTION PRVNT EQUIP FAC	14,727
WA	WHIDBEY IS WA NAS	68	DATA PROCESSING/SYS MGMT	4,072
WA	WHIDBEY IS WA NAS	149	PERSONNEL SUPPORT FACILITY	2,095
WA	WHIDBEY IS WA NAS	158	ACADEMIC INST BLDG	1,047
WA	WHIDBEY IS WA NAS	169	VAQ HANGAR RECAP	50,105
BA	NAVSUPPACT BAHRAIN	920	WARTIME PREPOS EQP STG FAC	13,415
GU	GUAM MI COMNAVMARIANAS	434	SUPPLY WHARF	3,433
GU	GUAM MI COMNAVMARIANAS	445	AMPHIB LAND TIPALAO BEACH	6,457
GU	GUAM MI COMNAVMARIANAS	450	BEQ RENOVATIONS	8,745
GU	GUAM NCTAMS WESTPAC	236	SEISMIC MODS (VAR BLDGS)	4,178
GU	GUAM PWC	815	UNDERGRND PWR DIST LNS	804
DG	DIEGO GARCIA NAVSUPPFAC	71	PW MAINT STORAGE FACILITY	5,130
DG	DIEGO GARCIA NAVSUPPFAC	107	VEHICLE WASH STATION	476

MCON POM04 FYDP CONGRESSIONAL SUBMIT—Continued

[In dollars]

ST	ACTIVITY	PNO	TITLE	PRG COST
DG	DIEGO GARCIA NAVSUPPFAC	139	AMMUNITION WHARF	58,908
IC	KEFLAVIK ICELAND NAS	08	HAZARDOUS/FLAMMABLE STRHSE	4,105
IT	NAPLES ITALY NSA	215	ADMINISTRATIVE OFFICE	18,171
IT	NAPLES ITALY NSA	217	CHILD DEVELOPMENT CENTER	2,461
PR	ROOSEVELT RDS PR NS	611	CB BUILDING HEADQUARTERS	5,603
PR	ROOSEVELT RDS PR NS	754	BEQ REPLACEMENT	15,880
SP	ROTA SP NCB CB CPMITCHELL	613	UPGRADE MAINTENANCE FAC	10,263
SP	ROTA SPAIN NS	645	COMMAND OPS CONSOLIDATION	18,474
UK	LONDON UK NAVACTS	704A	UXBRIDGE RELOCATION II	1,857
VAR	X/MCON DESIGN FUNDS	219	MCON DESIGN FUNDS	143,845
VAR	X/MCON DESIGN FUNDS	509	MCON DSGN FNDS-MARCORPS	32,595
VAR	X/UNSPECIFIED MINOR CONST	209	UNSPECIFIED MINOR CONSTR	19,371
VAR	Z/VARLOCS MILCON	604	PUBLIC WORKS COMPLEX	2,753
	FISCAL YEAR 2009 TOTAL			3,118,962

MCNR POM04 FYDP CONGRESSIONAL SUBMIT
 (In dollars)

ST	IMC	ACTIVITY	PNO	TITLE	PRG COST
CA	PY 2004				
VA	INRESFOR	SAN DIEGO CA NAVAIRES	737	C-40 HANGAR	\$15,973
VAR	MARCORPS	QUANTICO VA I&I STAFF	518	RESERVE CENTER	9,497
VAR	A&E SERV	X/MCNR DESIGN FUNDS	504	MCNR DESIGN FUNDS (N4)	1,700
VAR	A&E SERV	X/MCNR DESIGN FUNDS	224	USMC MCNR DESIGN FUNDS	862
	FISCAL YEAR 2004				28,032
	TOTAL				
FL	PY 2005				
PA	INRESFOR	JACKSONVILLE FL I&I STAFF	532	RESERVE TRAINING CENTER	8,312
VAR	MARCORPS	WILLOW GROVE PA NAS	237	FITNESS CENTER	7,141
VAR	A&E SERV	NORFOLK VA MMCR	41	VEHICLE MAINTENANCE FAC	4,447
VAR	A&E SERV	X/MCNR DESIGN FUNDS	225	USMC MCNR DESIGN FUNDS	820
VAR	A&E SERV	X/MCNR DESIGN FUNDS	505	MCNR DESIGN FUNDS (N4)	2,650
	FISCAL YEAR 2005				23,370
	TOTAL				
AL	PY 2006				
FL	MARCORPS	MOBILE AL 4TH MARINE DIV	32	RES TRNG CTR&VEH MAINT FAC	7,158
LA	INRESFOR	TALLAHASSEE FL MMCR	13	RESERVE TRAINING CENTER	8,018
NY	INRESFOR	NEW ORLEANS LA NSA	122	OVERHEAD U/G HI-VOLT SYS	9,576
NC	INRESFOR	ALBANY NY MMCR	598	RESERVE CENTER	10,736
PA	INRESFOR	ASHEVILLE NC MRC	596	RESERVE CENTER	3,289
TN	INRESFOR	LEHIGH VALLEY PA MRC	565	RESERVE CENTER ADDITION	4,256
TX	INRESFOR	NASHVILLE TN MRC	388	RESERVE CENTER	7,448
VAR	A&E SERV	FT WORTH TX NAS JRB	28D	AIMD PWR PLNT SHOP (03 ADD)	8,589
VAR	A&E SERV	X/MCNR DESIGN FUNDS	226	USMC MCNR DESIGN FUNDS	826
VAR	A&E SERV	X/MCNR DESIGN FUNDS	506	MCNR DESIGN FUNDS (N4)	2,900
	FISCAL YEAR 2006				62,796
	TOTAL				

MCNR POM04 FYDP CONGRESSIONAL SUBMIT—Continued

(In dollars)

ST	IMC	ACTIVITY	PNO	TITLE	PRG COST
	PY 2007				
GA	NVRESFOR	AUGUSTA GA NMCR	382	RESERVE CENTER WITH LAND	6,702
LA	NVRESFOR	NEW ORLEANS LA NAS JRB	353	SMALL ARMS RANGE—INDOOR	3,001
LA	NVRESFOR	NEW ORLEANS LA NAS JRB	456	JOINT RESERVE HQ BLDG	6,897
MI	MARCORPS	DETROIT MI HQ & SERV CO 1ST BN	44	RESERVE TRAINING CENTER	6,799
MS	MARCORPS	GULFPORT MS MCRESEN	18	VEHICLE MAINT FACILITY	2,914
NC	MARCORPS	WILMINGTON NC MCRC	45	RESERVE TRAINING CENTER	7,489
OK	NVRESFOR	TULSA OK NMCR	76	RESCEN ADDN	3,594
PA	NVRESFOR	WILLOW GROVE PA NAS	232	DEICNG FACILITY	1,457
PA	NVRESFOR	AVOCA PA NRTC	598	RESERVE CENTER	7,509
SC	MARCORPS	FORT JACKSON SC I&I	21	RESERVE VEHICLE MAINT FAC	3,497
TX	NVRESFOR	FT WORTH TX NAS JRB	26	COMBINED RATC/PASS TERM	2,574
TX	NVRESFOR	FT WORTH TX NAS JRB	27	ADMINISTRATIVE OFFICE	9,519
VA	NVRESFOR	NORFOLK VA NAVAIRES	491	C-40 HANGAR WOODS	5,828
VAR	A&E SERV	X/MCNR DESIGN FUNDS	227	USMC MCNR DESIGN FUNDS	1,211
VAR	A&E SERV	X/MCNR DESIGN FUNDS	507	MCNR DESIGN FUNDS (M4)	3,530
	FISCAL YEAR 2007				72,521
	TOTAL				
	PY 2008				
DE	NVRESFOR	WILMINGTON DE NMCR	602	RESERVE CENTER	9,758
GA	NVRESFOR	ATLANTA GA NAS	349	PUBLIC WORKS COMPLEX	4,879
LA	NVRESFOR	NEW ORLEANS LA NAS JRB	405	RUNWAY TAXIWAY 14/32 EXT	6,245
LA	NVRESFOR	NEW ORLEANS LA NAS JRB	408	RELIGIOUS EDUCATION BLDG	3,903
LA	NVRESFOR	NEW ORLEANS LA NAS JRB	461D	AFRC (PHASE III)(03 ADD)	9,758
MD	MARCORPS	BALTIMORE MD MCRTC	40	RES TRNG CTR&VEH MAINT FAC	9,250
ME	MARCORPS	TOPSHAM ME MCRESEN	24	RESERVE TRAINING CENTER	2,927
NE	NVRESFOR	OMAHA NE NMCR	85	RELOCATE RESCEN TO OFFUTT	1,854
NJ	NVRESFOR	KEARNY NJ NAVRESEN	601	RESERVE CTR RELOC—FT DX	4,450
OH	MARCORPS	DAYTON OH AFRC	09	RES TRNG CTR&VEH MAINT FAC	8,001
OR	NVRESFOR	EUGENE OR NMCR	172	RESCEN W/LAND	9,270
TN	MARCORPS	MEMPHIS TN MCRESEN	30	RESERVE TRAINING CENTER	6,830
TX	NVRESFOR	EL PASO TX NMCR	380	RESERVE CENTER ADDITION	3,415
VAR	A&E SERV	X/MCNR DESIGN FUNDS	228	USMC MCNR DESIGN FUNDS	1,354

VAR	A&E SERV	X/MCMR DESIGN FUNDS	508	MCMR DESIGN FUNDS (M4)	3,980
	FISCAL YEAR 2008 TOTAL				85,874
	PY 2009				
AR	NVRESFOR	LITTLE ROCK AR NMCRC	362	RESCEN ADDN	1,696
DC	NVRESFOR	WASH DC NAF ANDREWS AFB	43	HANGAR 13 ADDITION (C-130)	3,041
FL	MARCORPS	TAMPA FL MCRTC	19	VEHICLE MAINTENANCE FAC	7,520
GA	NVRESFOR	ATLANTA GA NAS	367	C-40 HANGAR ALTERATIONS	4,845
KY	NVRESFOR	LEXINGTON KY NMCRC	353	RESERVE CENTER ADDITION	4,167
LA	MARCORPS	NEW ORLEANS LA MCARTC	20	RES TRNG CTR&VEH MAINT FAC	7,752
LA	NVRESFOR	NEW ORLEANS LA NAS JRB	441	CORROSION CONTROL HANGAR	6,299
LA	NVRESFOR	NEW ORLEANS LA NAS JRB	464	AIRFRAME ASSEMBLY PLANT	1,260
MD	MARCORPS	FORT DETRICK MD I & I STF	547	LAV MAINTENANCE FACILITY	6,783
MS	NVRESFOR	PASCAGOULA MS NS	390	LITTORAL SURV SYS FAC	5,136
NM	NVRESFOR	ALBUQUERQUE NM NMCRC	378	RESERVE CENTER ADDITION	2,907
PA	NVRESFOR	WILLOW GROVE PA NAS	217	WAREHOUSE	581
PA	NVRESFOR	WILLOW GROVE PA NAS	233	PW SUPPORT EQUIP SHED	678
PA	NVRESFOR	WILLOW GROVE PA NAS	246	HANGAR 80 MODS FOR C-40	3,004
RI	NVRESFOR	NEWPORT RI NAVRESREDCOM	600	RESERVE & REDCOM	4,554
TX	NVRESFOR	FT WORTH TX NAS JRB	19	POST OFFICE	1,045
TX	NVRESFOR	FT WORTH TX NAS JRB	25	COMBINED AIMD FAC	24,225
VA	NVRESFOR	ROANOKE VA NMCRC	325	RESERVE CENTER ADDITION	3,488
WA	NVRESFOR	WHIDBEY IS WA NAVARES	167	C-40 HANGAR MODS	4,845
VAR	A&E SERV	X/MCMR DESIGN FUNDS	229	USMC MCMR DESIGN FUNDS	1,354
VAR	A&E SERV	X/MCMR DESIGN FUNDS	509	MCMR DESIGN FUNDS (M4)	3,980
	FISCAL YEAR 2009 TOTAL				99,160

QUESTIONS SUBMITTED TO DR. MARIO P. FIORI

QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

BARRACKS/DORMITORIES

Question. I understand that all three services are working toward the elimination of inadequate permanent party barracks by 2007. The success of that program will be largely dependent on significant funding increases that the Army, Navy and Air Force have programmed for military construction beginning in 2005 and into the future. Past experience has shown that those increases in the out years seem to disappear as it gets closer to the submission of the budget. Is the DOD goal of 2007 realistic and achievable?

Answer. Although current funding levels do not permit us to achieve DOD's goal of 2007, we still foresee continuing with an extremely robust military construction program each year until our barracks modernization campaign is complete. Programmed outyear levels provide funding for 91 percent of all barracks by fiscal year 2007 and 98 percent by fiscal year 2008.

Question. Would you also comment on the likelihood of realizing future funding increases for MILCON?

Answer. The Army anticipates MILCON funding at the increasing levels shown in the Future Years Defense Program.

Question. Several of you are assessing the issue of privatizing military barracks and dormitories. Have you worked out the financial issues associated with this proposal and how would the office of management and budget (OMB) score these proposals?

Answer. The Army is currently studying the privatization of troop barracks at a couple of locations. DOD has not yet worked out the financial issues and we await a decision by OMB on whether mandatory assignment to barracks is a "scorable" event.

Question. Has the OSD provided the services guidance on privatization?

Answer. The authorities of the Military Housing Privatization Initiative (MHPI) permit the inclusion of unaccompanied housing in the Residential Communities Initiative (RCI) for The Army. As a result, we have asked OSD to develop a Departmental position, coordinated with OMB, for interpretation as to whether or not this mandatory assignment policy is a "scorable" event. We are awaiting final guidance from OSD on this issue.

Question. What are the major cost concerns that will potentially impact this initiative?

Answer. In view of the substantial investment the Army has made in modernizing barracks, the major concerns that impact this initiative are securing adequate funding for the Basic Allowance for Housing/Basic Allowance for Subsistence (BAH/BAS), potential scoring requirements, and continuing with RCI without diverting attention from our family housing effort.

RECAPITALIZATION RATE

Question. With the funding proposal in the 2004 budget for MILCON how does that impact your recapitalization rate? How does that compare to last year's rate?

Answer. The funding proposed in the 2004 budget provides a recapitalization rate of 144 years. Last year's rate was 123 years. Our fiscal year 2004 recapitalization rate is higher than last year, and is the best we could do given competing requirements.

Question. Gentlemen, there have been a lot of promises made over the past 2 years regarding revitalizing our defense facilities. Are we back to business as usual neglecting our facilities?

Answer. No. The Army was not able to meet all its objectives for facilities in the fiscal year 2004 Budget. We will continue to emphasize sustainment funding to halt the deterioration of our facilities and to fund our facilities strategy in the fiscal year 2005 Budget. Additionally, we are exploring and implementing alternatives to traditional funding, such as Residential Communities Initiative (RCI) and the Army Reserve Real Property Exchange (RPX) program.

Question. What are your long-term plans to reach the department's proposed recapitalization rate of 67 years? When will that happen? I worry about the message we send our young soldiers, airmen, and sailors as well as their families, about the condition of the facilities in which they live, work and train—especially as we try to retain them. How does the condition of your infrastructure relate to the services' goal of recruitment and retention?

Answer. At current funding levels, we achieve 70 years in 2008. Soldiers and families see the Army's commitment to barracks and family housing improvements. The overall condition of our facilities is a C-3 quality rating, impairing mission performance. The potential impact of infrastructure condition on our soldiers and their families has been recognized and is included in the on-going development of the Army Well-being Status Report to be completed September 2004.

INSTALLATION READINESS

Question. I understand that all three services rate the readiness of their infrastructure on a scale of C-1 to C-4. It appears that C-1 indicates only minor deficiencies with negligible impact on capability to support missions. I was disturbed to find out that such a large percentage of your overall facilities are rated C-3 or worse. How does that impact on mission readiness?

Answer. An installation and its facilities exist to support training, power projection, and to provide community support to soldiers, civilians and their families. Low quality and quantity of facilities adversely impact the accomplishment of these missions.

The overall condition rating of C-3 for Army facilities worldwide indicates significant facility deficiencies that prevent performing some missions in the manner they should be executed. The Army will complete its missions with facility workarounds, which result in degraded operations and increased costs.

For example: Our motor pools have not kept pace with our equipment. At many locations, maintenance on vehicles is performed outside in the rain, mud and cold weather. Clearly, there are days where maintenance cannot be performed. Overhead cranes are not available and another tactical vehicle is used to hoist engines out of a vehicle under maintenance.

Question. What would be the bill to bring all of your C-3 and C-4 facilities to at least C-2? What is the associated timeline?

Answer. The cost to bring all C-3 and C-4 facilities to an overall C-2 condition across the Army is \$10.2 billion. Realistically, it is achievable in 2023.

Question. I note that the services have goals to improve your facilities to C-1 by the end of the decade. Is this realistic based on current funding projections?

Answer. The Army, under the Focused Facility Strategy (FFS), plans to bring a focused group of facility types to a C-1 quality rating. By focusing on selected facilities, we concentrate our efforts on the worst facilities with the highest overall cost and impact on soldiers. The focused facility types are: Vehicle Maintenance Shops and Supporting Hardstand; Trainee Barracks and Complexes; Physical Fitness Facilities; General Instruction Classrooms; National Guard Readiness Centers; Army Reserve Centers; and Chapels. By raising these facilities to a C-1 rating, the overall average rating across the Army would be C-2. Realistically, it is achievable in 2023.

FAMILY HOUSING PRIVATIZATION

Question. With regards to privatization, I understand that some of these contracts are for 50 years and beyond. What happens when one of our family housing contractors goes out-of-business or does not fulfill its commitments?

Answer. Either the failure to fulfill contractual commitments or bankruptcy by an entity that has contracted with the Army housing privatization partnership is an event of default under the respective agreements. One of the available remedies after default is the right to terminate the agreement. Once terminated, the partnership can freely contract for the services from another party. As to the developer partner itself, insolvency triggers an option by the Army, and other partners if any, to buy out the insolvent managing member's partnership interest. There are also provisions for the Army to remove the managing member for cause.

Question. There seems to be a growing emphasis on privatizing more housing in a shorter period of time. Are there concerns that moving too quickly on such major procurement contracts could lead to future problems?

Answer. The Army's housing privatization process is designed to partner with nationally recognized property development/management and financial firms with the experience and capability to build, renovate, maintain, and operate family housing, while minimizing the probability of future problems. Additionally, the business agreements negotiated with the private sector firms provide a framework for resolving issues and problems, and are structured in a manner to protect the interests of the government. The Army also is designing and implementing a portfolio and asset management process that will ensure oversight of the agreement to monitor operational compliance and financial health of the partnership.

QUESTIONS SUBMITTED BY SENATOR TED STEVENS

TRANSFORMATION

Question. I understand that The Army is moving forward with the fielding of the Stryker brigades. I also understand that there are significant MILCON requirements associated with each of the six brigades. Are all of those requirements funded or programmed for the first four brigades?

Answer. Yes. When the fiscal year 2004 budget was developed, all validated critical Stryker Brigade Combat Team (SBCT) requirements were funded. Since that time, we have continued to refine military construction requirements and are presently reviewing emerging requirements that are in the validation process.

Question. What about the MILCON requirements for the Hawaii and Pennsylvania brigades?

Answer. The proposed projects in Hawaii and Pennsylvania are required to support both the legacy force requirements that are currently not being met and transformation.

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

ANTITERRORISM/FORCE PROTECTION FUNDING PLAN

Question. It is my understanding that funding previously approved by the Committee for Antiterrorism/Force Protection (ATFP) is not finding its way to the reserve components. Could you provide the Committee with your funding plan for ATFP?

Answer. As it pertains to military construction force protection projects, the Army National Guard has validated requirements of \$1.952 million in fiscal year 2004 for planning and design of future year construction of antiterrorism/force protection related projects. In addition, each military construction project routinely incorporates all necessary antiterrorism/force protection features. These requirements are funded as part of the military construction project. The Army National Guard continues to work with the active Army to further validate their increased force protection requirements.

The Army Reserve has not identified any requirement for military construction projects that are exclusively for antiterrorism/force protection. However, each military construction project incorporates all necessary antiterrorism/force protection features. The Army Reserve antiterrorism/force protection projects at existing facilities will be funded with Operations and Maintenance, Army Reserve appropriations.

BRAC CLEANUP PROGRAM

Question. The Army's fiscal year 2004 BRAC budget request is \$66.4 million, a 56 percent reduction from fiscal year 2003. I will ask you the same question I have asked your colleagues. How much money above the budget request could the Army execute in fiscal year 2004 to expedite its BRAC cleanup program?

Answer. The fiscal year 2004 budget request of \$66.4 million (\$57.3 million for environmental cleanup) allows us to achieve our restoration and disposal goals, within Army priorities, and in support of community reuse of the remaining BRAC installations.

Question. Did you request a higher level of funding from the Defense Department?

Answer. No. The Department of Defense supported the Army's request for BRAC funding in fiscal year 2004.

QUESTIONS SUBMITTED TO NELSON GIBBS

QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

BARRACKS/DORMITORIES

Question. I understand that all three services are working toward the elimination of inadequate permanent party barracks by 2007. The success of that program will be largely dependent on significant funding increases that the Army, Navy and Air Force have programmed for military construction beginning in 2005 and into the future. Past experience has shown that those increases in the out years seem to disappear as it gets closer to the submission of the budget. Is the DOD goal of 2007 realistic and achievable? Would you also comment on the likelihood of realizing future funding increases for MILCON?

Answer. With the Military Construction (MILCON) funding we have programmed for 2006 and 2007, our plan to eliminate inadequate permanent party dormitories by 2007 is a realistic and achievable goal. This funding is subject to change, however, depending on overall Air Force total obligation authority in those program years, balanced with other, emerging Air Force requirements. The Air Force MILCON future years defense plan shows funding streams currently anticipated for facility restoration and modernization. In each budget cycle the Air Force will use available MILCON dollars to fund the most urgent requirements.

Of significant note, the military construction portions of the budgets we submitted in fiscal years 2003 and 2004 were larger than what we had programmed in prior-year forecasts. In the last 2 years, we have done a good job protecting and building upon our projected MILCON budgets. We are hoping to continue this trend as we build our programs for fiscal years 2005, 2006, and beyond.

Question. Several of you are assessing the issue of privatizing military barracks and dormitories. Have you worked out the financial issues associated with this proposal and how would the Office of Management and Budget (OMB) score these proposals? Has the OSD provided the services guidance on privatization?

Answer. The Air Force is still identifying and reviewing the different financial issues involved with privatizing military dormitories. We have identified key areas we feel will require an Office of Management and Budget (OMB) ruling, to ensure the projects remain feasible as privatization projects. These key areas include assignment of members to quarters, provision of basic allowance for housing directly from the Air Force to the developer on behalf of the member, and signing of individual leases (whether or not they are necessary, and how the project would score if they are not required). The Navy has already broached some of these questions to OSD for an OMB ruling. The Air Force is waiting for this information back and will frame new questions if required. OSD has not provided specific dormitory privatization guidance at this time.

Question. What are the major cost concerns that will potentially impact this initiative?

Answer. The Air Force has some cost concerns that could potentially impact the initiative.

The full value of basic allowance for housing applied from all dormitory tenants could bring too much cash flow to the project, making it financially unattractive for the government. The Air Force is looking into ways to counter this concern, possibly through payment of only a partial amount of the occupants' basic allowance for housing, or by drawing off excess funds from the project via the ground lease.

We are also concerned about the ability to obtain reasonable financing, due to the potential risk inherent in dormitory privatization projects. These risks include allowing access to installations' interiors to non-military dorm residents, a limited list of other eligible tenants, and a lack of strong secondary market for these types of units.

RECAPITALIZATION RATE

Question. With the funding proposed in the 2004 budget for MILCON how does that impact your recapitalization rate? How does that compare to last year's rate?

Answer. MILCON funding levels in the fiscal year 2004 President's Budget Request support a 180-year recapitalization rate. The fiscal year 2003 recapitalization rate was 284 years, based on the fiscal year 2003 President's Budget Request, and 195 years based on the fiscal year 2003 enacted budget.

Question. Gentlemen, there have been a lot of promises made over the past 2 years regarding revitalizing our defense facilities. Are we back to business as usual neglecting our facilities?

Answer. We are not neglecting our facilities. The portion of the Air Force fiscal year 2004 budget request dedicated to facility investment (MILCON; Operations and Maintenance (O&M) facility sustainment, restoration, and modernization; and military family housing construction, improvement, and O&M) is the largest in more than a decade.

We still have much work to do. Reaching our 67-year recapitalization rate goal and eliminating our critical restoration and modernization backlog (developed over years of underfunding) will require us to continue and increase this level of investment in the future. We are doing that with the funding we have programmed in the future years defense plan.

Question. What are your long-term plans to reach the department's proposed recapitalization rate of 67 years? When will that happen?

Answer. The Air Force continues to program funding to meet the Department's 67-year recapitalization rate goal. Over the long term, the Air Force targets recap-

talization of facilities and infrastructure in the Military Construction and Operations & Maintenance (Restoration & Modernization) programs. The Air Force fiscal year 2004–2009 future years defense plan puts us on a trajectory to meet the 67-year recapitalization rate goal by fiscal year 2008.

Question. I worry about the message we send our young soldiers, airmen, and sailors as well as their families, about the condition of the facilities in which they live, work train—especially as we try to retain them. How does the condition of your infrastructure relate to the services' goal of recruitment and retention?

Answer. The quality of our facilities, infrastructure, and communities sends a direct signal to our men and women regarding the value we place on their service. Quality of life initiatives acknowledge the increasing sacrifices our airmen make in support of the Nation and are pivotal to recruiting and retaining our best. When our members deploy, they want to know that their families are stable, safe, and secure. Their welfare is a critical factor to our overall combat readiness, and our family housing program, dormitory program, and other quality of life initiatives reflect our commitment to provide them the facilities they deserve.

INSTALLATION READINESS

Question. I understand that all three services rate the readiness of their infrastructure on a scale of C–1 to C–4. It appears that C–1 indicates only minor deficiencies with negligible impact on capability to support missions. I was disturbed to find out that such a large percentage of your overall facilities are rated C–3 or worse. How does that impact mission readiness?

Answer. Installations' Readiness Report ratings indicate how well facilities are supporting the mission. C–3 and C–4 ratings can coincide with the preclusion or shutdown of a mission, but are more of an indicator of increased risk and potential for adverse mission impact.

For example, in our Operations and Training facility class, degraded airfield pavements pose risk of aircraft engine and structural damage from loose pavement pieces, impacting everything from basic airfield operations to day-to-day aircraft maintenance. Inoperative fuel hydrant systems force us to refuel by truck, increasing the workload for maintenance and supply personnel. Other examples of deficiencies that impact mission readiness include obsolete airfield lighting systems, inadequate training facilities, and deteriorated/inadequate drainage systems.

Question. What would be the bill to bring all of your C–3 and C–4 facilities to at least C–2? What is the associated timeline?

Answer. The cost to bring our facility classes to a C–2 status is approximately \$24 billion. This amount is comprised of \$13 billion in Military Construction requirements, \$5 billion in military family housing requirements, \$3 billion in operations and maintenance requirements, and \$3 billion in requirements funded from other sources (i.e., host nation funds, non-appropriated funds, Defense Logistics Agency funds). Based on current funding projections we would eliminate all C–3s and C–4s by 2014.

Question. I note that the services have goals to improve your facilities to C–1 by the end of the decade. Is that realistic based on current funding projections?

Answer. Our goal (based on the fiscal year 2004 Defense Planning Guidance) is to restore the readiness of existing facilities to at least C–2 status, on average, by the end of fiscal year 2010. Based on current funding projections, it is realistic that we will meet this goal.

We are concurrently targeting our investment to eliminate all C–3 and C–4 rated facility classes. Based on current funding projects (and extending them beyond fiscal year 2009 . . . our farthest-reaching funding projection), we expect to eliminate all C–3 and C–4 rated facility classes by 2014.

FAMILY HOUSING PRIVATIZATION

I want to compliment the military departments for improving military family housing for our service members. Through buying down the military member's out-of-pocket expenses for housing costs as well as eliminating inadequate housing units through military construction and privatization—you are making great progress. I am particularly proud of the fact that our state is leading the way with more housing privatization projects awarded at Texas military installations than any other state with six private-public partnerships (Nas Corpus Christi, Lackland Air Force Base, Dyess Air Force Base, Nas Kingsville, Fort Hood and NC South Texas) or 33 percent of the total projects awarded within the Department of Defense.

While housing revitalization is a good news story for our military families, I am concerned with the message being sent to our service members with the budget proposal to cut impact aid funding for the education of soldiers', sailors', airmen and

marines' children and I've spoken to the administration about my concerns. A total of 1,300 school districts across the nation receive impact aid funding to pay the salaries of teachers, purchase textbooks and computers and pay for advanced placement classes among other things. Cutting this funding sends a negative message at a time when we are promoting quality education for all children and sending their mothers and fathers into harm's way in the Persian Gulf region and around the world.

Question. With regards to privatization, I understand that some of these contracts are for 50 years and beyond. What happens when one of our family housing contractors goes out-of-business or does not fulfill its commitments?

Answer. We exercise tight control over the project through portfolio management after award, wherein we closely monitor the financial health of the project throughout the 50 years. Any necessary adjustments to factors, such as occupancy and debt coverage ratio, can be made on a routine basis. In the event the developer defaults on the project despite these controls, the lease and lockbox account agreements will protect the government interest.

None of the project income goes directly to the developer, but is collected in lockbox accounts controlled by a lockbox agent over whom the Secretary has significant control. These monies are protected and will be used to operate, maintain, and repair the property until another lessee can be brought in to manage the property or the government takes control over the project. The construction and permanent lenders also exercise a great deal of control over the project to ensure the success of the project and to protect their investment.

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Question. There seems to be a growing emphasis on privatizing more housing in a shorter period of time. Are there concerns that moving too quickly on such major procurement contracts could lead to future problems?

Answer. We have developed a rigorous privatization project schedule. Based on the lessons learned from the five projects we have closed to date and the well-defined and well-refined process we have developed, we are confident we are not moving too quickly.

The 27 privatization projects we have planned through fiscal year 2004 include six that are in active solicitation. We maintain centralized control through our execution agent, the Air Force Center for Environmental Excellence, and decentralized execution of the projects through six major commands and their five privatization support contractors. Our resources include a proven generic request for proposals, well-defined source selection process, experienced privatization support contractors, and definitive known housing requirements, which will ensure success of our process.

QUESTIONS SUBMITTED BY SENATOR TED STEVENS

C-17 AIRCRAFT IN ALASKA AND HAWAII

Question. I understand that the Air Force is proceeding with their mobility force structure plan which will station C-17s in Alaska and Hawaii. Are all of the required military construction requirements in either the budget or the Air Force's future year defense plan?

Answer. The Air Force is still reviewing and validating all future Military Construction requirements to beddown C-17s at Elmendorf AFB, Alaska, and Hickam AFB, Hawaii. Our fiscal year 2004 budget request includes \$63 million for C-17 beddown at Hickam AFB. The future years defense plan includes \$310 million in fiscal years 2005-2009 targeted for C-17 beddown at several locations, including Elmendorf AFB and Hickam AFB.

We have approximately \$120 million in requirements not included in the future years defense plan. Until our construction requirements review is complete and we program specific projects in the future years defense plan, we will not know what portion of the unfunded requirement is for Hickam and Elmendorf. We expect to have our review complete later this year.

Question. What is the timeline to field those aircraft in Alaska and Hawaii?

Answer. C-17s will arrive at Elmendorf AFB, AK, beginning in the 3rd quarter of fiscal year 2007 and ending in the 4th quarter of fiscal year 2007. Aircraft will arrive at Hickam AFB, HI, beginning in the 1st quarter of fiscal year 2006 and ending in the 3rd quarter of fiscal year 2006.

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

CORPORATE ADJUSTMENT

Question. The Air Force uses a “Corporate Adjustment” model for the allocation of the military construction funds. First, could you briefly explain what “Corporate Adjustment” is and whether, in your opinion, this model adequately meets the needs of the Air National Guard and the Air Force Reserve?

Answer. The Air Force corporately prioritizes its Military Construction (MILCON) requirements. We do this by integrating the results of our MILCON scoring model (which includes Major Command priorities) with must-pay requirements (i.e., environmental compliance requirements and planning and design funds), projects necessary to beddown new weapon systems, and crosscutting corporate priorities (called “Corporate Adjustments” . . . e.g., dormitories and fitness centers).

This results in a final integrated priority list (IPL) that balances the Air Force’s overall construction needs with available resources to best meet overall Air Force needs (as well as the needs of the Major Commands, the Air National Guard, and the Air Force Reserve).

Question. Do you believe that the fiscal year 2004 request for the Guard and Reserve, which represents respectively a 70 percent and a 34 percent decline from the enacted fiscal year 2003 level, adequately funds the Air Force Guard and Reserve?

Answer. We believe the fiscal year 2004 request properly balances construction requirements with available resources.

When compared to the fiscal year 2003 President’s Budget request, the Air Force Reserve fiscal year 2004 request of \$44.3 million is 13 percent greater than the fiscal year 2003 request of \$39.1 million. Similarly, the Air National Guard fiscal year 2004 request of \$60.4 million is 11 percent greater than the fiscal year 2003 request of \$54.2 million. Comparing the fiscal year 2004 President’s Budget Request to the fiscal year 2003 enacted budget skews the comparison to something of an apples-to-oranges comparison. Congressional inserts make the fiscal year 2004 request less than the fiscal year 2003 enacted amounts.

CORPORATE ADJUSTMENT

Question. And for the record, could you give us a breakout, by number of projects and by total cost, of what each MAJOR COMMAND received as a “corporate adjustment?”

Answer. The following table shows the number of “corporate adjustment” projects, and total cost, each Major Command would receive in fiscal year 2004.

[Dollars in millions]

Major Command	Number of Projects	Project Cost
11th Wing (Bolling AFB)	1	\$9.3
Air Combat Command (ACC)	6	26.2
Air Education and Training Command (AETC)	5	104.8
Air Force Materiel Command (AFMC)	3	55.3
Air Force Reserve Command (AFRC)	3	10.3
Air Force Special Operations Command (AFSOC)	0	0.0
Air Force Space Command (AFSPC)	1	7.0

[Dollars in millions]

Major Command	Number of Projects	Project Cost
Air Mobility Command (AMC)	2	10.8
Air National Guard (ANG)	2	13.0
Pacific Air Forces (PACAF)	6	83.7
United States Air Forces Europe (USAFE)	16	102.2

MILCON RECAPITALIZATION RATE

Question. Based on the fiscal year 2004 budget only, and ignoring for now the out-year funds which may or may not be there, what is the MILCON recapitalization rate for the Active Duty Air Force, the Air National Guard and the Air Force Reserves for fiscal year 2004?

Answer. The Air Force recapitalization rates based on the fiscal year 2004 budget request are:

	Years
Active	183
Air National Guard	170
Air Force Reserve	141
Total Force	180

BRAC

Question. Over the past 2 years, this committee has significantly added to the amount requested by the services for environmental clean up from the previous four rounds of BRAC. Now, we are faced with another upcoming BRAC initiative, yet we still fail to fully address the previous cleanup necessary. This year the Air Force request for BRAC environmental remediation and caretaker costs is \$198.7 million.

Answer. The fiscal year 2004 Air Force BRAC environmental remediation and caretaker cost is \$200.7 million; the budget authority request is \$198.7 million and \$2 million is from fiscal year 2002 inflation savings. The Air Force appreciates the subcommittee's support to fund the environmental cleanup program.

Question. Did you seek a higher level of funding for BRAC environmental remediation in your budget submission to the Office of Secretary of Defense?

Answer. No. The Office of Secretary of Defense supported full funding of our fiscal year 2004 budget submission for BRAC environmental remediation.

Question. Would additional funding help to expedite the Air Force BRAC environmental clean up program?

Answer. While the fiscal year 2004 request reflects our requirements additional funding would allow us the opportunity to expedite cleanup requirements currently planned for future years.

MC CLELLAN AFB

Question. As you are aware, the former McClellan Air Force Base in Sacramento, CA, continues to be a high priority environmental remediation activity for the Air Force. However, persistent funding shortfalls have dramatically impacted the Air Force's own cleanup schedule and scope of activities. I understand that the required McClellan funding for fiscal year 2004 is nearly \$42.0 million and that the Air Force has communicated to the community a commitment of \$30.0 to \$40.0 million per year to be spent on remediation at McClellan over the next 5 years. Is that, in fact, correct?

Answer. The Air Force's fiscal year 2004 budget request includes \$38.1 million for McClellan. Our current plans include approximately \$200 million for McClellan over the next 5 years.

Question. In addition to the larger cleanup effort, I am particularly concerned with the dilapidated condition of the sewer line at McClellan that continues to significantly impede economic redevelopment at the base. As you know, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) prohibits transfer of the sewer line and adjacent property from the Air Force to the McClellan site developer until the contamination is evaluated and remediated by the Air Force. The estimated cost of that effort is \$20.0 million over 3 years. Currently, the community and developer are investing \$20.0 million of their

own funds to install a new sewer line. I understand that concurrent remediation and sewer installation projects could reduce costs to both the Air Force and the site developer. I would encourage the Air Force's support for a concurrent effort and would request the Air Force's estimate of the funding needed for the project in fiscal year 2004.

Answer. We understand the County's desire to replace the sewer system in order to support redevelopment. This accelerates the need for the Air Force to address contaminated soils that will be removed as part of the project. We are currently working with the County to establish a cooperative agreement for the Air Force cost share that pertains to the handling and disposing of contaminated soils. The County estimates the Air Force share for fiscal year 2004 is \$7 million. Funds for the Air Force's share will come from those already budgeted for McClellan's environmental cleanup unless additional funds are provided for this effort.

AIR FORCE BRAC ENVIRONMENTAL FYDP

Fiscal year	Dollars
2004	175.6
2005	127.7
2006	116.4
2007	112.5
2008	119.1
2009	114.4

While the Air Force is fully funded in fiscal year 2004, we have requirements identified in fiscal year 2003 that currently would be addressed in fiscal year 2005/2006. The Air Force could execute an additional \$65 million in fiscal year 2004.

FYDP AND UNFUNDED PRIORITIES

Question. Would each of you provide the committee with a copy of your service's current FYDP and unfunded priorities by March 31?

Answer. The Air Force's fiscal year 2004 unfunded priority list and fiscal year 2004 MILCON unfunded priority list were provided to the SAC MILCON Subcommittee staff on March 13, 2003. The Air Force's MILCON and MFH FYDP lists were provided to the SAC MILCON Subcommittee staffs on April 8, 2003.

SUBCOMMITTEE RECESS

Senator HUTCHISON. I agree with you, and of course Senator Feinstein and I work so well together, and we all work with Senator Stevens and Senator Inouye, and we have wonderful staff, so I thank you for pointing that out.

Thank you.

[Whereupon, at 4:25 p.m., Tuesday, March 4, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

MILITARY CONSTRUCTION APPROPRIATIONS FOR FISCAL YEAR 2004

TUESDAY, MARCH 18, 2003

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

The subcommittee met at 10:02 a.m., in room SD-138, Dirksen Senate Office Building, Hon. Kay Bailey Hutchison (chairman) presiding.

Present: Senators Hutchison, Stevens, Burns, and Feinstein.

NONDEPARTMENTAL WITNESSES

STATEMENT OF JAMES C. BRYAN, CHAIRMAN, CHARLESTON NAVAL COMPLEX REDEVELOPMENT AUTHORITY

OPENING STATEMENT OF SENATOR KAY BAILEY HUTCHISON

Senator HUTCHISON. I am going to go ahead and call the meeting to order even though our first witness is not here. I want to go expeditiously forward, so what I think I will do is go straight to the third panel of community witnesses. Since only two of the three second panel members are here, I would like to just go ahead and ask our third panel to come forward, and I will make my opening statement as you are coming forward. That would be: Paul Roberson, who I see; James Bryan from Charleston, South Carolina; and Robert Leonard from Sacramento, California; and of course, retired Air Force Brigadier General Paul Roberson of San Antonio.

Good morning. I would like to call to order this hearing of the Subcommittee on Military Construction Appropriations. Today's hearing will examine the base realignment that resulted in nearly 400 base closures or realignments. Congress has authorized another round to begin in 2005.

BRAC has a worthy goal, to reduce the cost to the taxpayer of maintaining infrastructure that our military no longer needs. But achieving that goal is a complex and difficult challenge. Determining future requirements for military infrastructure is difficult at any time, but this is particularly so today. New threats to our country have emerged. Our military forces are undergoing an organizational and technological transformation. Political relationships with some of our traditional allies are changing while potential new allies are emerging.

All of these factors have implications for the size of our military force and where we put it. Making sensible decisions about closing

military facilities in the midst of this uncertainty will be difficult, and I am concerned about our ability to do it right.

Because of training constraints and changed geographic priorities, it is possible that some of the forces we have based overseas now could move home. It does not make sense to close facilities in the United States if we are likely to have to recreate them in a few years at a great expense.

BRAC also can be a wrenching process for local communities that host military installations. Base closures can have devastating effects on local economies. In some cases it can be really devastating; in other cases, communities have recovered well from the closures. The GAO noted in a report last year that as of October 2001, 130,000 jobs at major installations had been lost to BRAC, only 79,000 had been recreated. Whatever the economic effect is, the process is disruptive.

We have three panels today to help us understand this issue. The panel with which we will start is made up of people who have had real life experience in the communities, taking a closed base and turning it into something productive.

So with that, I want to ask my Ranking Member and friend Senator Feinstein for her remarks, and then we would like to hear from you.

STATEMENT OF SENATOR DIANNE FEINSTEIN

Senator FEINSTEIN. Thanks very much, Madam Chairman, and thank you for holding this hearing. Thank you, gentlemen, for being here today. I would like to put my full statement in the record, but I would like to make just a few comments.

On the assumption that we are going to have another BRAC round in 2005, it is my hope that we, just as the chairman has said, can avoid some of the pitfalls we experienced in the past. So I hope that what this hearing accomplishes is the elucidation of ways that we can minimize the economic upheaval for local communities and maximize our efforts to expedite the transfer of closed installations to local communities.

Now, the GAO calculates that the Defense Department has already spent over \$7 billion on BRAC environmental cleanup and will have to spend another \$3.5 billion to complete these cleanups. McClellan—and I want to welcome Mr. Leonard—is a case in point in California. Primarily because of delays due to environmental cleanup, the Defense Department has yet to transfer half of the total amount of excess base property. Half of the total amount of excess base property has not been transferred because of the need for environmental cleanup.

So cleanup from prior base closures is a very high priority issue, as you know, for me, and I think it has got to become a priority in evaluating the costs and reuse potential of future closures.

Now, Madam Chairman, one of the things that is happening—and this is a small diversion, but I think it is appropriate—in your State, in my State, and in 20 other States is the permeation of a chemical ingredient which was the primary ingredient in rocket propellants in munitions and explosives called perchlorate. Perchlorate has contaminated water supplies in 22 States from California and Colorado to Massachusetts and Maryland. It can impair

thyroid function and may well affect the physical and mental development of children.

The situation is particularly serious, gentlemen, in California. State health officials so far have detected the presence of perchlorate in 292 groundwater wells operated by 80 different water agencies. The problem is most severe in southern California, where 267 of the contaminated wells are located.

I have expressed my concerns in November of last year with letters to Secretary Rumsfeld and Administrator Whitman, Secretary Rumsfeld because the primary contractor and the primary user was the Defense Department and is the Defense Department. The Defense Department renounces any responsibility and I gather is going to renounce any liability, and I profoundly disagree.

I would like to introduce into the record three letters that I have sent. Another one is on the way that Senator Reid of Nevada and I will send to the Secretary, outlining the history of the facility at Henderson, Nevada, which was actually begun by the Department of Defense and then contracted to Kerr McGee, and what that perchlorate infusion from that facility has done in the State of California.

[The information follows:]

U.S. SENATE,
Washington, DC, November 27, 2002.

Hon. SECRETARY OF DEFENSE,
Department of Defense, Pentagon, Washington, DC 20301.

DEAR SECRETARY RUMSFELD: I am writing to bring your attention to the growing problem of perchlorate contamination in Southern California's groundwater supplies and to request that the Department of Defense provide clean-up funding through the Formerly Used Defense Sites program to eligible communities as soon as possible.

According to a recent report by the California Department of Health Services, perchlorate has been detected in 284 groundwater wells operated by 75 different water agencies throughout the State. Collectively these agencies serve 24.8 million people, representing 71 percent of the State's population. The problem is most severe in Southern California, where 267 of the contaminated wells are located.

The growing number of perchlorate contaminated wells is all the more alarming in the context of California's efforts to reduce its consumption of Colorado River water under the terms of the Quantification Settlement Agreement. While California water districts are working diligently to devise strategies to reduce the State's need for imported water, perchlorate contamination is threatening the native water supplies these agencies are relying upon to meet local needs. The Metropolitan Water District of Southern California estimates that in its service area alone, lost well production due to Perchlorate contamination could reach 57,000 acre feet annually.

The problem is particularly acute in the Inland Empire, where a seven mile long plume was discovered earlier this year in an area formerly occupied by the Army and several defense contractors involved in munitions manufacturing and storage. The plume, which is moving 2 to 3 inches per day, has contaminated 22 drinking water wells in western San Bernardino County, jeopardizing water supplies for approximately 500,000 local residents and businesses. Replacement water is generally unavailable due to lack of infrastructure and up to eight times more expensive than groundwater in the limited cases where it can be imported. Local officials have informed my staff that the problem is so severe that without Federal assistance, the region faces a very real possibility of water rationing or of having to supply customers with bottled water.

Because many of the contaminated sites in Southern California involve former defense facilities, the Department of Defense bears a special responsibility to help remedy the situation. I would appreciate hearing from you whether you intend to make FUDS funding available to assist in the clean-up of perchlorate contaminated wells in Southern California.

Thank you for you very much for your immediate attention to this important matter.

Sincerely,

DIANNE FEINSTEIN,
U.S. Senator.

U.S. SENATE,
Washington, DC, January 7, 2003.

Ms. CHRISTINE TODD WHITMAN,
Administrator, U.S. Environmental Protection Agency, Ariel Rios Building, Washington, DC 20460.

DEAR ADMINISTRATOR WHITMAN: Thank you for your prompt response to my letter of November 27, asking for the assistance of the Environmental Protection Agency (EPA) in cleaning up perchlorate contamination in California's water supply. While I appreciate the steps that your agency has taken on this issue to date, I request that the EPA accelerate clean up efforts to reduce perchlorate contamination in local groundwater supplies and in Colorado River water.

I want to stress the enormity of this issue and its importance to California. Perchlorate has already contaminated water supplies in more than 22 States, including California, where State health officials recently reported 294 groundwater wells have been impacted. Additionally, perchlorate has seeped into the Colorado River, which provides the drinking water for nearly 20 million people in Southern California, Nevada and Arizona.

It is currently estimated that 450 pounds of perchlorate leech into the groundwater near Henderson, Nevada each day, and that water then enters Lake Mead and the Colorado River via the Las Vegas Wash. The impact of this contamination is particularly devastating to California's water supply.

To address this issue, I convened a roundtable meeting on perchlorate contamination at the Metropolitan Water District headquarters on December 19, 2002. At that meeting, I was briefed on the scope and severity of the contamination from local, State, and Federal officials including Keith Takata, Superfund Division Director from U.S. EPA Region IX.

In my view, further efforts are needed to clean up perchlorate contamination as quickly as possible to protect the 20 million water users in Southern California and elsewhere who depend on the Colorado River for their drinking water.

To help accelerate clean up efforts, I urge the EPA to take the following actions:
Set a Federal drinking water standard for perchlorate as soon as possible.—While I understand EPA is currently evaluating whether to establish a drinking water standard, existing scientific research already strongly suggests that perchlorate can pose serious health risks, especially to pregnant women and children. Federal regulation is clearly warranted, and promulgation of national standards should help accelerate clean-up efforts.

Provide clearer guidance on goals for cleanup.—Nevada Division of Environmental Protection currently requires a cleanup goal of 18 ppb based on a memorandum from the U.S. EPA's Office of Research and Development (ORD) to Regional Administrators dated June 18, 1999. U.S. EPA's more recent risk assessment recommended a reference dose equivalent to a drinking water concentration of 1 part per billion (ppb). California's Office of Environmental Health Hazard Assessment revised the draft public health goal to a range of 2 to 6 ppb. Based on these recommendations, ORD should revise its interim guidelines and establish an appropriate standard goal more closely meeting the range adopted by California. Nevada and other States should be directed to immediately use the lower number adopted by California and other States.

Closely oversee clean up efforts in Henderson, Nevada.—U.S. EPA Region IX should ensure that all practicable steps are taken by Nevada Division of Environmental Protection to reduce the perchlorate load in Colorado River water supplies by intercepting the ground water as close to the Las Vegas Wash as possible and intercepting perchlorate contamination immediately adjacent to the La Vegas Wash.

Thank you very much for you consideration of this request. I appreciate your attention to this issue and hope that EPA will continue to work to reduce perchlorate contamination in the water supply.

Sincerely yours,

DIANNE FEINSTEIN,
U.S. Senator.

Senator FEINSTEIN. Now, I believe that the Defense Department is directly or indirectly responsible for the bulk of perchlorate contamination, and unless the Federal Government takes positive action we will be sticking many small communities with a huge problem they did not create. Frankly, this is not acceptable.

Madam Chairman, in your State a congressionally-mandated study is underway to assess perchlorate contamination in the Boss and Leon River watersheds from the Naval Weapons Industrial Reserve Plant in Madrid. Nine western Texas counties where the Department has tested rockets have recently found perchlorate contamination in their groundwater. I have gotten nothing but the most perfunctory responses. It's just not acceptable.

The Department has a responsibility and I believe you have a liability. So I do not intend to drop this subject. I intend to do everything I can in various bills to see that the Defense Department begins to deal with the problem that all of the evidence points has been created by that Department.

So I thank you, Madam Chairman.

Senator HUTCHISON. Thank you, Senator Feinstein.

With that, let me call first on Mr. James Bryan, the chairman of the Charleston Naval Complex Development Authority.

Mr. BRYAN. Thank you, Madam Chairman, Senator Feinstein.

In April 1996, the Charleston Naval Base received its honorable discharge.

Senator HUTCHISON. Let me just ask each of you if you would limit your remarks to maybe 4 minutes and then just summarize what you have and then we would like to ask some questions.

Mr. BRYAN. Okay, I will start again. In April of 1996, our naval base received its honorable discharge and embarked on a whole new life appropriate to the 21st century. As the organization charged with guiding the base in its new life, we recognized that our first and most important task was the creation of jobs. Today the facilities abandoned by the military are being reborn as viable economic assets. New jobs by the thousand are replacing those lost when the base was closed and the property is again becoming a resource for the benefit and enjoyment of South Carolina citizens.

Back in 1993 when base closure was announced, everyone was pronouncing doom and gloom for Charleston. Now I can say we are a success story because of the Government was not heavy-handed with its disposal procedure. We benefited from the cooperation of the U.S. Navy OEA and the fact that everything flowed through a no-cost economic development conveyance to the Charleston Naval Complex Redevelopment Authority.

There was no map to point the way to success. If property had been disposed of through a public sale or, worse, land banking, I am convinced that I would not be here today speaking of our successes. Thanks to the cooperation and assistance from Federal and State officials, I can currently report that we host 74 commercial and 10 Federal tenants at the naval complex.

The important thing is that they make up our naval complex family and contribute to the employment of 5,400 workers, a \$265 million annual payroll. Overall they pay more than \$141 million that has been spent on renovations, infrastructure, and improve-

ments, and unemployment in the immediate three-county area is actually lower than it was in 1993.

What I would like to do is just hit on some things that I think worked for the reconversion of this type property, starting with the no-cost economic development conveyance. We are a success story because the Government was not heavy-handed in its disposal procedure. We benefited from the cooperation of the U.S. Navy OEA and the fact that everything flowed through a no-cost economic development conveyance.

The no-cost economic development conveyance allowed us to address the deteriorated utilities and infrastructure without the additional burden of paying for the property that had been donated 100 years before. Even with agreed-upon zoning in place, a public sale to the highest offeror we believe is a recipe for disaster.

Interim leasing: To my knowledge, we have the only shipyard in America that has been successfully converted from public to private use.

Supplemental funding: Like many other State boards and agencies, our LRA was given no funding appropriation through the State Government. Thankfully, OEA funding was available initially to support the LRA office activities, and separate State legislation provided some additional funds through fees collected in the Charleston County area.

Federal grant assistance: Charleston has been successful in securing approximately \$38 million in grant funding from the U.S. Economic Development Administration.

The lease evaluation criteria and process: As a State agency, Charleston Naval Complex Redevelopment Authority was required to establish a tenant selection and approval process. Rather than going with the highest amount of rent offered, this process allowed our LRA to consider the number, quality, and type of jobs created.

Community effort: After the closure announced in 1993, rather than engaging in a prolonged fight against the decision, the citizens of Charleston took action and formed a regional development alliance to attract business and industry to the entire area.

I think, to touch on a few things that I think does not work under these scenarios: fighting the closure decision. Don't waste time, money, manpower trying to reverse the decision to close the facility. Rather, spend time and efforts on recovery.

I think a thing that does not work is allowing the Navy to retain the lease income. The newly-formed organization needs the moneys from the lease of these properties to operate and improve the infrastructure.

Another slight hurdle was the Navy's standard lease of 5 years does not work for someone that is willing to invest millions of dollars in a shipyard. So we were able to obtain some long-term leases along the way, 30-year leases I think, that helped with our success.

The McKinney Act was a tough one to deal with. Because of the type property that we have, I think every nonprofit organization that may touch the McKinney Act in one way or another, we have to deal with them before you can move ahead with the process of development or redevelopment.

PREPARED STATEMENT

The restoration advisory boards: We think that the LRA should be the one, the voice of the community. The LRA should be comprised of members of the community and the groups, not being fragmented and trying to protect turf. We feel like that was something that needs to be looked at in the future.

To save time, I will be willing to answer any questions now.
[The statement follows:]

PREPARED STATEMENT OF JAMES C. BRYAN

INTRODUCTION

For more than a hundred years, the North Charleston waterfront property known today as "the Navy Base" has played a defining role in our community. Through the 1800s it was the location of Chicora Park, an idyllic setting where the ladies and gentlemen of Charleston would arrive by trolley to picnic by the Cooper River. As the century turned, the property's character changed, and its importance was magnified many fold.

On August 12, 1901, the land was sold to the U.S. Government for the construction of a Navy yard. The property soon became a strategic keystone, and its docks the site of many an emotional farewell as young sailors went to sea to protect and defend the American way of life.

In April of 1998, the Navy Base received its honorable discharge and embarked on a whole new life appropriate to the 21st Century. As the organization charged with guiding the base into its new life, we recognized that our first and most important task was the creation of jobs. Today, facilities abandoned by the military are being reborn as vital, thriving economic assets. New jobs—by the thousands—are replacing those lost when the base was closed and the property is again becoming a resource for the benefit and enjoyment of South Carolina's citizens. Back in 1993 when base closure was announced, everyone was pronouncing doom and gloom for Charleston. Now I can say what many others are saying: closure of the Charleston Naval Complex will prove, in the long run, to be a good thing for our community. We are a success story because the government was not heavy-handed with its disposal procedure. We benefited from cooperation with the U.S. Navy, the OEA, and the fact that everything flowed through a no-cost Economic Development Conveyance to the Charleston Naval Complex Redevelopment Authority. There was no map to point the way to success, but we moved ahead. Senator Fritz Hollings has been a true champion of the project, helping to secure funding when it was most necessary. If this property had been disposed of through a public sale or worse, land-banking, I am convinced that I would not be here reporting on our success.

Thanks to cooperation and assistance from Federal and State officials, I can report that we currently host 74 commercial and 10 Federal tenants at the naval complex. The important thing is that they all make up our naval complex family and contribute to the employment of 5,400 workers with a \$265 million annual payroll. Overall today, more than \$141 million has gone into renovations and infrastructure improvements and unemployment in the immediate three-county area is actually lower than it was in 1993. Hopefully, you all have a copy of our annual report that was produced last year. It contains all of the statistics and some great success stories about our tenants. There are many great stories to tell. Earlier this year, landmark legislation was passed that opened the door for the much needed State Ports Authority expansion at the naval complex. The RDA was directed by State law to turn over the leased shipyard and residential areas to the City of North Charleston and later transfer the southern end of the naval complex to the State Ports Authority for its expansion. With the continued cooperation and support from local governments and citizens, we believe that this magnificent property will serve as an economic engine for our State for many decades to come.

WHAT MADE US SUCCESSFUL

No-Cost Economic Development.—We are a success story because the government was not heavy-handed with its disposal procedure. We benefited from cooperation with the U.S. Navy, the OEA, and the fact that everything flowed through a no-cost Economic Development Conveyance to the Charleston Naval Complex Redevelopment Authority. The no-cost economic development conveyance allowed us to address the deteriorated utilities and infrastructure without the additional burden of

paying for property that had been donated 100 years before. Even with agreed-upon zoning in place, a public sale to the highest offeror, we believe, is a recipe for disaster.

Interim Leasing.—To my knowledge, we have the only shipyard in America that has been successfully converted from public to private use. By “playing the hand we were dealt” and using the interim-leasing option, we had an up and running shipyard 6 months prior to official closure of the base. Revenues from these leases allowed our LRA to gradually assume all of the Navy’s operations and maintenance of the Base.

Supplemental Funding.—Like many other State boards and agencies, our LRA was given no funding appropriation through State government. Thankfully, OEA funding was available initially to support LRA office activities and separate State legislation provided some additional funds through fees collected in Charleston County, but OEA funds eventually expired. While leasing income helped, it could not solely support operations and maintenance of the Base. Our LRA was successful in approaching the State legislature for funding under S.C.’s Rural Development Act, which provided us with the State’s withholding tax for each Federal activity payroll on the Base. This funding source expires in 2012, but provides around \$2 million annually.

Federal Grant Assistance.—Charleston has been successful in securing approximately \$38 million in grant funding from the U.S. Economic Development Administration. This funding has allowed and will allow our LRA to improve the dilapidated water, sewer and storm water systems left behind by the Navy.

Lease Evaluation Criteria and Process.—As a State agency, the Charleston Naval Complex RDA was required to establish a tenant selection and approval process. Rather than going with the highest amount of rent offered, this process allowed our LRA to consider the number, quality and type of jobs created, proposed use of the property, capital investment, and the financial strength of the proposal among other items. This legal process has served us well.

Community Effort.—After the closure announcement in 1993, rather than engaging in a prolonged fight against the decision, the citizens of Charleston took action and formed the Regional Development Alliance to attract business and industry to the entire area.

Create A Stewardship of the Entrusted Property.—Select capable people, with no personal agendas, to serve on redevelopment boards and authorities. Restrict public officials from serving. In every decision, the overall benefit to the property and the LRA must take priority over the desires and mandates of any particular voting precinct or political subdivision.

Staff.—Base Realignment and Closure is essentially real estate development with a healthy helping of politics and diplomacy. Hire an LRA staff with a strong background in real estate and supplement it with some congressional staff experience. An LRA staff member fluent in envirospeak should participate in environmental decision-making and attend every environmental clean-up team meeting.

WHAT DOESN'T WORK

Fighting the Closure Decision.—Don’t waste time, money and manpower trying to reverse the decision to close facility. Rather spend your efforts on recovery.

Allowing the Navy to Retain Lease Income.—A newly formed LRA needs the income from interim leasing to survive. Formulas that siphon lease money from the LRAs are counterproductive.

The Navy’s Standard Lease.—The standard lease itself wasn’t attractive to business and had to be renegotiated to allow some security for the commercial tenant. The term of the lease was entirely too short for substantial capital investment, and the Navy’s retention of lease income would have been an impediment to the LRA’s assumption of the operations and maintenance of the Base.

The McKinney Act.—This legislation has been changed, but it should be eliminated and communities given the right to make decisions about the presence of homeless or charitable agencies. Although this is a noble cause, its goals may not be compatible with the highest and best use of the property.

Resoration Advisory Boards.—The LRA should be the one voice of the community.

OTHER IMPORTANT POINTS

From the beginning, Federal and commercial tenants have been able to operate and cooperate as neighbors at the naval complex. The location of the Border Patrol to the naval complex was a clear winner. The majority of the agency’s \$28 million annual budget is spent locally. Since 1996, the Border Patrol has trained more than 8,000 agents at the academy.

One of only 14 in the nation, the passport office on the naval complex occupies a completely renovated facility where about 160 employees, almost all hired locally, process about 5,000 passport applications a day. This office alone represents an investment of \$9 million and the payroll pumps another \$7 million per year into the local economy. The 65,000 square foot office complex also serves as a training facility. A 92,000 square foot State Dept. financial services building is now in the works. It will be the "hub" of the department's financial systems and will employ an additional 250 workers bringing the State Dept. total to over 630 workers.

Other Federal tenants include DFAS (Defense Finance and Accounting Service—426 employees); NOAA (National Oceanic & Atmospheric Administration—125 employees); SPAWAR Systems Center—135 employees; and the U.S. Coast Guard with 312 staff and crew members.

Our first industrial tenant, Charleston Marine Manufacturing Company (CMMC) was in place literally within days. This company was formed out of two well-established Charleston companies, Detyens Shipyards and Metal Trades, Inc. CMMC officers signed a lease for one of the yard's largest facilities and, within a week, Detyens had 300 employees working in ship repair in the giant No. 5 drydock. CMMC President, Dick Gregory states that "the RDA did things that no one else had ever done. Companies had to prove viability and the condition was that the facilities had to be used." We all had the same objective: Put people back to work.

Almost immediately after the recovery of the H. L. Hunley submarine and its successful move to the unique freshwater tank in the Warren Lasch Conservation Lab at the Naval Complex, the Center became a major Charleston area tourist attraction. In just 3 months, the Center played host to some 26,000 visitors—a figure made all the more astounding by the fact that the visitors were only admitted on weekends. Many of the world's most renowned conservationists and archeologists attended a seminar held at the Center in 1999. Today, with a full-time staff of 21, including 11 respected international scientists, work continues to attract attention from around the world.

Senator HUTCHISON. Great. Thank you so much, Mr. Bryan.

General ROBERSON, when the light is green that is 4 minutes, and then when it turns red that is the end and if you could just summarize after that.

**STATEMENT OF PAUL ROBERSON, FORMER EXECUTIVE DIRECTOR,
GREATER KELLY DEVELOPMENT AUTHORITY, SAN ANTONIO,
TEXAS**

General ROBERSON. Thank you very much, Senator Hutchison. I appreciate the opportunity to be here, and it is a particularly great opportunity just to get a chance to see you and talk with you. Senator Hutchison has been a great advocate for all of our issues in Texas.

Kelly is a large part of my experience. Just for your background, it is a large maintenance depot, employed about 19,000 people, closed in the 1995 BRAC. I would tell you that the Air Force did a great job in managing that closure, moving all those very critical missions and caring with a lot of compassion for the 19,000 people that were affected by that closure.

But I would also tell you that redevelopment is hard work. For those of you who do not know, in 1995 I was two inches taller and had a full head of black curly hair. You can see what has happened to me in that time.

But we have learned some lessons from the Kelly experience. I was intrigued when Senator Hutchison said that only half the property has been transferred. In all the BRAC closures, it is certainly clear to me that transfer of the property as soon as possible is in the interest of the DOD to get it off its rolls and in the interest of the community so that redevelopment can continue.

We did an interesting thing at Kelly. We did a hot turnover, where even though they took 6 years to close the base, as they va-

cated specific premises we went ahead and had them turn it over. So we actually began redevelopment a year after the closure and it has been successful so far.

I think one of the reasons for success is the no-cost EDC. That was very important to us and had a big impact on our long-term business plan and it had a big impact on trying to negotiate loans for line of credits and capital projects from local banks. Not having that burden really helped us in those negotiations.

Facilities are a major problem for every community and what we find is that most military installations, the facilities are not in very good condition. In fact, at Kelly we had 5 million square feet of facilities that we have got to demolish. They are just basically not commercially reusable, and that is a big financial burden. It would be very helpful if there were a supplement to the BRAC fund to assist with demolition of facilities that are clearly unusable.

Utilities can be a nightmare, and I think that has been the case for most communities. They do not meet codes, there is no utility corridors, major upgrades are needed. Additionally, some special utilities that we had at Kelly like steam and compressed air were operated out of a central plant and that simply does not work when you have got individual tenants, maybe not all the facilities occupied. We are going to have to decommission that and set up individual systems in each facility. MILCON funds to address those kinds of issues would be very helpful.

The environmental issues are probably the most contentious. I personally have come to believe that negotiating a turnover of the cleanup to communities with the funding to go with it may be the most appropriate action, that it allows them to set priorities and schedules.

Access to capital is a major problem and it would be very helpful if DOD could or the Congress could implement a program like the small business loan program, where federally guaranteed loans could be available to communities to invest.

I think one of the glaring errors of past BRAC rounds has been the lack of an inter-service approach to BRAC. I personally believe that an inter-service approach—that certainly is true I think in the area of maintenance depots, which all the services have—could allow significantly greater savings than we have realized so far.

PREPARED STATEMENT

Finally, I would just like to say that I think there is an opportunity for partnerships in 2005. Unlike prior BRAC rounds, most communities and States recognize that DOD does have excess infrastructure and they recognize that we can be better off by partnering and cooperating and finding innovative ways to address those issues rather than going into a defensive crouch and trying to maintain the status quo.

I would be more than happy to answer questions as we go forward. I almost made it, Senator.

[The statement follows:]

PREPARED STATEMENT OF PAUL ROBBERSON

Good morning. My name is Paul Roberson—until recently, I was the Executive Director of the Greater Kelly Development Authority, the agency redeveloping Kelly

AFB (1995 closure/realignment) in San Antonio, Texas. My BRAC experience includes involvement in the San Antonio Community's response to both the 93 and 95 BRAC rounds. The BRAC 95 Commission selected Kelly AFB for closure/realignment. Since 1995, I have led the effort to redevelop Kelly. Additionally, through my association with the City of San Antonio and while serving on the Board of Directors of the National Association of Installation Developers, I have had extensive discussions with community leaders in other cities that have been faced with trying to mitigate the significant economic impact of base closure. I have also been active in assisting the State of Texas develop plans for the upcoming BRAC 2005. Thus, I have seen the BRAC process from several different perspectives, pre-BRAC and post-BRAC, public and private, local, State, and national.

Because my direct experience with military base transformation is largely related to the realignment of Kelly Air Force Base, arguably the most complex BRAC action ever undertaken by the Department of Defense or any community, many of my observations will be based on that experience. However I will also offer more general observations, particularly as they relate to the State of Texas, before I conclude.

For your background, Kelly was a large aircraft/aeronautical equipment maintenance Depot, with over 19,000 employees—mostly civil service, 62 percent of whom were Hispanic. As the largest employer in South Texas, Kelly had an enormous economic impact on the area. The conventional wisdom was that “there's no way they'll ever close Kelly”. The reality was that the Air Force had excess capacity in its depot structure and the BRAC Commission closed two of their five depots.

Since that fateful decision, the redevelopment of Kelly has been recognized by DOD and the private sector as one of the most successful military base transitions in the nation. In this regard, I would like to compliment the Air Force for the outstanding job they did in planning and executing the closure. The movement of a very complex and vital industrial mission was handled with minimal impact and with great care and compassion for the 12,000 people involved. This was not a trivial task. Perhaps, the factor that made this closure/realignment so successful was the spirit of cooperation and partnership exhibited by local leaders and Air Force officials. Within the constraints of law and mission essential interests, the Air Force made every effort to work with the Community to find solutions that supported the goals of redevelopment.

And this leads to my first observation: Communities and the DOD can be much more successful if they approach the BRAC process, both pre- and post-BRAC in a spirit of partnership and cooperation. On the Community's part, local leaders must recognize that DOD does, in fact, have excess infrastructure and many installations are excessively expensive to operate. In fact, communities/States can and should cooperate with DOD in finding solutions to these issues. DOD, on its part, should approach the 2005 BRAC with the goal of finding ways to achieve reduction of infrastructure/costs and simultaneously acknowledging the impact to local communities and the lack of sufficient resources to repair neglected infrastructure. Kelly is an example of this partnership after a closure/realignment decision. A pro-active example of this cooperative spirit prior to a BRAC round is the Brooks City-Base project in San Antonio. Although Brooks was not selected by the BRAC commission for closure in 1995, San Antonio's leadership recognized that Brooks was very costly to operate (Brooks was on the DOD's 1995 list of bases recommended for closure). Together with the Air Force, the City developed a concept to transfer ownership and responsibility for the land and infrastructure to the City. The Air Force leases back space they need for their missions, but no longer have to bear the infrastructure costs associated with owning the property. The City is now able to lease space and develop land and facilities to their best use. This could well be a model for partnerships for some installations and communities with similar circumstances.

At Kelly, we have learned that redeveloping a closed military base is really hard work—in fact, successfully transitioning an active military installation to a thriving industrial park may be one of the hardest jobs any community and its leadership can face. The most significant issues that made this so hard for Kelly—and my recommendations for your consideration for the 2005 BRAC—include the following:

Transfer of Property.—The earliest possible transfer of property serves the interests of the Community and the Service. At Kelly, the Air Force decided to take the full 6 years authorized by law to close the base. This made sense because of the size and complexity of the industrial aircraft maintenance mission. At the time, the Community agreed with this decision and rationalized that this would give us more time to implement the Community's vision for redevelopment. Fortunately, we did not wait for the base to be formally closed to begin redevelopment. Rather, we initiated an innovative “hot turnover” process whereby the Air Force transferred by lease, buildings and land as they vacated premises. Thus, the redevelopment actually began within a year of the closure decision. This process worked well, and in

effect we were receiving the property as rapidly as the Air Force could turn it over, even though the base did not formally close until 2001. As a general rule, turning over the property as soon as possible allows the community to get on with redevelopment and the Services to realize earlier infrastructure cost savings. Transfers should continue to be executed through the Local Redevelopment Authority as the primary representative of the community, unless there is an extraordinary, mutually agreeable reason to do it differently. As I said earlier, the property at Kelly was transferred by lease—in fact, no deeds will be transferred until environmental remediation actions are completed. Since some redevelopment “deals” go much more smoothly with deeds, this may delay redevelopment. I will address this issue in the section on Environmental.

No cost EDC.—I cannot emphasize strongly enough how important the no-cost EDC was to the successful transition of Kelly. By getting title to the property at no cost, the community can concentrate its limited financial resources on preparing the site for redevelopment. No-cost conveyances generally are completed quickly, getting the cost of maintaining the base off of DOD’s books. Prior to the no-cost EDC, it was not unusual for negotiations between the Service and the Community to drag on for years. This created a level of uncertainty that severely impacted redevelopment activities. The no-cost EDC also was a major factor in our successful negotiations with local banks for both line of credit and capital project loans. As a result, I strongly recommend continuation of the no-cost EDC, perhaps except where the value of the property is such that it is in the interest of the community, as well as the Service, to put the property up for sale.

Facilities.—Of the approximate 14 million square feet of buildings on Kelly, about half are available for redevelopment. The remainder was either retained by the Air Force/DOD or is in such poor condition they are not suitable for commercial use and must be demolished. Because the Air Force did not originally recommend closing Kelly (it was recommended for downsizing in place), they did not anticipate, nor program funds to realign certain missions. Consequently, several Air Force/DOD missions have remained at Kelly in facilities that the redevelopment agency was required to lease back to the military. This accounts for approximately 2.4 million square feet. As you might expect, these are some of the most modern and commercially marketable facilities. The folks at KellyUSA jokingly state that they are looking forward to the 2005 BRAC to close the rest of Kelly. The Air Force does plan to construct new facilities to relocate these organizations to Lackland AFB (which is adjacent to Kelly). While the primary objective of this plan is to consolidate all Air Force organizations on Lackland, the benefit to the community will be that many commercially useable buildings will be available for redevelopment. In this regard, I recommend support of funding requests for new construction at Lackland that are part of the Air Force’s fiscal year 2005 BRAC closure plan.

Approximately 5 million square feet of the 14 million square feet of facilities at KellyUSA are in such condition they have absolutely no commercial reuse value. We have demolished 1 million square feet of buildings and an additional 4 million square feet remain to be demolished. This demolition must be complete to clear the way for construction of new facilities that meet commercial market place standards. The cost of this demolition is a significant burden on the redevelopment budget.

Unfortunately, of the 6.6 million square feet of buildings that are available for reuse at Kelly, many require significant investment to make them commercially marketable. As a matter of fact, one of our large aviation tenants, Boeing, told me that the Air Force could do work in the facilities, but there was no way the Air Force would allow them to use the facilities to perform maintenance on Air Force aircraft. In this case, we had to find \$30 million in financing to upgrade the facilities and the ramp before the firm would agree to locate its repair function at Kelly.

Facilities issues are complex (like most things in BRAC) and contentious. However, I recommend that at the minimum, the BRAC account should be supplemented to provide funding for demolition of clearly unusable buildings and retrofits of useable facilities to meet local safety and health requirements. Additionally, a “pre-closure” assessment by a certified property assessment team needs to be made of the total demolition requirements, including their cost, and, concurrently, an estimated cost to make the remaining, marketable facilities code compliant.

Utilities.—One of the major issues that we faced at Kelly is that the centralized heating and cooling utilities were designed and constructed for operation across the entire base. For example, a single steam plant produced heat for a major portion of the buildings at Kelly. That concept worked well when the base was fully occupied by the Air Force. However, after the buildings were conveyed to GKDA, we did not have tenants in all of the buildings. There was simply no economically viable method to reduce the “output” of the system to that necessary to accommodate the needs of our tenants. Ultimately, the centralized systems will be abandoned in favor

of new stand-alone components in individual buildings. MILCON funds should be made available for redesign and modification of such utility systems to make them more commercially viable.

Records/Data.—Similar to the facility/demolition issue, a thorough pre-closure assessment of records, work orders, reports, maps, databases, warranties, maintenance logs, contracts, hardware and software products, utility bills, etc. would greatly benefit the community. In many cases there have been serious information gaps that create inefficiencies, unnecessary costs, and maintenance/construction problems. Full disclosure through accurate, field verified data on all facilities, utilities, contracts, and systems should be provided to the community upon announcement of closure/realignment.

Personal Property.—Personal Property includes all the machinery, tools, furniture, fixtures, and other equipment on the base. In the case of Kelly, this personal property consisted of literally hundreds of thousands of different items ranging from major engine test cells to individual hand tools. No community would argue with the fact that the DOD Components that are being relocated must take with them the personal property that is required for successful mission accomplishment. However, under the BRAC law provisions governing use of personal property, any other military installation can come to the BRAC base and “request” that personal property in excess of the needs of the relocating unit be transferred to them. The current BRAC statute should be amended to narrow the current exemptions placed on personal property to give the community priority for personal property required for redevelopment second only to the needs of the relocating unit.

Environmental.—In the case of Kelly, the environmental contamination of the facilities, land and groundwater was the result of many years of industrial uses that employed many toxic and hazardous materials such as solvents. Unfortunately, a significant volume of these contaminants ended up in the ground water below Kelly and has migrated for miles outside the fence underneath nearly 20,000 homes. The cleanup of this industrial waste has been the most contentious issue between citizens in the community and the Air Force. DOD, Congress and communities must continue to explore alternatives to the “traditional” approach toward cleanup. In many cases, it may be more advantageous to both the Federal Government and the local communities to transfer funds required for cleanup to the community and allow the community leadership to deal with its citizens and restore the facility to whatever level required by the community. Such a transfer would also allow the Community to set the priorities and schedules for the cleanup and expedite the transfer of deeds.

Access to Capital.—At Kelly, and at virtually all other BRAC sites, one of the major challenges, if not the major obstacle, to redevelopment is the ready availability of capital for investing in the construction of new buildings/utilities/streets, deferred maintenance and modernization of existing buildings or demolition of unusable facilities. I do not know of a single redevelopment authority that has not struggled with this issue. At Kelly, it is estimated that more than \$300,000,000 in investments will be required to modernize the infrastructure to commercially equivalent standards. In San Antonio, or any other community, it simply is not realistic for the redevelopment authority to look to the local taxpayers to carry the total burden for an investment of this magnitude. However, there may well be ways that Congress and the Administration could help in this area. A program similar to the Small Business Loan program should be developed whereby a community could obtain low interest financing from commercial lending institutions, with a Federal guarantee that the loans would be repaid. Perhaps the Small Business Administration with very little additional administrative cost could administer this program. The “risk” to the Federal Government would be minimal but the benefits to communities adversely affected by BRAC would be tremendous.

To summarize the Kelly experience, early transfer of the property; continuation of the no-cost EDC; access to funding for demolition/upgrade of key facilities and utilities; community friendly rules on personal property; transfer of responsibility and funding for environmental cleanup; and access to low cost, federally guaranteed loans would significantly enhance the Community’s ability to redevelop a closed/realigned base. I believe these lessons are applicable to any base selected for closure/realignment.

Let me now transition to more general observations based on my discussions with communities around the country and especially my experience within the State of Texas.

Role of States.—The role of State governments has varied around the country. Some States have played a much more active role than others. In Texas, the State did not take an active role in prior BRAC rounds. However, we anticipate the State will be very active in preparing for the 2005 BRAC, coordinating Communities’ ef-

forts and assisting Communities to work with the Military Departments in seeking ways to transform their installations into more cost effective operations. The point I would like to make is that, while the State of Texas wants to avoid closing bases, the attitude and approach is focused on partnering with DOD and finding ways to achieve mutual interests. This mindset is dramatically different than prior rounds when most States and Communities went into a defensive crouch and did not consider any alternative other than maintaining the status quo. Collectively, DOD, the Congress, and the States, need to figure out how to capitalize on this new attitude.

Interservice Opportunities.—One of the most glaring errors of prior BRAC rounds was the absence of an Interservice or Cross-Service approach. Depot level maintenance is a classic example. All the services perform this function and therefore there are great opportunities to improve productivity and reduce costs by consolidating these Depots on an interservice basis. Numerous other functional areas would benefit from the same approach. I realize that this is hard, but, if done correctly, an interservice approach to BRAC 2005 may well be more productive than the actions taken in all of the prior BRACs combined.

Pre-BRAC Assessments by Services.—In past BRAC rounds, there have been some serious mistakes. Within Texas the most glaring example was the closure of Reese AFB—a pilot training base. After Reese's closure it became painfully obvious that there was a shortage of pilot training capacity. While I am sure the Service and DOD were acting in good faith at the time, it is extremely important that the criteria used to determine which bases to close/realign are able to withstand close and aggressive scrutiny.

Partnerships.—Let me reiterate one more time the theme that I emphasized at the beginning. There is a great opportunity for DOD/States/Communities to partner and cooperate in seeking ways to transform military installations into more cost effective operations. In Texas, we are taking this approach. There clearly are going to be cases where an installation will be closed, but this should not destroy the partnership, rather, it opens up new opportunities for the Community and DOD to work together on ways to enhance the redevelopment.

Models for Pro-Active Initiatives.—Before I complete my comments, I would like to briefly outline three different models that have been developed in San Antonio. These models represent approaches to helping DOD transform their infrastructure.

KellyUSA.—Because of the unique facilities/runway at Kelly, we focused much of our marketing efforts to attract firms doing aircraft maintenance. Our successes include major maintenance operations by Boeing, Lockheed-Martin, and several other aerospace firms. In virtually all cases, these firms are doing depot maintenance under contract with DOD. Thus, Kelly has emerged as a private business park, with private business tenants performing depot level maintenance on military aircraft/equipment under contract with DOD. We understand the Air Force is very pleased with the significant cost savings over government depots. This is one model for bases selected for closure/realignment: privatize the mission (where appropriate) and conduct the privatized mission in facilities transferred to the community. The Service divests itself of infrastructure and associated costs; the work is performed at a reduced cost; and the community gets a "kick start" toward redevelopment.

Brooks City-Base.—Brooks has not been "BRACed", but San Antonio recognized that the base was expensive to operate. In partnership with the Air Force, the property and infrastructure have been transferred to the City, while the Air Force missions remained as tenants on City property. The City can now develop property not occupied by the Air Force for commercial purposes. While the Brooks City-Base is still in the early stages of development, the prospects are excellent. This model, or a variation of it, can be applied in a wide variety of situations.

Fort Sam Houston.—This historic Army Post is using the legislation authorizing "Enhanced Use Leasing" and a partnership with a private developer to lease vacant facilities on the Post. If successful, this would be another important model to transform military installations.

Senator HUTCHISON. You did make it, you did make it. And I certainly know of your efforts personally and I think you made the success by not fighting it, as you said, and hitting the ground running and being very creative.

But the environmental issues, just as Senator Feinstein said, are still there at Kelly and that is something we must clear up in the next BRAC round.

Mr. Robert Leonard from Sacramento, California.

STATEMENT OF ROBERT B. LEONARD, ASSISTANT DIRECTOR, SACRAMENTO COUNTY AIRPORT SYSTEM

Mr. LEONARD. Good morning, Senator Hutchison, Senator Feinstein, Senator Stevens.

Prior to assuming my current position as assistant director of the Sacramento County Airport System, I served as executive director of the Sacramento County Department of Military Base Conversion for 9 years. In that capacity, I led Sacramento County's efforts as the local redevelopment authority for Mather Air Force Base and McClellan Air Force Base.

Sacramento has become one of the most experienced communities in the country with military base conversion as we have dealt with three base closures. Mather Air Force Base, Sacramento Army Depot, and McClellan Air Force Base have each closed under the then-current BRAC process. Sacramento had a base in the first round of BRAC, that was Mather in 1988 announced closure, and in the last round of BRAC, 1995, with McClellan Air Force Base.

We have had first-hand experience and been a direct participant in the evolution of the BRAC process. Although the BRAC process and the forms of assistance and resources that have been provided to base closure communities have significantly improved over time—and I might add the tools also made available to the military services working with communities in base closure—I along with many others believe there is room for much improvement.

Some of the themes, the three themes that I want to touch upon, have been already briefly mentioned by Mr. Roberson: environmental remediation. As you are aware, the majority of BRAC sites have significant environmental remediation or cleanup needs that simply must be dealt with. LRAs, or local redevelopment authorities, must have certainty in site characterization, a remediation plan, and, most importantly, a remediation schedule and funding. These factors are most critical in the development of a realistic reuse plan and the attraction of private investment to support successful reuse and economic recovery.

Six years ago the estimated cost to clean up McClellan was approximately \$832 million and was projected to take 30 years. Today the cost is estimated to be \$1.3 billion and is anticipated to continue far beyond 2033. Approximately \$350 million has been spent to this date.

Although this is a long-term program, incremental progress on schedule is absolutely critical to support successful reuse. Over the past 2 years, Air Force appropriation requests for McClellan environmental programs have not been fully supported by the Department of Defense or Congress and as a result the cleanup schedule has been adversely affected. The achievement of critical incremental milestones in the remediation program has been delayed now 7 to 9 years and we see the impact of that compounding over time.

Adequate resources must be made available on an ongoing basis and in turn appropriately administered to maintain the remediation schedules. The consequences of not doing so again have a compounding negative impact on the successful reuse of McClellan, Mather, and any other base reuse location.

In the cases of both McClellan and Mather, there have been creative solutions to environmental remediation identified and pursued through the partnering of the county, the Air Force, and the environmental regulatory agencies which are a key player in this process also. It is not just the Department of Defense and the communities. These approaches have saved both time and money and we must continue to look for them as we deal with bases that are in the closing process and any future bases.

Infrastructure and code compliance, the second key theme I would like to touch upon. As we learned early in the base reuse process of Mather and was reinforced with McClellan, successful transition of infrastructure ownership and its operation are critical to both the closure of the facility by the respective service and also successful reuse of the LRA. The hot turnover concept, as was previously mentioned, was also applied at McClellan. This was a process that saw the infrastructure transition years before the base closure, which allowed the services to focus resources, specifically the Air Force, in getting the base closed and allowed us to bring reuse activities into the base.

No single element of infrastructure—water, sanitary sewer, electrical, natural gas systems, for example—can be overlooked. At essentially every closed military base that I am aware of, this basic infrastructure, which was never developed considering local, State codes, requires significant capital investment. The same also unfortunately applies to building codes.

The last area I would like to touch upon is the Federal property transfer process. That process has improved dramatically over time with the introduction of the economic development conveyance and then in turn the no-cost EDC. These tools were applied at both Mather and McClellan.

PREPARED STATEMENT

Although Sacramento County has no fears associated with future rounds of base closure—we do not have any more bases in our community—I would urge you to consider the no-cost EDC methodology for disposing of military property in the future.

Thank you.

[The statement follows:]

PREPARED STATEMENT OF ROBERT B. LEONARD

Good morning, Senator Hutchison, Senator Feinstein, and members of the Committee. My name is Rob Leonard. I am currently Assistant Director of the Sacramento County Airport System. The Sacramento County Airport System is comprised of Sacramento International Airport, Mather Airport, Sacramento Executive Airport, and Franklin Field. Prior to assuming this position I served as Executive Director of the Sacramento County Department of Military Base Conversion for 9 years. Sacramento County is the Local Redevelopment Authority for the former McClellan Air Force Base and Mather Air Force.

Sacramento has become the most experienced community in the country with military base closure and conversion as we have dealt with three base closures. Mather Air Force Base, the Sacramento Army Depot, and McClellan Air Force Base have each been closed under the Base Realignment and Closure Act (BRAC) process. Sacramento had a base in the first “round” of BRAC (1988) and also the last (1995) round of BRAC. We have had first hand experience and have been a direct participant in the evolution of BRAC process. Although the BRAC process and the forms of assistance and resources provided to base closure communities has significantly

improved over time, I along with many others, believe there was much room for improvement. My comments focus on three key areas:

Environmental Remediation

As you are well aware, the majority of BRAC sites have significant, environmental remediation or clean-up needs that simply must be dealt with. Local Redevelopment Authorities must have certainty in the site characterization, a remediation plan, and most importantly the remediation schedule and funding. These factors are most critical in development of a realistic reuse plan and the attraction of private investment to support successful reuse and economic recovery.

Six years ago the estimated cost to clean-up McClellan was approximately \$832 million and was projected to take 30 years. Today, the cost is estimated to be \$1.3 billion and is anticipated to continue far beyond 2033. Approximately \$350 million has been spent to this date. Although this is a long-term program, incremental progress, on schedule, is critical to support successful reuse. Over the past 2 years the Air Force appropriation requests for the McClellan environmental program have not been fully supported by the Department of Defense and Congress; and as a result, the clean-up schedule has been adversely affected. The achievement of critical milestones in the McClellan remediation program is now anticipated to be delayed by seven or more years.

Adequate resources must be made available on an ongoing annual basis and, in turn, appropriately administered to maintain remediation schedules. The consequences of not doing so have a compounding negative impact on successful reuse of both McClellan and Mather, or any other base reuse location.

In the cases of both McClellan and Mather there have been creative solutions to environmental remediation identified and pursued through the partnering of County, the Air Force, and the environmental regulatory community. These approaches have saved both time and money. We must continue to look for them and be open to them in the future.

Infrastructure and Code Compliance

As we learned early in the reuse process at Mather and was reinforced at McClellan, successful transition of infrastructure ownership and its operation is essential to support both the closure of a base by the military and also early reuse success of the Local Redevelopment Authority. The "Hot Turnover" of McClellan infrastructure over 2 years prior to base closure is a model of success compared to multi-year piecemeal experience at Mather.

No single element of infrastructure—water, sanitary sewer, electrical and natural gas distribution systems, and telephone for example, can be overlooked. At essentially every closed military base that I am aware of the basic infrastructure, which was never developed considering local or State code requirements or standards, requires significant capital investment. The same fact unfortunately applies to all buildings and structures. At McClellan the infrastructure and code compliance investment identified in the reuse plan is \$283 million. The equivalent requirement at Mather is approximately \$140 million. Sacramento County has benefited from Federal grants, primarily from the Department of Commerce Economic Development Administration, local and State investment, and also private sector investment but we still have a long way to go, over \$330 million at the two former bases in Sacramento County. A Federal low-interest loan program, in addition to existing grant programs, may be appropriate to support both the improvement and operation of infrastructure in the critical early years of reuse following base closure.

Property Transfer

The Federal "process" for disposal of surplus property at a closing military facility has substantially improved since the first round of BRAC. The introduction of the Economic Development Conveyance (EDC) followed by most recently the no cost EDC have made the Federal property disposal process much less painful for both the military service and the LRA. Although Sacramento County has no fears associated with a future round of base closures, I would urge you to consider the no cost EDC methodology for disposing of surplus military property in the future.

Senator HUTCHISON. Thank you very much.

Mr. DuBois, we went ahead and started and we will be through very shortly and call you.

Mr. DuBois. No problem.

Senator HUTCHISON. I know you had traffic problems.

I would like to just ask all three of you briefly. I think from what you have said there are a couple of factors that keep recurring. One is the land transfer and second the environmental remediation. It has been said, by the Department of Defense, that one of the problems is that a community will not reach the decision about what it wants to do with the property early enough that they can do a swift transfer and the correct environmental remediation.

All three of you I think said it was not a factor in your communities. But my question is how can we better help other communities who are going to face this not run into disagreements on land use that would cause them the delays that all of you have said would be devastating to your communities?

General ROBERSON. Senator Hutchison, the afternoon—you may recall, in fact, you were at the mission when it made the decision in 1995. That afternoon, the Mayor of San Antonio at the time appointed a communitywide group of people to plan a vision for the redevelopment of Kelly that represented all the aspects of the community. They worked for several months and put together a vision for the redevelopment of Kelly and, amazingly enough, that vision is still, in broad outline, what we are still working on today, several years later.

So I think the key to it is an early decision by the leadership of the community to get a broad involvement of the community and to try to hammer out a vision that everybody can buy into, and then use that as a blueprint for the future. If you do not do that, I think you can end up with the kind of debates and arguments that delay redevelopment over time.

Senator HUTCHISON. Any other comments?

Mr. BRYAN. I think in our case under the hot turnover scenario as we have all mentioned, early on Governor Carroll Campbell sort of put together what we call the BEST Committee, B-E-S-T, Building Economic Solutions—

Senator FEINSTEIN. Pardon me, could you speak directly into the mike. It's hard to hear.

Mr. BRYAN. I am sorry, I am sorry.

As I said, early on Governor Carroll Campbell put together a committee called the BEST Committee as a group of community leaders to look at this property and see what possibility it was best used for, and obviously after a year that plan was put together and it enabled us to have a hot transfer while they were still hammering out the cleanup, how that is going to occur, when it occurs.

At this point I think we have some 350 acres out of 1,500 that have been transferred and this process is still ongoing under the leasing scenario.

Mr. LEONARD. I would concur that I think the most important point is focused local leadership, and if you look at the successful case studies around the country where the local leadership has come together immediately following a closure announcement and, rather than turf wars erupting in disputes over who is in charge, bringing the local leadership together to focus in turn on a reuse plan and transition of the properties is absolutely critical.

There are case studies in California where you can see both success and near-failure all because of the focus in leadership.

Senator HUTCHISON. Thank you.

My last question. I do want to get in the record the issue of the McKinney Act. We have faced it in BRACs, of course, but we are also facing it in ongoing bases that want to take out certain parts of a base or take out housing. So I want to ask each of you what your experience was with the McKinney Act and if you have any thoughts about eliminating it or if it could be reworked in any way that would not affect the ability for a reuse that would make sense so that it is all the same type of reuse.

So anyone who would like to answer?

General ROBERSON. Maybe I can start, Senator. While I am personally sympathetic with the goals of the McKinney Act, at Kelly it was a great disaster for us. We did make a significant amount of personal and real property available to legitimate homeless organizations and it worked out fine, but there was one group that turned out not to be a legitimate homeless organization that did not get property and, after going through the process, ended up taking us to Federal court, and that has lingered on for 5 years as a matter of fact and cost the redevelopment agency over a quarter of a million dollars in legal fees, and finally is almost resolved now in our favor. But it delayed the use of some property and obviously was a significant financial burden on the redevelopment agency.

I guess I could get a little emotional about it because of the impact on us. But I don't see any solution but to eliminate the McKinney Act.

Senator HUTCHISON. Mr. Leonard? Sorry.

General ROBERSON. In our case, early on we brought the providers together to identify any of the local groups that may be part of the group that could utilize the McKinney Act and we dealt with this issue one time as we moved ahead. It was agreed upon, anyone that was not on this list would not qualify 3 years down the road to come back in and try to secure a portion of our base.

We successfully located some of the homeless providers and they are there now, but it has been an ongoing scenario of new folks coming in to say that they are entitled to this property and then we have to go back to the original scenario that we have, that we have dealt with at one time early on.

Senator HUTCHISON. Did you give up buildings or did you give up land?

Mr. BRYAN. Buildings and housing.

Senator HUTCHISON. So you did not have to give away land, or did they not move the houses?

Mr. BRYAN. No, the houses are still there and they are occupying the houses. There were so many of the buildings that they would like to have that they could not afford the utilities and the upkeep on them. So we had to keep juggling that around to giving them a supplement they could operate once they got there. But we did not lose any land.

Senator HUTCHISON. Mr. Leonard.

Mr. LEONARD. Yes, two case studies. Mather, we as the LRA brought all the homeless providers together and identified a series of competing needs. We developed a program together and then in turn, through the county Department of Human Services, implemented that program with the county as lead agency, with also HUD support to make that program go, and it remains a success

story to this date. So the county took property, real property, through a homeless assistance conveyance to make that program go.

McClellan, a different story. We attempted the same approach. However, we had one provider within our community which did not cooperate within this process. They laid claim to some prime property on McClellan, validated their request, and secured Federal sponsorship, and we have in essence been in a multi-year experience of negotiating them away from that property to another site on the base, also providing them in essence a cash settlement to assist them in developing additional facilities and running programs on McClellan and also at another location.

Although, as Mr. Roberson indicated, I too am sympathetic to the needs, I feel as though this is a real conflict and a significant complicating factor in the military base reuse process. So I would urge it be dispensed with.

Senator HUTCHISON. Thank you.

Senator Feinstein.

Senator FEINSTEIN. Thanks very much.

I was puzzled by your testimony. You say: "Over the past 2 years the Air Force appropriation requests for the McClellan environmental program has not been fully supported by the Department of Defense and the Congress. As a result, the cleanup schedule has been adversely affected. The achievement of critical milestones in the remediation program is now anticipated to be delayed by 7 or more years."

This is because of lack of funding?

Mr. LEONARD. Yes, yes, because of lack of funding and also the application of funds that have been appropriated.

Senator, we wanted to express our appreciation for your efforts over the last year in supporting our needs at McClellan.

Senator FEINSTEIN. I do not recall ever getting an additional request, ever having one being brought to my attention, and I am just asking my staff to go back and check now, but I do not recall it at this time. So how much money are you speaking of?

Mr. LEONARD. Specifically, there is a request that we are working on now for \$20 million to support a sanitary sewer replacement and environmental remediation at McClellan. This is absolutely critical. We stand by with local funds to replace the sewer system. However, because of radioactive materials contaminating the sewer there is an additional requirement for Air Force address of that issue.

Senator FEINSTEIN. Is that the plutonium from the reactor?

Mr. LEONARD. No, that is a separate issue. We also had another site, referred to as CS-10, which has a \$38 million cleanup requirement, and I believe that is being funded over a multi-year period. That is the plutonium site. The radiological issues associated with sanitary sewer represent a different issue for which funding is needed.

Senator FEINSTEIN. Well, I am concerned that you are this far behind. My question is what do you need this next year? You mentioned the \$20 million for the sewer and I gather the community is putting in a like amount; is that correct?

Mr. LEONARD. That is correct.

Mr. BRYAN. How much do you need for the plutonium cleanup?

Mr. LEONARD. I would have to check to see what the additional number will be next year.

Senator FEINSTEIN. Well, if you would do that I would appreciate it. And I wish someone would talk to me directly about it. I would appreciate that very much as well.

Mr. LEONARD. Certainly.

Senator FEINSTEIN. May I ask you, Mr. Bryan, a question just to clear something up. What is the current relationship between the redevelopment authority and the State legislature? My understanding—I am unclear of how that status was resolved in Charleston.

Mr. BRYAN. I guess you are speaking of the recent legislation that the property would be divided between the City of North Charleston and the South Carolina State Ports Authority.

Senator FEINSTEIN. That is correct.

Mr. BRYAN. That legislation has been passed that a portion of the property would go to the City of North Charleston for a redevelopment project that is part of their old village, which is about 300 acres, 350 acres, and the rest of the 1,400 some acres would be the South Carolina Ports Authority to build their new terminal with some Federal tenants placed in those areas that they will have to work around.

I have to tell you, I am concerned about the jobs that we have in there now with that type of scenario. But the legislation is passed; now it is my job to see that it goes smoothly towards dividing it.

Senator FEINSTEIN. Would you express your concerns a little more fully, please?

Mr. BRYAN. My concern is that the property on the naval base and the money spent belongs to the taxpayers of the State of South Carolina and that a portion of this property that would go to the City of North Charleston may wind up as a private development with private developers coming in. And when the legislation was passed, we did an agreement with the City of North Charleston on a development plan for that base that they would pay the redevelopment authority the market value of the property. When the legislation was passed, the legislation was passed that they get it free of charge and then they are able to sell it to their private developers. But the redevelopment authority has no relationship whatsoever to the developer. Ours is strictly with the city.

Senator FEINSTEIN. I missed that. The redevelopment agency has no relationship?

Mr. BRYAN. Has no relationship with the developer. Our relationship is strictly with the city of North Charleston. I have some concerns about the project, but if it does not go our relationship is with the city. We would have had to send a development of this magnitude out on an RFP.

Senator FEINSTEIN. So is what you are saying public land is being given to a private entity for a profitmaking purpose? Is that what you are saying?

Mr. BRYAN. What I am saying is it is being given to the City of North Charleston and the city is selling it to a private developer, yes, ma'am.

Senator FEINSTEIN. At market rate?

Mr. BRYAN. I hope so.

Senator FEINSTEIN. Thank you very much.

Mr. BRYAN. My main concern there was the jobs that are in place and the long-term effect of a private development collecting the rents and that sort of thing from these jobs and the long-term sustainability was my concern.

Senator FEINSTEIN. How many jobs are in place?

Mr. BRYAN. 5,400.

Senator FEINSTEIN. 5,400. So they would essentially be lost?

Mr. BRYAN. They have agreed to honor their term of lease. We do have some 30-year leases in place, but when you are operating a shipyard there is continual investment and I am not sure you continue to invest if you think you may be going away 1 day. So I am concerned about that.

Senator FEINSTEIN. Let me ask you, are the people satisfied with that?

Mr. BRYAN. "The people" as?

Senator FEINSTEIN. In Charleston, the community.

Mr. BRYAN. I think the City of North Charleston, which the base is located in, is satisfied that they are getting some riverfront property and that sort of thing. I think the taxpayers as a whole for the Charleston region probably do not quite understand how that could happen.

Senator FEINSTEIN. So you are saying this would most likely end up being office commercial or housing and the shipyard jobs would be gone?

Mr. BRYAN. I surely hope not. It is a shipyard that has 700 or 800 employees. It is just really doing a great job with keeping people employed and bringing ships in. As I said, it has been a very successful conversion and I hope that it continues to be a shipyard for many years.

Senator FEINSTEIN. Right.

Mr. BRYAN. At some point I feel that the local redevelopment authority would probably go away faster now in this scenario that the land is being divided. Once the land is divided and the land is in the ports authority area and the land is in the City of North Charleston and they start collecting the rents and dealing with the issues, then maybe at some point in that—I have devised a plan that maybe the local redevelopment authority will go out of existence maybe December 31, 2004, if this plan continues in the way that it is going.

Now, whether the City of North Charleston keeps their own LRA in place, I do not know. I know there has been some moves in the future from the city to ask the State legislature to do away with the redevelopment authority so that they can do their projects now as they would like, without stumbling blocks. That is really the way it is.

Senator FEINSTEIN. Right. Thank you. I have to think about this a little bit because I basically believe local decisionmaking should determine the use of these bases. It is an interesting decision for Charleston to make if they are going to lose all those jobs.

Mr. BRYAN. I think there was a real push to get the State ports authority in an area that they could have their new expansion.

Daniel Island was a potential for years and the legislature has basically said you are not going there, but let us look at the Navy base. I think some concessions were made for the City of North Charleston because they had some ordinances in place that said there will be no port type activity in the City of North Charleston. So I think some concessions were made there, and hopefully in the long term it will turn out to be good.

Senator FEINSTEIN. Thank you. Thank you very much.

Mr. BRYAN. Yes, ma'am.

Senator FEINSTEIN. Thank you, Madam Chairman.

Senator HUTCHISON. Thank all of you for coming here from your home towns to help us, because certainly this is a major part of any BRAC that we have and your insights have been very good and we will try to help other communities learn from your experiences. Thank you.

General ROBERSON. Thank you.

Mr. BRYAN. Thank you very much.

DEPARTMENT OF DEFENSE

OFFICE OF THE SECRETARY

STATEMENT OF RAYMOND F. DuBOIS, DEPUTY UNDER SECRETARY OF
DEFENSE FOR INSTALLATIONS AND ENVIRONMENT

Senator HUTCHISON. Now I would like to ask Mr. Ray DuBois, the Deputy Under Secretary of Defense for Installations and Environment.

Mr. DuBOIS. Madam Chairwoman, can you hear me?

Senator HUTCHISON. Yes, I can.

Mr. DuBOIS. I want to thank you very much for rearranging the hearing today. To hear from folks like Paul Roberson and Jim Bryan and Bob Leonard is for me very informative. It is, after all, their experiences that have helped to inform the Base Realignment and Closure (BRAC) 2005 round and the process by which the Secretary is going to do the analysis.

I would like to begin by saying that, notwithstanding the fact that I am in one of my other hats, the Director of Administration and Management, and therefore own the motor pool at the Pentagon, that still does not get me across the river on time sometimes. I understand there was an incident on the Memorial Bridge today that absolutely clogged all the arteries in.

Senator HUTCHISON. Oh, that was why?

Mr. DuBOIS. Yes, yes, ma'am.

Now, today I am going to briefly open with a statement and, with your forbearance, submit for the record my written statement. But I thought it was important to just outline BRAC 2005, the process, the overseas basing issues that are on the Secretary's desk, some reuse issues that in no small measure by virtue of the inputs from folks like those who were in the first panel, how we intend to relook at the reuse and disposal issues.

BRAC environmental cleanup, of concern to this subcommittee and to you and Senator Feinstein, as well as to us. I did listen to the exchange on the McKinney Act and I might just make one quick comment about that, and I understand that Senator Feinstein made some remarks about the perchlorate issue that I am prepared to at least answer as I see the process going on in terms of looking at the reference dosage and risk assessments there.

Of course, Secretary Rumsfeld appreciates the opportunity that you have afforded me and in turn myself as his representative to appear today before this Military Construction Subcommittee. The issues of base realignment and closure, both the process and product are clearly—and the Secretary has testified to this effect—not something that one wakes up in the morning and wants to do with great appreciation and alacrity.

Having said that, there is no question that the critical importance of the rationalization of our entire military infrastructure for

the Department is very, very important to him. Now, some have implied recently that the Secretary's attention has been somewhat diverted. I can assure you that it is not all Iraq all the time. There are issues pertaining to transformation of the Department that take up the Secretary's time during the day also.

Now, BRAC—he personally has been involved in this BRAC kick-off, if you will, and I will address that in a moment. To reconfigure our current infrastructure, to include both the war-fighting capability and the efficiency of our business operations, is tantamount to success. Our expectation is by removing excess infrastructure, excess capacity if you will, we hope to save at least several billions of dollars per year. Now, if we were able to do that we could then focus those funds on facilities we actually need and turn wastes into war-fighting, as well as quality of life improvements for the men and women who serve and voluntarily serve in our military.

The Department will conduct this rationalization with an eye toward ensuring that we assess the capacity across installations maintained by the Military Services for the best joint use possible. This is in many ways a different approach than has been the case in the four prior rounds—best joint use possible.

Now, we have examined carefully the experiences gained through the management of the previous BRAC rounds and, looking ahead to the next one, we have attempted to make a number of process improvements to enhance our ability to arrive at the right-sizing of our infrastructure, which will in turn complement and support the business transformation activities of the Department.

Now, the Secretary released a memorandum, which I believe you have, in November of last year that, quote unquote, kicked off the Department's BRAC process. It created an analytical framework and a review and oversight process that we believe improves and strengthens those of previous BRAC rounds and which in point of fact takes into consideration several suggestions some Senators and Members of the House in our discussions over the past 2 years.

Now, for example, early on in the process the Secretary will review and approve those functions within the Department that will receive what we call joint cross-Service analysis as well as establish the measurements of success, the metrics for that analysis. Now, while the Services, the individual military departments and Services, will evaluate their unique functions, their unique military operational functions, those functions which are determined to be common to more than one service, business-oriented, and in point of fact functions that exist in more than one service or reside in the private sector, they are going to be evaluated from the get-go in a joint cross-Service way. This is different from the prior rounds.

We recently established six broad areas to examine functions for joint analysis. Now, you can imagine we could have used various terms, and I will answer questions as best I can on what these terms mean. But I think they are fairly self-explanatory.

The first category is what we call industrial activities, those activities that are again common to the Services across the board and also activities which the private sector performs, number one.

Number two, supply and storage, warehousing and so forth.

Number three, technical and laboratory.

Number four, education and training facilities.

Number five, medical facilities.

And number six, a sort of catch-all category that we call administrative facilities. But in particular I should note that this last category, the administrative category, will address the national capital region, a region that, as we all know, has in excess of 100,000 military and civilian personnel in the employ of the Department of Defense, and every single military service as well as the Secretary of Defense owns or controls real estate in the national capital region and we believe that only through a joint cross-Service approach could we appropriately assess and rationalize that particular area.

Now, overseas: In this subcommittee at my last appearance, we addressed some of the issues. But there is no question that our installations transformation is not limited to the United States and its territories. We are also assessing our facilities overseas to determine the proper size and mix. As you well know, since 1990, the Department has returned or reduced operations at about 1,000 overseas sites, resulting in a 60 percent reduction in our overseas infrastructure and in particular a 66 percent reduction in Europe.

We continue to review the overseas basing requirements with the assistance of the combatant commanders and we are currently examining opportunities for both joint use of facilities and land by the four Services together, consolidation of the infrastructure, enhanced training areas—again a joint service assessment.

Now, the Secretary, as you know, directed a comprehensive review of our overseas presence in response to the interest and the direction of some of the members of this subcommittee as well as others in Congress. It also reflected his vision, which was addressed in the Quadrennial Defense Review (QDR) of September 2001, to look at and comprehensively review that infrastructure that was in support of our war-fighting plans overseas.

Now, it has been asked, why hasn't the Secretary responded to the requirement to submit to Congress a more complete report in this regard. We received from the combatant commanders their preliminary inputs last year. The Chairman of the Joint Chiefs of Staff, General Myers, requested that the Secretary delay his report to Congress in order to review those reports, those inputs, as well as the fact that we were about to appoint and announce two new combatant commanders, one in Korea, General Leon LaPorte, and the SACEUR or the European Commander, General Jim Jones, and the Secretary believed that it was important to get their initial views as well.

I can assure the committee, the subcommittee, however, that the Secretary has in place a process which will address these overseas basing requirements, to include reprogramming for fiscal year 2003, as well as, where and when necessary, presenting a budget amendment to this committee in the Senate and your counterpart in the House, a possible budget amendment for fiscal year 2004, prior to your markup.

With respect to reuse, you heard from the three witnesses in the prior panel that local communities, when faced with a closure, must address and grapple with a number of reuse and redevelopment issues. The closure of a military base can be a significant redevelopment challenge. After four rounds of BRAC, there have

been numerous success stories and, admittedly, there have been some stories less than successful.

Reusing a military base is frequently the largest and most complex economic redevelopment effort ever undertaken in that particular community. Local reuse authorities work to harness public and private sector resources to drive economic recovery and growth.

Now, as of October 2002, the end of the last fiscal year, I asked for a review of how many civilian jobs were created on former military bases. It is in excess of 85,000, an 8 percent increase from the previous year.

The timely transfer of property will always be a priority for the Department and I recognize the importance of quick access to the property in order to, yes, save DOD caretaker costs, but also to leverage private development financing, create new jobs, and generate new tax revenues.

Each military department has an extensive and varied experience with BRAC reuse and disposal and I am sure you will address that to the witnesses who follow me. Now, in order to share those experiences and expertise and to ensure that the Department of Defense is conducting reuse and disposal in the most efficient and effective way possible, I have formed a working group called the Reuse and Disposal Group, chaired by my principal deputy, Mr. Philip Grone, former Deputy Staff Director of the House Armed Services Committee, to work with the Services and military departments and Members of Congress and interested parties in the local communities to improve how we go about BRAC reuse and disposal.

I look forward to reviewing with the Congress, perhaps early next year, some of the ideas that we are coming up with.

Now, in conclusion, we have tried to do much within the BRAC authority provided by the Congress. By consolidating and realigning and reducing unneeded infrastructure, the Department can indeed focus investments on maintaining and recapitalizing what we actually require, resulting in ready facilities for the war-fighters while more prudently using the taxpayers' money.

Change is rarely easy. Changes that we are asking of the military departments and our communities are daunting. But we look forward to working with you on this challenge.

Now, I did mention that I would quickly talk, if you would permit me, Madam Chairman, about BRAC cleanup, an issue that continues to, yes, in some ways vex myself and my three Assistant Service Secretary colleagues. But it is important to note that, with the help of the Congress, we have already spent in excess of \$7.5 billion on BRAC environmental requirements, the majority of which of course has been devoted to BRAC cleanup.

Now, it is true that there is still a cost to complete, not an insignificant one, one that is approximated in excess of \$4 billion to suffice the final cleanup requirements. But as I have testified before, oftentimes environmental impediments frustrate the community involved as well as the Department of Defense, and these environmental impediments are not necessarily driven by a statute, be it State or Federal. Oftentimes it is driven by conflicts between State and Federal regulators on the site and between local special inter-

ests who have varying degrees of desires with respect to cleanup remedies and land use controls most particularly.

Now, we plan to reinvigorate, and it is in this year's defense authorization legislative proposal in front of you, in front of the authorizing committees, we plan to reinvigorate the President's Economic Adjustment Committee, which is an organization comprised of all 23 Federal agencies and departments, including the Environmental Protection Agency, to use together our respective and collective influence, power, and funding to attempt reconciliation at the local level and appropriate funding for environmental cleanup and land use planning.

Lastly, the McKinney Act. The Department of Defense wants to go on record, I want to go on record, that we support the goals of the McKinney Act, but, like most other public policy statutes, sometimes they are difficult to administer, again because of local special interest conflicts, especially for us the quarterly requirements, the repetitive screening requirements.

We believe that the McKinney Act as it applies to BRAC would be much more workable if it was a one-time screening requirement and once it has been concluded that the property is not suitable or there is no interest, the property should be free from further requirements. This constant rolling screening I think is an impediment to ultimate reuse.

Now, the McKinney Act was originally designed as a property transfer mechanism. Many homeless assistance providers, however, expressed that they would rather have money than the property because they find that they cannot necessarily make use of the property that might be available to them in a BRAC situation. Now, of course the Defense Department is not authorized nor has Congress appropriated funding to us to satisfy what may very well be important and legitimate concerns on the part of the homeless organizations in that particular community, and therefore we get caught in this local conflict between jurisdictions and between interests.

PREPARED STATEMENT

I think I will stop there. I do appreciate your forbearance in letting me address some of those issues that I understand came up in your opening statements. I do know that Senator Feinstein has some perchlorate concerns and rightly so, but I will wait until I get asked the question if that is all right with you.

[The statement follows:]

PREPARED STATEMENT OF RAYMOND F. DUBOIS

Chairwoman Hutchison, Senator Feinstein, and distinguished members of the Subcommittee on Military Construction, I welcome the opportunity to appear before you today to discuss the base realignment and closure (BRAC) process and the critical importance of the rationalization of military infrastructure to the Department of Defense. Rationalizing our infrastructure is an integral part of our effort to transform the Department. New force structures must be accompanied by a new base structure. Today I will discuss this Administration's approach to the new BRAC round and our progress in implementing the prior rounds.

TRANSFORMING BASES AND INFRASTRUCTURE

Since 1988, the Department of Defense has closed 97 major installations and realigned missions at an additional 55 others. Combined with the over 230 minor

BRAC actions undertaken during the four previous rounds of BRAC, the Department of Defense has rationalized much of its infrastructure. Since the last round in 1995, three successive Secretaries have argued for the need to further rationalize defense infrastructure. In the National Defense Authorization Act for fiscal year 2002, Congress was persuaded by the case laid out by Secretary Rumsfeld and authorized an additional BRAC round for 2005. We are grateful to the Congress for authorizing this process. BRAC 2005 will reconfigure our current infrastructure to improve both war fighting capability and efficiency. Our expectation is that by removing additional excess capacity we hope to save several billion dollars annually. We can then focus the funds on facilities we actually need and turn waste into warfighting as well as [and] quality-of-life improvements for the men and women who volunteer in service to the Nation.

Prior BRAC actions have resulted in net savings to the Department of Defense and its Components of approximately \$17 billion, with annual recurring savings of approximately \$7 billion. These savings have been thoroughly validated by the General Accounting Office. However, savings, while critically important, are not the only benefit—in fact, they are not even the primary benefit. The authority to realign and close bases we no longer need will be a critical element of ensuring the right mix of bases and forces within our warfighting strategy as we transform the Department to meet the security challenges of the 21st century.

Transformation requires rationalizing our base structure to better match the force structure for the new ways of doing business. And the Department will conduct this rationalization with an eye toward ensuring we assess capacity across the installations maintained by the military services for the best joint use possible, if that is appropriate for the mission under review.

We have examined carefully the experiences gained through the management of previous base realignment and closure rounds. Looking ahead, to the next round in 2005, we have attempted to make a number of process improvements to enhance our ability to arrive at a rightsizing of our infrastructure which will complement and support the force and business transformation activities of the Department.

CONDUCTING BRAC 2005

The Department's BRAC 2005 round will be based upon the general template used in the three previous BRAC rounds. While I recognize that there was some criticism regarding the implementation of the previous Commission's recommendations, overall, the process worked well. In fact, the review by the General Accounting Office of the Department's 1995 BRAC process concluded that the process was generally sound and well documented and should result in substantial savings. The Comptroller General concluded that as Congress considered the need for future defense infrastructure reductions that it avail itself of a process similar to that authorized in 1990 that govern the succeeding three rounds of base realignment and closure. As a caution, however, the General Accounting Office also recommended that the Department needed to strengthen its leadership within the process, should there be a future BRAC round, to maximize the opportunity for rationalization, particularly in areas that could be considered joint or common business and functional areas.

Both the Congress and the Department have responded affirmatively to those recommendations. The Congress authorized a BRAC round for May of 2005 based upon the successful construct of the previous three rounds with the Secretary providing recommendations to an independent commission which then holds public hearings and issues its recommendations to the President who then forwards them to the Congress for approval on an "all or none" basis. Similarly, the Secretary of Defense, in his memorandum of November 15, 2002, that "kicked off" the Department's BRAC process created a review and oversight process that is substantially strengthened from those in previous rounds.

The Secretary established an Infrastructure Executive Council, chaired by the Deputy Secretary, and composed of the Secretaries of the Military Departments and their Chiefs of Services, the Chairman of the Joint Chiefs of Staff, and the Under Secretary of Defense (Acquisition, Technology and Logistics) as the policymaking and oversight body for the entire BRAC 2005 process. The Secretary also established a subordinate Infrastructure Steering Group chaired by the Under Secretary of Defense (Acquisition, Technology and Logistics) and composed of the Vice Chairman of the Joint Chiefs of Staff, the Military Department Assistant Secretaries for installations and environment, the Service Vice Chiefs, and myself.

This structure will permit the Secretary of Defense will approve key elements of the process has, in fact, established a strengthened joint process for BRAC 2005 that will advance transformation, jointness, combat effectiveness, and the efficient

use of taxpayer's money by effectively capitalizing on the military value of our installations. For example, early on in the process, the Secretary will review and approve those functions within the Department that will receive joint cross-service analysis and the metrics for that analysis. While the Services will evaluate their unique functions, those functions determined to be common business-oriented (i.e., the functions exist in more than one service or reside in the private sector) will be evaluated jointly for cross-servicing.

Along those lines, we have recently established six broad areas to examine functions for joint analysis. Those broad areas are: Supply and Storage, Industrial, Technical, Education and Training, Medical and Administration. We are now in the process of designing the organizational approach for a comprehensive analysis of these functions for the Secretary's approval. In the previous round, the Department constrained its joint cross-service analysis by limiting the authority of the groups conducting the analysis and assigning them a much more limited functional basis. Through the lessons learned from previous rounds and the design of a process to mitigate the constraints imposed in previous rounds, I am confident that BRAC 2005 will achieve its potential to materially improve the manner in which military infrastructure and supports our war fighting capability.

OVERSEAS

Our installations transformation is not limited to the United States. We also are assessing our facilities overseas to determine the proper size and mix. Since 1990, the Department of Defense has returned or reduced operations at about 1,000 overseas sites, resulting in a 60 percent reduction in our overseas infrastructure and a 66 percent reduction in Europe, in particular, and we continue to review overseas basing requirements of the Combatant Commanders and examine opportunities for joint use of facilities and land by the Services, consolidation of infrastructure, and enhanced training. We have undertaken a comprehensive review of our overseas presence, in response to both the interest and direction of the Congress and the Secretary's initiative. While this comprehensive review has not been completed, I can assure the Subcommittee that we are working very hard on it and will report to the Congress as it is completed.

BASE REUSE AND COMMUNITY PROFILE

For local communities faced with a closure, of course, BRAC raises a number of reuse and redevelopment issues. As the Members of this Subcommittee know well, the closure of a military base can be a significant redevelopment challenge. After four rounds of BRAC, numerous success stories abound and, admittedly, some challenges remain.

The closure of a military installation creates a hurdle and an opportunity for local communities to reuse large parcels of land and existing buildings in ways not previously envisioned. A closed installation can be the affected community's greatest asset for mitigating the impacts of the closure and charting a future that diversifies the local economy and attempts to build on a community's strengths.

Reusing a military base is frequently the largest and most complex economic redevelopment effort ever undertaken in a community. Local reuse authorities work to harness public and private sector resources to drive economic recovery and growth. Reuse also creates an opportunity to achieve multiple community goals, including the diversification of the local economy through new job creation; expansion of the tax-base; and satisfying a range of community needs for new public facilities. Through the four previous rounds of BRAC, the Military Departments transferred about 250,000 acres of land with buildings and other improvements for reuse as non-Defense activities. As of October 2002, over 85,000 new civilian jobs have been created on former military bases—an 8 percent increase from the previous year.

The Defense Economic Adjustment Program seeks to assist Defense-impacted communities, workers, and businesses. Over the past four rounds of BRAC, the Department's Office of Economic Adjustment (OEA) has provided over \$270 million in economic adjustment planning assistance for the preparation of adjustment strategies, reuse plans, and initial organizational staffing. In addition, \$218 million has been provided by the Department of Labor for worker adjustment assistance; \$405 million in aviation master planning and implementation assistance from the Federal Aviation Administration; and, \$568 million from the Department of Commerce's Economic Development Administration for building construction, demolition, and other implementation activities. Interagency coordination with the Departments of Health and Human Services, Education, Justice, the Interior, and Transportation, has also facilitated the transfer and effective reuse of more than 154,000 acres.

The Department recognizes the uniqueness of each community and has provided a combination of technical and financial resources to support the needs of the impacted community. These include:

- Organization.*—A community's single point of contact for all matters relating to the closure that is representative of the impacted community and deliberates to reach a consensus on base reuse and other local adjustment issues.
- Plan.*—Community prescription for economic recovery in response to the closure, including specific details on reuse of the former military facility. The effort optimally takes into account the Military Department's environmental baseline information along with the community's economic strengths and opportunities. Job creation and tax base expansion are common goals, although public activity and non-revenue-generating activity (institutional use, parks and recreational areas, hospitals, schools, etc.) are included as well.
- Implementation.*—community will seek to achieve a sustained mix of public/private civilian activity on the former base consistent with its redevelopment plan, yielding enough revenue to cover the community's costs of reuse and the necessary private return on investment. For some, this may take a considerable amount of time.

Federal property disposal laws and special enhancements authorized for BRAC locations provide a variety of acquisition mechanisms to satisfy a diverse number of base reuse scenarios. Traditional public benefit transfers have been available for public entities and certain eligible non-profit organizations. These include use for aviation, ports, prisons, education, health and historic monument purposes. BRAC laws added the economic development conveyance (EDC) for job producing activities like business and industrial uses. Initially this provision was for transactions at or less than fair market value. Later Congress made these transfers available at no cost. The fiscal year 2002 National Defense Authorization Act modified the EDC provision to make the no-cost EDC a permissive action. There was also Congressional direction that the Secretary seek fair market value consideration for EDC transfers in BRAC 2005.

Despite this change to the EDC authority, a rich array of property disposal and acquisition authorities and strategies remain. A recent example of a mixed disposal is the former MCAS Tustin where the 1,585 acres were transferred under public benefit authorities for homeless and park uses, under an EDC for primarily business development, and much of the former military housing was sold at a public bid sale. In addition the historic blimp hangar will be transferred to the City of Tustin under an historic PBC. Numerous closed bases have been transferred under multiple property disposal authorities that suit the intended community uses.

From 1988 through 1995, approximately 387 closure or realignment actions were approved and the Department has completed each action within its respective statutory deadline. In implementing these actions, the Department has sought to close the facilities quickly to maximize savings and make property available for community reuse objectives, including job creation. As of December 2002, the Military Departments have disposed of 271,769 acres (53 percent) of the 510,747 acres that are being made available for disposal and local reuse. Of the remaining inventory, roughly 189,559 acres are projected to be transferred by the end of fiscal year 2004. Incidentally, approximately 82 percent of the remaining acreage lies in 6 installations where environmental remediation must be completed. I am working closely with each of the Military Departments as they seek to transfer this property and remedy any impediments to disposal. The transfer of this property is a priority for the Department and I recognize the importance of quick access to the property in order to save DOD caretaker costs, leverage private redevelopment financing, create new jobs, and generate new tax revenues.

However, impediments exist that delay property disposal. Many are environmental-related and have been encountered to varying degrees at every location. They range from conflict between Federal and State regulations or regulators; lack of policy on specific contaminants such as unexploded ordnance to fragmented relationships among the clean-up, disposal, and reuse interests.

There are also some that are inherently community-based (such as delays in reuse planning and lack of capital for infrastructure improvements). Others stem from the individual Military Department efforts at property disposal, including inconsistent interpretation of BRAC laws, regulations and policy and inefficiency in program execution and administration.

Still other impediments arise when multiple interests are involved in negotiations such as the Military Departments, local and/or State regulators, local authorities and private developer/third party interests over such items as local protection and maintenance, development interests, cleanup levels, and land use controls. Lastly, where impediments have been encountered, the Department has fostered a partner-

ship with the affected community to address the issues and facilitate rapid reuse of the former installation.

Each Military Department has extensive and varied experience with BRAC reuse and disposal. In order to share those experiences and expertise, and to ensure that the Department of Defense is conducting reuse and disposal in the most efficient and effective way possible for all concerned, the Office of the Secretary of Defense is forming a working group to examine potential improvements to the BRAC reuse and disposal process.

BRAC AND ENVIRONMENTAL CLEANUP

Very early on, the Department decided that expeditious cleanup of BRAC property was a priority, and ambitiously established a goal to have remediation response complete or remedies in place by the end of fiscal year 2005. To guide our BRAC environmental remediation efforts consistently, we use three over-arching principles:

- Protect human health and the environment.
- Make property available for reuse and transfer as soon as possible.
- Provide for effective community involvement.

The technical challenge of remediation is finding the contamination; determining what is protective of human health and the environment; determining a remedy that is safe, cost-effective, and acceptable to the regulators and the community; and then implementing the remedy. Simple to describe, but at times very difficult to do. Not only is there a maze of Federal and State laws and regulations to navigate, as well as regulatory and community stakeholders to consult, but sequencing and completing the cleanup must take reuse needs, priorities, and timelines into account.

The Department has made very good progress in remediation of traditional hazardous substances. At the end of fiscal year 2002, 79 percent of all 4,900 hazardous substance cleanup sites had remedies in place or response complete, and we project having 92 percent of our cleanup sites at the remedy-in-place or response complete milestones by end of fiscal year 2005. With continued support from Congress and regulators, we are confident that this can happen. A few sites, due to complex challenges or other obligations (e.g., Chemical Demilitarization treaty obligations) will extend beyond fiscal year 2005.

Our BRAC military munitions response program (MMRP) will take longer to complete, but we are making progress. At the end of fiscal year 2002, 32 of our 74 BRAC MMRP sites are at the remedy-in-place or response complete milestone, and we expect that number to grow to 45 by the end of fiscal year 2005.

The Department continues its efforts to move BRAC properties to communities faster while still maintaining our commitment to provide appropriate environmental restoration. One initiative is early transfer, in which the Components may transfer property by deed while environmental restoration activities are on-going. This type of transfer allows better integration of cleanup and redevelopment activities. DOD has completed 15 such transfers using the early transfer authority Congress provided in 1996.

As an example, the former Naval Shipyard Mare Island represents one of DOD's largest early transfers. Early transfer resulted in disposal of BRAC property years earlier than would have otherwise been possible. In the case of Mare Island, the City of Vallejo entered into an agreement with the Navy to continue remediation. The property was transferred and redevelopment started much sooner than if the City of Vallejo had to wait for the Navy to complete the cleanup. The 668 acre Eastern Early Transfer Parcel transferred 4 years ahead of schedule on March 26, 2002, and the 2,814 acre Western Early Transfer Parcel transferred 10 years ahead of the previous schedule on September 20, 2002. In another example of early transfer, the Army and the New Jersey Department of Environmental Protection entered into an agreement transferring 192 acres to the Bayonne Local Reuse Authority in December 2002. The agreement will allow the reuse authority to perform environmental remediation activities in conjunction with the redevelopment process.

As a further example, innovative contracting approaches are proving effective in leveraging the strengths and capabilities of the private sector to improve our remediation efforts. For example, guaranteed fixed price remediation⁷ (GFPR), focuses on the outcome—DOD contracts for the final remedy at fixed cost and time. During fiscal year 2002, the GFPR contract awarded for activities at Fort Pickett, Virginia, was at 15 percent less than the government estimate. The Navy also realized similar cost avoidance at Charleston Naval Complex by using this performance based contracting approach. Cost savings, of course, may vary from site to site, but, local communities also gain from the time saved in the initiation and length of remediation activities or by having increased certainty by securing a final remedy in place by a fixed date.

CONCLUSION

The Department has done much within the BRAC authority provided by the Congress. By consolidating, realigning and reducing unneeded infrastructure, the Department can focus investments on maintaining and recapitalizing what we actually require, resulting in ready facilities for the war fighters while more prudently using taxpayer's money. Change is rarely easy and the changes we are asking of the Military Departments and our communities are daunting. We look forward to working with you on this challenge.

In closing, I sincerely thank you for this opportunity. We appreciate your strong support of our military construction program and we look forward to continuing to work with this Subcommittee as we reshape our global infrastructure.

Senator HUTCHISON. Thank you very much, Mr. DuBois.

I am going to try to introduce something, and perhaps I can work with Senator Feinstein or others, to keep the McKinney Act from doing some of the things that all three of our previous witnesses mentioned as real problems. Not only was it never intended that money should be coming out of the BRAC or the Department of Defense as a substitute, but a quarter of a million dollars in legal fees ongoing really hurts a community's capabilities to move forward. So I hope we can make some changes there.

Let me start with the issue that we have talked about many times, and that is the overseas bases. How, in the changing environment that we have now, with perhaps changing geographic priorities and training constraints in certain areas, how can you determine what you would be able to reasonably close in a 2005 BRAC process when things are changing so much with our overseas commitments?

Mr. DUBOIS. Yes, ma'am. As I indicated, the Secretary of Defense in the combatant commanders conference of now several weeks ago discussed this with the Joint Chiefs and all the combatant commanders, both the geographic combatant commanders and the non-geographic—STRATCOM, TRANSCOM, et cetera. They came to a conclusion, not surprising, that the overseas basing infrastructure was in point of fact a legacy of the Cold War. It needs to be rationalized, it needs to be reconfigured.

The Secretary discussed with them how fast that the regional combatant commanders, the geographical commanders, in concert with the Joint Chiefs and the specified commands, could report to him on a long-term vision that would in point of fact inform the domestic BRAC process over the next 2 years. I want to just set that aside for a quick moment.

The most immediate requirement, however, is, are there any programmed military construction projects in EUCOM or PACOM authorized and appropriated in the fiscal year 2003 budget, this fiscal year, which in the view of the combatant commanders and the Joint Chiefs could be reprogrammed or changed. By virtue of the fact that some bases—and I will speak specifically to Korea—have been determined now by General LaPorte—and the Army this morning reported to me that they will be able to get back to me by early next week at the latest with their views of General LaPorte's recommendations. Are there bases that are enduring and are there bases that are not?

General LaPorte has identified those that he believes are enduring and those that he believes are not. Now, this issue obviously has a number of implications for host Nation support. Korea does

invest a considerable amount of money in supporting U.S. forces in South Korea and therefore that discussion has yet to take place.

Suffice it to say that we will ask Congress to reprogram some money in terms of Korea as well as Europe from 2003 projects currently authorized and appropriated to other areas. I will give you a hypothetical that in fact is grounded in reality, although I hope you will appreciate the fact that I do not want to state specifically at this moment Camp A or Camp Y. But if the Second Infantry Division, for instance, in Korea was scheduled to get a barracks at a particular location in Korea, but General LaPorte thought it would be best to build those very same barracks at another location because the other location in point of fact is of an enduring quality, we will ask for your permission to do that—same barracks, same fitness center, same military construction projects, same amount of money, but it will be done at a different location.

In 2004 we have asked General LaPorte to do the same thing. Remember that these projects, especially the 2003 projects, were originally planned for two and a half years ago. As you pointed out, Madam Chairman, life has changed. The Secretary of Defense has said we can no longer continue to support an infrastructure, given the 21st century requirements that the President has articulated and the Secretary of Defense is going to implement.

How quickly the 2003–2004 recommendations will be presented to Congress. As I indicated in my opening statement, I want to do that before you go into markup. That is the only way that this will work.

Senator HUTCHISON. I agree and appreciate it, because the timing was not going to fit. So I appreciate your really focusing on that and coming forward for the 2003–2004 request. I would like to extend that, though, the relationship to the 2005 BRAC, and how can you go into a 2005 BRAC with the uncertainties that you have now and will have over the next year, and what kind of troop strength you might have there or bring home because of training constraints or change. You may take something out of Germany, for instance, and just bring it home rather than sending it to the Czech Republic.

So how are you fitting in your foreign requirements with the base closure that is going to be ongoing? The last thing you want to do is close a base and then try, heaven forbid, to reopen it. You do not want to do that. So how are you going to assure that in 2005 when we are making the final round probably of base closures that you have totally in hand the information you need about foreign troop strength?

Mr. DUBOIS. Yes, ma'am. The Secretary in fact within the last week has discussed with the Chairman how to answer your very question. Let me just say in a phrase, the domestic BRAC, those recommendations that will be finalized in the spring of 2005, could not be done intelligently unless there is a rationalization of the overseas infrastructure. To that end, the Secretary and the Chairman have discussed, as I indicated, an integrated global presence and basing strategy approach.

How quickly—and he has also discussed it, they have discussed it, with the combatant commanders and the Joint Chiefs. How quickly they could pull together a reasonable vision of what ought

to be—and “what ought to be” means 10-plus years out—remains to be seen. However, having been privy to some of these conversations, the Secretary believes that these kinds of initial reports and assessments from the combatant commanders back to my office, the Joint Chiefs, Office of the Secretary of Defense, and the chairman’s office by this summer will help us create a structure and a framework that will have some definition, and I mean that sincerely—not just some amorphous, well, we think we are going to have an end strength of this amount over here, but some definition by the end of the summer.

It is true that we have started the BRAC, domestic BRAC process. However, we also know, as you have said and as I have tried to indicate, the Secretary wants to inform that process with an overseas vision as we get into it in more detail this coming summer, so that when those final decisions are made some time between the January and May time frame, or January and March time frame of 2005, they will be fully informed by a vision and a strategy for presence and basing overseas.

Senator HUTCHISON. Thank you.

Let me ask my Ranking Member to see if she has any questions, and then I have another round.

Senator FEINSTEIN. Thank you very much.

I do have four questions. I will be brief on all except the first, which is perchlorate. The Defense Department has said that it is not willing to start cleanup of perchlorate until there is a national standard, and this could take 3 to 5 years or longer. So millions of Americans are drinking contaminated water today.

Companies like Kerr McGee and Goodrich, and I want to compliment them, have already spent millions on priority actions to reduce the threat, and I would like to urge the Defense Department to do so as well. One obvious priority effort is to try to stem the flow of perchlorate into the Colorado River from the former DoD facility at Henderson, Nevada, which was owned by the United States Navy from 1951 to 1962. The perchlorate from this facility has spread to the water supplies of millions in Arizona, in Nevada, in California via the Colorado River.

Kerr McGee, which operated the facility after the Defense Department, has built a state-of-the art ion exchange facility and taken other measures in an attempt to address the problem. They have been very forthcoming. The Defense Department has done nothing.

I have a serious question for you which may take weeks to research, but I would like to ask for a thorough answer. That question is, given the necessary funding, what are the top priority sites around the country for the Defense Department to reduce perchlorate contamination in drinking water and what initial measures would the Department take?

Mr. DUBOIS. Excuse me, Senator. I am just making sure that I have got the notes here.

This is a very complex question. It is both science and science policy, and I want the Congress to understand that the Office of Management and Budget, the Council for Environmental Quality, the Environmental Protection Agency (EPA), the Department of Defense, NASA, and the Department of Energy, along with the Of-

Office of Science and Technology Advisor to the President, have all been meeting on a, I say regular basis, two or three times a week for the past month, on this issue.

It has not gone unnoticed by those of us in the Executive Branch that there are clearly issues, some of which are mischaracterized, some of which are miscommunicated, but issues that nonetheless must be addressed.

The Department is in my estimation not backing away from their responsibilities to clean up perchlorate. We remain committed to our obligations to meet the cleanup standards, and I underline the word "standards," established through the environmental restoration process. Now, there is at present no—I repeat, no—Federal regulatory standard for perchlorates. EPA, as I indicated, working with the agencies that I just listed as well as with the States and the tribes and water suppliers and the public, is evaluating perchlorate as an environmental contaminant.

You indicated in your statement that perchlorate has contaminated drinking water. Now, the question is, as I understand it, Senator Feinstein, what is the appropriate reference dose for perchlorate in drinking water that may create a risk or not? Given the fact that the science is in question both from the point of view of the folks who assembled the data and evaluated the data, because there is enough question as to what is the appropriate draft reference dose, in order to eventually establish a standard EPA and the executive branch are going to refer this issue to a panel of the National Academy of Sciences (NAS).

It is not, from what I have been told, a 3 to 5-year proposition. We understand that the NAS is going to address this issue. How long it will take for them to address the issue, the scientific aspects of the issue, is not—I am not aware of. I understand, however, that it will be less than 1 year. But I would take your question and I will ask Governor Whitman what is their best estimate.

Now, EPA will not complete nor disseminate a final risk assessment until that NAS scientific review is concluded and all the comments are addressed. Again, I want to—and I take for the record your concerns about the Colorado River, Henderson, Nevada, naval site. I want to learn more about the technology the Kerr McGee Corporation has built, the ion exchange facility. I will learn more about that. The top priority sites that you mentioned, I will work with the three Assistant Service Secretaries to determine where they are.

But I must say that, again, absent a standard, a regulatory standard, it does not imply nor should it be characterized that the Defense Department is standing in the way of cleaning up a potential contaminant. And I underline again the word "potential."

Senator FEINSTEIN. Thank you.

I would like to make this point. EPA has a current reference dose—it is not a standard, but it is a guideline for cleanup—of 4 to 18 parts per billion.

Mr. DUBOIS. That is correct.

Senator FEINSTEIN. And the problem is we have over 200 wells in 80 different water jurisdictions that are being closed because they do not meet these standards. Now, I think it would be very interesting—my staff has been—I have not had a chance to go to

visit the Henderson, Nevada, site. Kerr McGee has been very forthcoming. They know there is a problem. They have spent a lot of money trying to clean it up. Goodrich I think put \$2 million into an ion exchange program to try to help a small community of Rialto.

But where this is hitting it can sometimes hit all of the water supply. Therefore, all these children are drinking this water. In the mean time, you have all these agencies meeting and you have the EPA working, and I am told—and we have asked many times—it is 3 to 5 years. So it seems to me that you have a priority situation and that it might be a good idea to take a look at Henderson and talk with the people, because I think there are solutions out there and what I am trying to do is get the Department of Defense, whom I view as the responsible major party, participating along with the private sector and the State public sector and try to see if we cannot come up with some reasonable, some cost-effective activities that might reduce this threat.

Mr. DUBOIS. I would embrace whatever technologies might be available to clean up perchlorate, irrespective of what the final standard might be. With respect to that, the 4 to 18 parts per billion reference dose was not meant to be used by the State regulators as a standard. Rather, as I said, the science is in question. The EPA—and I defer to them—has developed clarifications to the memorandum signed by Mary Ann Horenco to the EPA regions and in turn to the State regulators that caused certain State regulators—and I have seen some of the letters, one in particular addressed to me on a military reservation perchlorate issue—caused certain State regulators to say, “Oh, well, this is the standard and therefore you have got to clean up to it.”

That was not the intent of Mary Ann Horenco’s memorandum. EPA is issuing a clarification to that effect.

Senator FEINSTEIN. You are saying then it is okay to keep drinking the water?

Mr. DUBOIS. Well, I am not saying that at all, Senator. I am saying that I do not believe that until the NAS rules on what the appropriate reference dose is—it may end up being far higher than 18 parts per billion. But I nor my colleagues in NASA nor the Department of Energy or the private sector, or EPA for that matter, have any conclusion until such time as the NAS study is over.

Again as I indicated, we were told, I was told—and I defer again to EPA—that this particular focused assessment will not take more than a year.

Senator FEINSTEIN. Well, I am happy to hear that then. That is the first I have heard that. So that is good news.

Well, let me move on. It is my understanding—and correct this if it is wrong—that the 2005 BRAC round will be closely managed by the Office of Secretary of Defense, unlike the previous rounds, which were more Service-driven. How will this round differ from prior rounds in terms of scope, focus, and management?

Mr. DUBOIS. I have stated in conversations with you and with other Members of the Senate and the House that there are some specific differences, and it is true that the Secretary of Defense, in response to criticisms by Members of Congress, quite frankly, that his predecessors did not take enough of an active role early enough

in the process of the prior four BRAC rounds to engender true cross-Service analysis, to engender joint use of military installations, he took that to heart, and in so doing he established an Infrastructure Executive Council chaired by the Deputy Secretary of Defense.

Also in response to observations, comments, and criticisms by Members of Congress, he knew that in order to have an appropriate and comprehensive BRAC round the senior leadership of the Department, both uniformed and civilian, had to be involved. And on this Infrastructure Executive Council are the Joint Chiefs, the Service Secretaries, the Chairman of the Joint Chiefs of Staff, and the Deputy Secretary of Defense in the chair, along with Pete Aldridge, the Under Secretary for Acquisition Technology and Logistics.

The General Accounting Office (GAO) report after the 1995 BRAC round made it quite clear that the opportunity had been lost in terms of the way that round and the prior rounds were conducted from the point of view of achieving cross-Service analysis and joint use, joint base utilization. That, as well as, as I have indicated, comments from you all, said to the Secretary, I have got to do it differently.

Therefore, while it is true that he, as the ultimate arbiter, delegated the responsibility to the Deputy Secretary, he has included all of the senior leadership. But it should be noted that there are military-unique activities, unique to the individual military Service, mostly operational in nature, which shall be analyzed by the Army, Navy, Air Force, and Marine Corps independently.

But it is also true, as I indicated in my opening statement, that there are business operational functions and facilities which more than one Service is involved with and/or the private sector performs in this regard to some extent and therefore needs to be reviewed from the get-go in a joint cross-Service way.

Of the six groups that I mentioned, three of them are chaired by senior civilians in the Office of the Secretary of Defense: the industrial activities group, the education and training group, and the technical and laboratory group, right. There are three of them that are being chaired by members of either the joint staff, the supply and storage group, or in the case of the administrative group the Deputy Under Secretary of the Army is chairing it; and the medical group is being chaired by the Surgeon General of the Air Force.

We in point of fact looked at—this is like an NFL draft. We went out for the best athletes, the folks who we thought could best lead this cross-Service exercise, and we did not necessarily say it all had to be driven by the Office of the Secretary of Defense, although there is a very clear charter: You will look at this cross-Service. If you are the Deputy Under Secretary of the Army and you are chairing the administrative group, you have got to take off your Army hat and you have got to put on a cross-Service hat.

The differences are pretty much as I have explained this morning. There are some minor changes that were in the BRAC authorizing legislation. It however makes it very clear that military value is the preeminent selection criterion.

In December of this year, again under the law, the statute, the Secretary will report to you on what he believes the appropriate se-

lection criteria ought to be, plural, and there will be time for public comment, time for Congress to comment, so that as we go into, let us face it, the really tough decision analytic stage, which is the calendar year 2004, we will have had this dialogue and deliberation with you and with the public and with organizations such as were represented in the prior panel.

Senator FEINSTEIN. This is very helpful.

In your prepared statement, Mr. DuBois, you mention that the Defense Department has disposed of 53 percent of the property available from prior BRAC rounds. You also note that approximately 82 percent of the remaining acreage lies in six installations where environmental remediation must be completed. Could you please name those six installations and tell the committee the estimated cost and cleanup time for each of them? And if you cannot do it today, would you please do it in writing.

Mr. DUBOIS. Yes, ma'am. I think that the three Assistant Service Secretaries who follow me will be able to address that in particular. I will say this—

Senator FEINSTEIN. If you could just name the six installations.

Mr. DUBOIS. I do not have them on the tip of my tongue. I will submit it for the record.

Senator FEINSTEIN. Thank you.

Mr. DUBOIS. But we have in this fiscal year under way, while, as you indicated, 53 percent of all prior BRAC acreage has been disposed of, i.e., 47 has not, with the disposal actions in the pipeline today, the largest of which is in Alaska—that is in and of itself in excess of 70 or 80,000 acres. Were that to come to pass, we would be left with probably less than 10 percent of the original BRAC acreage closed.

Again, I defer to my colleagues in the Services. They know the details of the individual—

Senator FEINSTEIN. You mean less than 10 percent unclosed?

Mr. DUBOIS. Which have been closed but not disposed.

Senator FEINSTEIN. Okay, not disposed.

Mr. DUBOIS. They have all been closed. It has not been removed from our property books.

Senator FEINSTEIN. Got it.

Mr. DUBOIS. The six major ones—and as I said, the individual Services—and I believe the Army has the majority of them—will be addressed by the Assistant Service Secretaries. Notwithstanding that, I will insert for the record list of acreage and with the environmental remediation planned for those sites.

Senator FEINSTEIN. Thank you very much.

Senator HUTCHISON. Thank you, Senator Feinstein.

I am going to forgo my last round because we have a 12:00 o'clock vote and I do want to get the third panel. So, Senator Burns, I yield to you.

STATEMENT OF SENATOR CONRAD BURNS

Senator BURNS. Thank you, Madam Chairman, and I appreciate this. With that, I would ask that I can submit my statement for the record.

[The statement follows:]

PREPARED STATEMENT OF SENATOR CONRAD BURNS

First of all, I want to thank Chairwoman Hutchison for convening the hearing today on this issue of Base Realignment and Closure [BRAC]. As we approach the forecasted date of another possible BRAC round in 2005, many concerns and issues must be addressed. I have a number of questions myself and look forward to addressing some of them today.

My home State of Montana—the small community of Great Falls, Montana in particular—knows all too well how painful this process can be. Malmstrom Air Force Base (AFB) lost nearly 700 jobs when its C-135 aerial refueling tankers were moved to Florida as part of the 1995 round of base closures and realignments. I know that my part of the world has already suffered enough job cuts and economic damage because of the loss of this flying mission. This process really can wreak havoc on small communities, further damaging already fragile local economies. One time closure costs and environmental cleanups, coupled with the long lead times necessary to close a base, can make promised savings hard to identify. I also question whether this is the right time to downsize facilities when we are facing an increased threat, both at home and abroad. If the government returns or sells its bases, it will never get the land back.

Tens of millions of dollars have been spent at Malmstrom AFB during my time in the Senate, with more on the way, to improve the operational facilities, living conditions and quality of life for our military men and women. In addition, our land-based missile systems, in particular, remain an important leg of the Nuclear Triad and play an essential role in ensuring national security. While I have no doubt that with 200 Minuteman III missiles, premier facilities, significant air space and little or no encroachment issues, Malmstrom AFB has and will continue to play a critical role in our national security, I do have a number of questions which I want addressed today.

I look forward to hearing testimony from the panelists who are here today and listening to the discussion on this subject.

Thank you, Madam Chairman.

Senator BURNS. I have only one question, Mr. DuBois, and that is how do you define “jointness” as it is used in the context of these proceedings?

Mr. DUBOIS. I think “jointness” can be defined in any number of ways, but certainly at the top of the list—

Senator BURNS. When we get into problems up here, it is because the chairman defines it one way, I define it another way, and Senator Feinstein defines it another way, and then we argue for the next 6 months and never get nothing done because we do not define the thing.

Mr. DUBOIS. I understand, Senator. In prior BRACs when it was more Service-centric, when the Navy decided that they were going to close or realign an installation and said, now where do we take these missions and facilities, to what installation ought they to go, they only considered other naval installations. This BRAC, we will insist and ensure that when any of the Services considers a unique function and facility and mission to that Service ought to be realigned resource closed on Base A and moved to Base B, the Base B will be not just that Service’s infrastructure, but all the Services’ infrastructures can be considered and will be considered.

That is my essential definition of what joint utilization in this BRAC round will be.

Senator BURNS. That is the only question I have, just the way he defines it. I do not agree with it.

Senator HUTCHISON. Well, thank you very much, Mr. DuBois.

Mr. DUBOIS. Thank you.

Senator HUTCHISON. I appreciate your making the effort to be here, and would like to now call our second panel, which is now our third panel: the Assistant Secretaries of the Army, Dr. Fiori;

Air Force, Mr. Gibbs; and Navy, Mr. Arny. We will start with you, Dr. Fiori.

STATEMENT OF HON. MARIO P. FIORI, Ph.D., ASSISTANT SECRETARY OF THE ARMY FOR INSTALLATIONS AND ENVIRONMENT

Dr. FIORI. Thank you, Madam Chairman and members of the subcommittee. It is a pleasure to appear before you to discuss The Army's accomplishments in executing four rounds of the base closure under the base realignment and closure authority provided by Congress and to briefly discuss how we organize for an additional BRAC round in 2005—

Senator HUTCHISON. Excuse me, Mr. Secretary. Let me just interrupt you and say that we have a 4-minute green light and if you could just summarize after that.

Dr. FIORI. This is quite quick, thank you. A detailed written statement has been provided for the record.

Before commenting briefly on the execution of our BRAC program, I would like to say what I am sure we would all appreciate is the challenge confronting the military services today. As we meet to discuss the drawdown of our infrastructure, large numbers of servicemen and women are deployed. We take immense pride in the current skill and professionalism of these men and women. But as we continue to streamline our infrastructure using our BRAC authority, we are motivated by the reality that these brave people deserve the best living and training facilities when they return home.

The Army has completed 112 closures and 27 realignments resulting from the 4 BRACs. As a result of these actions, we are saving approximately \$945 million per year. Our BRAC cost through fiscal year 2003 is \$5.37 billion.

The Army is now completing the remaining environmental restoration activities, transferring surplus property and performing caretaker operations. Our budget request for this year is \$66 million for fiscal year 2004, which will allow us to complete environmental cleanup and ordnance removal efforts to continue to render these properties safe for disposal. To date, The Army has disposed 46.8 percent, with 142,000 acres remaining. We have established a goal of disposing 100,000 acres this fiscal year.

Environmental restoration continues to be the challenge in expeditious disposal of property. To overcome this impediment and accomplish our objectives, we are taking advantage of several innovative approaches toward environmental restoration. Under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), the Department is authorized to convey property prior to completion of required environmental remediation. This early transfer authority, in conjunction with environmental services cooperative agreements, allows the Department to convey property years ahead of schedule and transfer funding to local communities for the completion of the environmental remediation activities.

To date, the Army has executed four Environmental Services Cooperative Agreements. Two additional actions are planned for fiscal year 2003.

Another approach that we are using is Guaranteed Fixed Price Remediation contracts, where The Army obligates funds necessary for regulatory closure of the specified restoration activities. This process is very cost-effective and accelerates the regulatory closures. To date, we have executed seven of these guaranteed fixed price contracts.

We are continuing our assessment of our overseas infrastructure and are continuing to reduce the number of installations overseas. Since 1990, 685 overseas sites have been announced for closure or realignment.

PREPARED STATEMENT

As we begin the BRAC 2005 process, which is essential for successfully transforming The Army, our goal is an infrastructure that supports our security requirements in a changing world. To accomplish this important task, I have established a Deputy Assistant Secretary for Infrastructure Analysis, who will assess all installations within the BRAC law. Lessons learned from our previous four rounds are embedded in our efforts to execute 2005.

Madam Chairman, that will conclude my statement.
[The statement follows:]

PREPARED STATEMENT OF MARIO P. FIORI

Madam Chairman and members of the subcommittee, it is a pleasure to appear before you to discuss The Army's accomplishments in executing four rounds of base closures under the Base Realignment and Closure (BRAC) authority provided by the Congress and our preparation for an additional BRAC round in fiscal year 2005. I appreciate the opportunity to report on our progress.

Congress has authorized The Army to restructure by closing or realigning installations four times since 1988 in order to meet changing requirements in a changing world. The Army's goal is to balance its base infrastructure with its force structure and its mission requirements. BRAC enables The Army to restructure The Army organization and reshape its infrastructure to support a transformed Army. BRAC also saves dollars, not only by eliminating base operations (BASOPS), overhead, and sustainment, restoration, and modernization (SRM) costs at closed installations, but also by consolidating functions and creating efficiencies at realigned installations. However, simple reductions of infrastructure or personnel do not garner substantial savings.

In accordance with the Defense Base Realignment and Closure Act of 1988, Public Law 100-526, and Defense Base Closure and Realignment Act of 1990, Public Law 101-510, as amended, statutory requirements to close and realign facilities were met. The Army completed all closures (112) and realignments (27) for all 4 rounds of Base Realignment and Closure (BRAC) as of July 13, 2001. Upon completion of the first 4 rounds of BRAC, The Army is realizing an annual recurring savings of \$945 million each year. However, these savings do not come without a short-term cost/investment. Since 1988 BRAC has cost The Army a total of \$5.36 billion through fiscal year 2002. The Army invested \$1.7 billion (33 percent) of the \$5.36 billion on facility and infrastructure construction or renovation at gaining installations. The consolidation of activities in new and renovated facilities has greatly improved efficiency and the quality of the workplace for Army employees. Approximately \$2.3 billion (42 percent) funds environmental restoration at closing sites, a cost The Army would have to bear eventually. The cleanup of BRAC sites benefits The Army by avoiding future and potentially more expensive cleanups at these sites. The remainder, \$1.3 billion (25 percent), funds equipment and personnel relocation costs. Although these savings are substantial, we need to achieve even more in order to fund transformation and bring our infrastructure assets in line with projected needs. The Army supports the need to close and realign additional facilities and we appreciate the Congress' support and authority for an additional BRAC round in fiscal year 2005.

The Army's facilities strategy strives to meet the needs of today's soldiers while also focusing on the changes required to support The Army of the 21st Century. For

executing BRAC requirements in fiscal year 2004, our budget request is \$66.4 million. This budget request represents The Army's commitment to complete required unexploded ordnance (UXO) removal, environmental restoration, and minimal caretaking or maintenance of those surplus properties and facilities not yet transferred from the first four rounds of BRAC.

The Army is committed to quickly transferring surplus BRAC properties for redevelopment that is consistent with local community, State, and Federal purposes that are determined to be most appropriate for the property. To date, from a total acreage disposal requirement of 266,847 acres, The Army has disposed of 124,934 acres (46.8 percent) with 141,913 acres (53.2 percent) remaining. Of the remaining acreage, 60,000 acres is a lake in California, for which the State has not exercised their reverter and approximately 41,000 acres is property that the Department of Interior has requested. We expect to substantially reduce the remaining acreage in fiscal year 2003. This is an undertaking that involves many regulatory agencies, and is focused on environmental, historic, and cultural requirements that must be met in order to transfer real property. The Army is using the authority that Congress has provided in a 1996 amendment to the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) to accomplish early transfers of the property to the future recipients. This CERCLA early transfer authority allows The Army to enter into arrangements whereby the future owners will undertake the final environmental restoration and regulatory clearances that are necessary for a final deed transfer of the property. It is generally more cost effective to allow the community that will redevelop the property to also undertake the cleanup, in conjunction with their redevelopment. We have found that those communities that have the capacity to undertake such tasks appreciate and prefer the early transfer authority provided by Congress, in conjunction with a cooperative agreement that provides the necessary funding for environmental restoration activities.

Environmental considerations are the largest and most costly challenges to transferring and redeveloping surplus property. Federal and State environmental regulators concerned with risk and liabilities want the property cleaned to pristine conditions that often exceeds industry standards. These environmental challenges include cleanup activities involving hazardous, toxic, and radiological wastes, oil or solvent spills, and unexploded ordnance common on many of the surplus installations that were used to train our soldiers for war.

Having completed all closure requirements, The Army is now in the second year of completing the remaining environmental restoration activities, transferring surplus property, and performing minimal caretaker operations. Our budget request of \$66.4 million in fiscal year 2004 allows The Army to caretake these properties and to continue our environmental and ordnance removal efforts that will render these properties safe for reuse, facilitate disposal, and provide for economic revitalization. This budget request includes the resources required to support projected reuse in the near term and to continue with current projects to protect human health and the environment.

The Army implemented innovative approaches to environmental restoration at BRAC sites in fiscal year 2002, approaches that facilitated the early transfer of several properties. The Army will continue to support early property transfers in fiscal year 2003 and beyond.

The significant challenges posed by the removal of unexploded ordnance, the remediation of groundwater, and the interface of a variety of regulatory authorities continue to hinder the transfer of surplus property. A number of innovative approaches for environmental restoration were recently developed by The Army to expedite the transfer of property, while ensuring the protection of human health and the environment. Two innovative mechanisms are being utilized to complete environmental restoration efforts: Guaranteed/Fixed Price Remediation (G/FPR) Contracts and Environmental Services Cooperative Agreements (ESCA). These innovations are being employed in partnership with the property recipients to expedite property transfers. A G/FPR Contract allows The Army to obligate the BRAC funds necessary for regulatory closure of specified restoration activities. The Army retains responsibility for completion of the environmental restoration, overseeing the contractor and ensuring that regulatory closure of the property is obtained. An ESCA is a different mechanism that obligates Army BRAC funds under the environmental restoration program. The Army retains its underlying responsibility for the cleanup while engaging the governmental entity representing the community reuse interests to perform specific environmental restoration services outlined in the ESCA in conjunction with its redevelopment plans. This arrangement allows the reuse authority to leverage and harmonize its cleanup objectives with its redevelopment plans.

The Army used a G/FPR to accelerate regulatory closure at Fort Pickett, Virginia, by more than 1 year at a cost that will not escalate over the course of the work.

We estimate that this \$2.9 million contract saved us \$0.8 million based on our initial estimates. An ESCA allows The Army to transfer property and the associated cleanup responsibilities to a local reuse authority or developer. This allows the recipient to integrate cleanup with their redevelopment plans. An ESCA completed in 2001 was used in conjunction with early transfer authority at Military Ocean Terminal, Bayonne, New Jersey, saving The Army an estimated \$5 million in environmental remediation costs. An ESCA will facilitate the early transfer in fiscal year 2003 of property at Oakland Army Base, California. The G/FPR and ESCA initiatives limit Army environmental remediation cost growth and facilitate property disposal and revitalization, in accordance with the community redevelopment timeframe.

The Army is intent on transferring surplus property expeditiously, and we remain committed to promoting economic redevelopment at our BRAC installations. We support early transfer and reuse of properties through economic development conveyances and use cooperative agreements to accelerate the completion of remaining environmental remediation. The 2005 Base Realignment and Closure authorization greatly expands the Department's ability to negotiate economic development conveyances of BRAC property. The Department is required to receive full fair market value consideration, and allows the conveyance of property to any entity that agrees to perform environmental restoration at the site. This will permit us to sell excess property and help generate additional funds for cleanup, resulting in the property being returned to reuse more quickly than under the current process. The Army's use of leasing and award of G/FPR and ESCA contracts to complete environmental cleanup make surplus properties available for reuse earlier. The early transfer of real property assets to interested parties in the private sector will provide strong economic development to local communities. This will develop business opportunities that result in jobs and tax revenues. The successful conversion of former Army installations to productive use in the private sector benefits The Army and the local community.

The Army continues to effectively execute and implement the BRAC program utilizing innovative tools made available by Congress. Many local communities do benefit from acquisition of valuable properties with significant reuse potential. Most recently, The Army transferred property at the former Oakland Army Base, California, to the City of Oakland using the early transfer authority and signing a cooperative agreement to have the City complete the remaining cleanup actions at the facility. This will allow the City to manage and integrate the redevelopment and environmental restoration of the site to maximize reuse potential. This approach is beneficial to both parties and allows The Army to benefit from the reduced costs associated with integrating cleanup with reuse. The community benefits from receiving the property earlier and starting the redevelopment process. This early transfer/environmental cooperative agreement approach to property conveyance was used earlier at Bayonne Military Ocean Terminal and Fitzsimons Army Medical Center.

The following summary of some of our BRAC reuses reflects the broad range and complexity of successful reuse of BRAC installations. These examples also demonstrate The Army's commitment to reuse and illustrate how the impact of base closures can be minimized at the local community level:

Leasing of Property at Red River Army Depot (RRAD), Texas.—The Army leased Building 150 to the Red River Local Redevelopment Authority (RRLRA). The RRLRA and its first tenant, a heavy metal fabrication contractor that does work for the paper mills in the area, signed a sublease. Local media reflected favorably on The Army's support to communities in transforming closing and realigning bases into assets for economic development.

Transfer of the Woodbridge Research Facility (WRF), Virginia, to the Department of the Interior (DOI).—The Army conveyed 580 acres of WRF (formerly Harry Diamond Laboratories) to DOI. The WRF closed September 16, 1994, as a result of the recommendation of the BRAC Commission. Pursuant to Public Law 103-307, the entire installation was transferred to DOI for incorporation into the National Wildlife Refuge System. The U.S. Fish and Wildlife Service (USF&WS) manages the property to provide a wildlife preserve open to the public, and for research, testing, and environmental education purposes.

Sale of Former Army Materials Technology Laboratory (AMTL), Massachusetts Property.—The Army transferred approximately 30 acres of the AMTL facility located in Watertown, Massachusetts, to the Watertown Arsenal Development Corporation (WADC) for a purchase price of \$7.5 million. The Army also transferred via Public Benefit Conveyance the Commander's Quarters, a seven-acre parcel, to the Town of Watertown as a historical site. The range of long-term direct and indirect job creation was projected at 3,800 to 5,000 jobs and today Harvard University has acquired and uses much of the site for its publications operations.

Economic Development Conveyance (EDC) of Vint Hill Farms Station.—The Army approved an EDC application for conveyance of Vint Hills Farm Station to the Vint Hill Farms Economic Development Authority (VHFEDA). The conveyance involved approximately 686 acres of the 701-acre installation, and associated buildings and structures. The final purchase price was \$925,000. The remaining 15 acres was transferred to Fauquier County as a Public Benefit Conveyance for recreational use.

Conveyance of Tipton Airfield, Fort George G. Meade, Maryland, to the Local Community.—The BRAC Commission recommended partial closure and realignment of Fort Meade. Range and training areas to include Tipton Army Airfield were recommended for closure. Tipton Airfield closed September 30, 1995. Anne Arundel County, Maryland, acquired the property as an airport Public Benefit Conveyance through the Federal Aviation Administration. The deed for transfer of approximately 348 acres was issued to Anne Arundel County Airport Authority on July 2, 2001.

Conveyance of Fort Holabird, Maryland, to the City of Baltimore.—The major portion of Fort Holabird was conveyed to the City of Baltimore in 1983 and was developed as the Holabird Business Park. The Army retained two parcels for ongoing Army missions. The 1995 BRAC Commission recommended closure of the remainder of Fort Holabird. The City of Baltimore was designated as the local redevelopment authority (LRA). The Department of Housing and Urban Development approved the LRA's reuse plan, which involves incorporation of the two parcels into the Holabird Business Park. The LRA submitted a no-cost Economic Development Conveyance application on March 13, 2000, which The Army approved, and a deed transfer of approximately 13.3 acres was signed on February 12, 2002, thereby completing disposal of the property.

Completion of Rio Vista, California, Guaranteed Fixed Price Remediation (GFPR) Contract.—On February 5, 2002, the former Rio Vista Reserve Center became The Army's first completed GFPR contract. The State of California regulators concurred with and signed a No Further Action decision document for the entire 28-acre property. The regulatory closure of the clean up marked the first military post in California to be closed clean. The GFPR process saves time, conserves resources and ensures regulatory concurrence. GFPR reduces Army liability, completes remediation faster, supports rapid redevelopment, and provides cost savings to The Army.

Savanna Army Depot Activity, Illinois, Crooked Slough Backwaters Area to Public Access.—On May 6, 2002, The Army opened the Depot Crooked Slough Mississippi River backwaters area for recreational boating and fishing. Public access had been denied, pending assessment of safety concerns. Reopening the area was a direct result of recommendations of the Savanna Strategic Management, Analysis, Requirements and Technology (SMART) team, formed in August 2000 by The Army at the request of Congressman Manzullo. Technical evaluations and negotiations among Army officials, U.S. EPA, Illinois EPA, USF&WS, as well as interested local members of the SMART team resulted in the placement of a physical barrier system and/or hazard warning signs around specific potential ordnance impact areas, thereby allowing the safe opening of a majority of the Crooked Slough area to water access for fishing and boating. The Army is continuing its environmental remediation investigations within the restricted areas to determine the required restoration actions. This was a good news story in that The Army BRAC/interagency effort met Congressional and public desire for access and regulatory, environmental and safety concerns, while protecting Army interests. Congressman Manzullo hailed this decision as a significant step toward citizen use of the area. He also endorsed the establishment of a National Wildlife Refuge, an idea now under consideration by the USF&WS.

Decision Document and Environmental Services Cooperative Agreement (ESCA) for Military Ocean Terminal-Bayonne, Bayonne, New Jersey.—The Final Decision Document for Nine Areas of Concern/Operable Units at Former Military Ocean Terminal, Bayonne (MOTBY) was approved on October 26, 2002. The Decision Document formally identified the environmental remediation activities agreed to between The Army and the New Jersey Department of Environmental Protection for the 192 acres. This document became the basis for work performed by the Bayonne Local Reuse Authority (BLRA) under an ESCA, which allowed the BLRA to perform environmental remediation activities in conjunction with their redevelopment process. A deed to transfer 192 acres was signed on December 11, 2002, using The Army's early transfer authority.

Although the extensive overseas closures do not receive the same level of public attention as those in the United States, they represent the fundamental shift from a forward-deployed force to one relying upon overseas presence and power projection. The Army is continuing its assessment of overseas infrastructure needs in an effort to reduce the number of installations overseas. The total number of Army

overseas sites announced for closure or partial closure since January 1990 is 685. Additional announcements and efficient basing initiatives will occur until the base infrastructure matches the force structure identified to meet U.S. commitments.

The BRAC 2005 process is essential for successfully transforming The Army structure and the Department of Defense in response to a changing world and changing requirements. The Army looks forward to working closely with the Office of the Secretary of Defense and the other Services through Joint Cross-Service Groups and the DOD Infrastructure Steering Group and Infrastructure Executive Council to optimize our ability to project power globally while reducing unnecessary overhead wherever possible. Joint organizational and basing solutions is one concept that will free resources to modernize equipment and infrastructure, and enhance our capabilities to meet 21st Century threats.

The Army will execute the requirements of the BRAC 2005 legislation through the Office of the Deputy Assistant Secretary of the Army for Infrastructure Analysis, a new organization, which will lead The Army Basing Study (TABS) to assess all installations in accordance with the BRAC law. All bases will be considered and treated equally. We will work with OSD and our sister services to take a hard look at the resources necessary to support the transformed Army now and into the future.

The TABS Group will conduct a comprehensive, detailed military value assessment of Army installations; evaluate base realignment and closure alternatives; and develop, document, and publish base realignment and closure recommendations that are consistent with DOD and Army force structure plans, BRAC selection criteria, and the requirements of Public Law 101-510, as amended. The TABS Group will serve as the single point of contact in the Department of the Army for BRAC 2005 and will meet all legislatively-directed and OSD-directed BRAC 2005 milestones.

SUMMARY

There are many examples of The Army's success in implementing BRAC per Congress' direction. There are also examples of the complex and difficult challenges associated with this unique task. We have learned lessons from our successes and from working through difficult and challenging tasks. We will build on these lessons and successes as we execute BRAC 2005. Our changing world requires changes to how we defend and secure this great country. We owe it to the young men and women to transform this Army to provide them the greatest opportunities for success as we send them into harms way. With your support and authority to execute BRAC 2005, The Army structure will be better configured to face the new challenges and our nation will be safer and more secure.

Madam Chairman, this concludes my statement. Thank you.

Senator HUTCHISON. Thank you very much, right on the button.
Mr. Army.

STATEMENT OF WAYNE ARNY, DEPUTY ASSISTANT SECRETARY OF THE NAVY FOR INSTALLATIONS AND FACILITIES

Mr. ARNY. Yes, ma'am. Thank you very much. It is a pleasure to appear before you to discuss some of the lessons we have learned in the Department of the Navy over the last 15 years of base closure.

As you know, my boss H.T. Johnson is now the Acting Secretary and sends his regrets. It is under his leadership that we are breaking new ground in BRAC implementation by adapting some old established closure methods. Having previously served as a base commander in the Air Force, a commissioner on the BRAC 1993 Commission, and later as the head of a local redevelopment authority (LRA) in Texas, Secretary Johnson brings a unique blend of experience and perspective to our most persistent base closure problem, the fact that BRAC cleanup and proper disposal costs too much and takes way too long.

My written statement has a number of suggestions for process improvement, but let me just highlight a couple of them. Lesson number one: Public sale of BRAC property can be better than an economic development conveyance (EDC) for the Federal Govern-

ment, the community, and the developers. That would seem counterintuitive to many people in the affected community since an EDC conveys the property for free as long as it can be shown to create jobs and provide economic benefit. Our experience has shown that in some situations the opportunity to get free Federal land becomes mired in protracted and often acrimonious local debates. There is an opportunity cost with each type of property disposal. An EDC can become an opportunity lost or at least delayed for years longer than a comparable private sector venture.

By contrast, we are beginning to see that a public sale provides a win-win-win situation for the military, the community, and the developer because it puts all the parties involved back into their most familiar core roles. The community goes back to planning and managing development through its normal local land use and zoning authority instead of trying to directly manage redevelopment, a task for which they are often ill-suited. Once we sell the property, it gets on the tax rolls immediately, unlike a typical EDC where the community gets tax revenue only after the LRA-sponsored development is well under way.

The developer, who was chosen competitively by the General Services Administration (GSA), provides the vision for economic redevelopment along with the critical financial and project management expertise, all within the community zoning rules. The developer has a financial incentive. He has to pay property taxes and interest on borrowed money. Thus he tends to get the job done more quickly and more efficiently.

Let me point out a couple of other points that are often lost in the current debate. Local communities rarely own a lot of land. Most of the land is held privately. Local communities rarely develop property. It is developed by the private sector and the communities oversee the general plans and zoning that permits that development. These are the basics to which we are trying to return.

The Federal Government, on the other hand, returns to its role as the property owner, disposing of the land to the highest bidder in a manner consistent with the local community's existing land rules. Thus we more quickly and completely dispose of excess property and gain in some measure—gain some measure of fair market value for the taxpayers' previous investment, which we can then apply to help defray the costs of environmental cleanup and other closing costs. The General Services Administration serves as our real estate broker, managing the property for us and with us on an equal basis to all parties.

Most recently, we completed a property sale of 235 acres at the former Marine Corps Air Station in Tustin, California, in well under 1 year from start to final settlement. We received \$208.5 million, which will be used to accelerate BRAC cleanup. We are very pleased with those results and, as you know, we are doing some other public sales.

I will summarize my other lessons. We do not want to get bogged down in fed-to-fed transfers, which we have in the past. Some agencies have taken years to decide or they quickly decide to take a large parcel and then they back out later on.

PREPARED STATEMENT

We need to examine how to do National Environmental Policy Act (NEPA) analysis for property disposal. We want to look at the ability to contract for firefighting and security guard services and ensure that our remedies are consistent with the previous land uses.

Thank you very much for your attention.
[The statement follows:]

PREPARED STATEMENT OF WAYNE ARMY

Madam Chairwoman and members of the Committee, I am Wayne Army, Deputy Assistant Secretary of the Navy (Installations and Facilities). It is a pleasure to appear before you today to discuss the Department of the Navy's efforts to implement the decisions of the four rounds of base realignment and closure (BRAC). The first round, known as BRAC 88, was done under Public Law 100-526. The next three rounds, known as BRAC 91, BRAC 93 and BRAC 95, were done under Public Law 101-510. I will collectively refer to these past four rounds of BRAC as Prior BRAC to avoid any confusion with the next scheduled round of BRAC in 2005.

My statement will cover the Department of the Navy's Prior BRAC implementation process, the status of cleanup and property disposal, and some thoughts on improving implementation of BRAC 2005 decisions.

PRIOR BRAC IMPLEMENTATION PROCESS

Prior BRAC Scope

Prior BRAC rounds resulted in 178 Navy and Marine Corps bases and activities designated for closure or realignment. Of those bases, 46 were major closures, 89 were minor closures, and 43 were realignments. All 178 closure and realignment actions have been completed. What remains is environmental cleanup and property disposal.

Significant savings begin to accrue after operational closure, i.e., when the mission functions of the bases cease, personnel billets are reassigned or eliminated, and real property maintenance requirements are reduced to a caretaker level. Savings fully accrue when we no longer must operate and maintain the property for its previous mission capability. At the end of fiscal year 2001, the Department of Navy had achieved a net savings of \$6.8 billion, with an additional annual savings of \$2.7 billion. These net savings estimates have been validated by several independent sources.

Navy's caretaker Responsibilities

After operational closure, environmental cleanup and property disposal become the focus. To allow other commands to focus on their primary mission responsibilities, the Navy transferred all operationally closed bases to the Naval Facilities Engineering Command to conduct the cleanup and disposal. The Marine Corps retained management and funding responsibility for its two bases that were closed, relying on the Naval Facilities Engineering Command for program execution. Of these 178 Prior BRAC actions, 90 installations were designated for disposal.

The Naval Facilities Engineering Command established Caretaker Site Offices at most closure sites. They are responsible for day-to-day property management and essential services, compliance of reuse activities with lease and regulatory requirements, and work with the local communities. Legislative jurisdiction is often a concern since it determines who is responsible for providing police, fire, and other regulatory services. Early retrocession of jurisdiction has proved to be helpful in establishing successful interim reuse activities. At sites where exclusive legislative jurisdiction has not changed, the Department of the Navy is often required to keep Federal employees on the payroll to provide these services.

Property disposal

The final goal of BRAC is conveyance of the property to some other entity. In many respects, this has been a far more complex process than originally conceived. Property disposal is often closely linked to environmental cleanup. Although environmental cleanup actions had been initiated at nearly all Prior BRAC locations, most of the work had been to assess the location, type and severity of contamination. A few locations had progressed to planning cleanup remedies, however, little actual cleanup had been done.

Between operational closure and conveyance, the Department of the Navy can facilitate reuse of the property by way of interim leases to the Local Redevelopment Authorities (LRAs), which then subleases property to private businesses. If desired by the LRA, the property can be conveyed incrementally when particular parcels satisfy environmental standards and the prospective owners accept the property.

The Federal Screening Process

Following approval of each round of Prior BRAC, the Department of the Navy identifies excess property at closing activities to other Department of Defense components and Federal agencies through a Federal screening process. Other Defense components and Federal agencies can request¹ all or part of the excess base closure property for their use. If a Federal agency expresses a timely interest in base closure property, the Secretary of the Navy would seek to align the Federal agency's request with that of the community. The Secretary of the Navy makes the final disposal decision. Conveyance and reuse decisions can experience lengthy delays when a Federal agency requests property and then delays or later opts not to accept it because of budgetary or other reasons.

Economic Development Conveyances

When the Defense Base Closure and Realignment Act of 1990 was enacted, Congress intended for the proceeds of property sales to help offset the costs of implementing base closure. The Act directed DOD to dispose of property in accordance with existing standard procedures, i.e., the Federal Property and Administrative Services Act of 1949² and implementing regulations.³ The legislative history for the Property Act indicates that Congress intended most property to be disposed by public sale to the highest bidder. Public benefit conveyances for less than fair market value were to be made "sparingly."⁴

In 1993 the President announced a plan to help communities speed reuse and economic redevelopment of base closure property, and minimize the impact of the closure. The plan consisted of the following five initiatives:

- Job-centered property disposal to put local economic redevelopment first.
- Fast-track environmental cleanup to remove needless delays while protecting human health and the environment.
- Transition coordinators located at major bases slated for closure.
- Easy access to transition and redevelopment help for workers and communities.
- Larger economic development planning grants provided to base closure communities.

The plan gave rise to Economic Development Conveyances (EDC), which were authorized by Congress. The creation of EDCs represented a major legislative change because it gave preference to disposal of the property to local governments at less than fair market value instead of public sale to the highest bidder. Since that time, a total of 15,930 acres of base closure property have been disposed of at no cost to communities through EDCs.

LOCAL REDEVELOPMENT AUTHORITIES AND REUSE PLANS

The Local Redevelopment Authority (LRA) plays a significant role in the base closure planning process. Members of the LRA are appointed by State or local governments and recognized by the Department of Defense as representing the voice of the community at a base closure location. LRAs hold public hearings and prepare a reuse plan that must balance the needs of the homeless people in the community, as required by law⁵, with efforts to stimulate economic redevelopment. They may also request surplus property to assist them in implementing their plan. Navy works with the LRA throughout this process to ensure timely submission of a comprehensive, feasible reuse plan.

National Environmental Policy Act Compliance

BRAC requires the Military Services to evaluate all reasonable disposal alternatives, including non-disposal, and their associated environmental consequences under the terms of the National Environmental Policy Act of 1969 (NEPA) before the property could be disposed. In 1996, the Congress amended⁶ BRAC to require

¹Per 41 CFR 101-47.203-7.

²40 U.S.C. 472.

³41 CFR 101 Part 47.

⁴H.R. 1763, 85th Cong., 2d Session, reprinted in 1958 U.S.Code, Cong. & Adm. News, 2861, 1866.

⁵Sec. 2905(b)(7) of Public Law 101-510.

⁶Public Law 104-106, the Fiscal Year 1996 National Defense Authorization Act.

the Military Departments to use the LRA's reuse plan as the preferred alternative in conducting our NEPA analysis.

Under NEPA, we must also consider:

- Environmental impact of the proposed disposal and the impacts of all reasonably anticipated uses of the property;
- Alternatives to the proposed disposal and reuse plan, including the “no-action” alternative;
- Adverse impacts on the environment under the Federal Endangered Species Act and the Clean Water Act, and protected resources such as historic buildings and archeological sites under the National Historic Preservation Act;
- Mitigation actions that would minimize adverse impacts on the environment and protected resources such as historic structures, wetlands, and habitats for threatened or endangered species;

If Navy cannot certify in an Environmental Analysis that there will be no significant impact, it must prepare an EIS. That involves a very detailed environmental analysis and formal public participation. At the end of the EIS process, the Department of the Navy issues a Record Of Decision concerning disposal of the base closure property. The Record of Decision represents a necessary element of the property conveyance process, since disposal and redevelopment cannot begin until it has been issued. This Record of Decision is separate from, and in addition to the Record of Decision required for environmental cleanup.

Environmental Cleanup

The Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) requires the Federal Government to warrant that all remedial action required to protect human health and the environment has been taken prior to the disposal of surplus Federal property. It also requires that any additional remedial or corrective action discovered after disposal will be done by the United States. This statute is the legal basis for Navy's obligation to cleanup environmental contamination on base closure property. A Record of Decision, approved by environmental regulators, documents the remedy that will be used to perform the environmental cleanup. Reuses proposed by Local Redevelopment Authorities sometimes require clean ups in excess of what would have been conducted by Navy based on the historical use of the property or if the property had been sold.

Early Transfer

In the past, CERCLA precluded Navy from conveying property to non-Federal entities until all environmental remediation was complete or until an acceptable remedy approved by State and Federal environmental regulators was in place and operating satisfactorily. Section 334 of the DOD Authorization Act for fiscal year 1997 allowed the Department of Defense to convey base closure property before remediation is in place if approval was obtained from the Environmental Protection Agency when the property was on the National Priorities List, or from the State governor if the property was not on the National Priorities List.

The Department of the Navy has used this early transfer authority eight times to convey to property developers approximately 9,500 acres about 5 years before otherwise possible. These early transfers have often combined the environmental cleanup with actual redevelopment, resulting in time and money savings to both the developer and the Department of the Navy.

Methods for Conveying Base Closure Property

Two statutes govern the disposal of base closure property: the Federal Property and Administrative Services Act of 1949, and the BRAC statute which added the option of an Economic Development Conveyance under the Pryor Amendments of 1993. These statutes provide a way to transfer excess Federal property to another Department of Defense component or other Federal agency, and four primary ways to dispose of surplus Federal property to a non-Federal recipient:

- Public sale to the highest bidder for fair market value. I will note here that the highest bid must come close to the appraised fair market value. If not, the disposal agency must give the high bidder a chance to raise the bid to that level, or choose not to complete the sale. Public sales can provide financing terms for up to 10 years;
- Negotiated sale to a State or local government when the property will be used for an acceptable public purpose and the grantee will pay fair market value. Such a sale is subject to review by Congress. Negotiated sales can provide for financing terms for up to 10 years;

- Public benefit conveyance for less than fair market value when the property will be put to a public purpose specifically authorized by Congress (e.g., an airport, port, educational facility, park)⁷;
- Economic development conveyance (EDC),⁸ for less than fair market value when the LRA's reuse plan demonstrates new jobs will be created by the proposed redevelopment.

Another method of disposal is through special legislation authorized by Congress for a particular property. These conveyances are often for nominal consideration. Hunters Point Naval Shipyard and Fleet and Industrial Supply Center Oakland have been the subject of such special legislation.

BRAC also provides two other unique disposal opportunities that so far have not been used by the Department of the Navy. The first is the ability to convey property to private parties who will undertake environmental cleanup.⁹ The receiving party agrees to assume responsibility for the cleanup. If cleanup costs less than the fair market value of the property, the recipient pays Navy the difference. The second conveyance tool is the authority to exchange BRAC property for the development of military family housing at another site where there is a need for housing.¹⁰

Actual Disposal

We work closely with the LRAs as they prepare their proposed reuse plans for submission to us and review by the Department of Housing and Urban Development, who weighs the economic development aspects of the reuse plan with provisions for homeless people. We begin the environmental review required by NEPA when the LRA submits its proposed reuse plan. As part of the environmental impact analysis, Navy is required to identify and analyze measures to mitigate adverse impacts. Because the Navy does not control property after conveyance and the Navy's ability to impose land use controls is limited, most actions needed to mitigate adverse impacts will be the responsibility of the LRA. In order to ensure that mitigation measures in the Environmental Assessment (EA) or Environmental Impact Statement (EIS) can be implemented, Navy must ensure that the LRA agrees to and has the authority to implement the necessary actions to protect resources such as wetlands, threatened and endangered species, and historic and archeological buildings and sites.

After the NEPA Record of Decision is issued, the Secretary of the Navy, after consultation with the LRA, proceeds with disposal of the property in accordance with the various statutory authorities. In the case of an EDC, the Office of the Secretary of Defense must also approve the conveyance. In the case of a negotiated sale, the conveyance must be reviewed by Congress and, as a practical matter, also receive the concurrence of the General Services Administration.

In the event that a LRA requests property by a negotiated sale, we have an agreement with the General Services Administration that they manage the appraisal process. That speeds Congressional review since Congress routinely asks that they concur with the appraisal before approving the negotiated sale.

Competing Demands

I have so far outlined the challenges in trying to dispose of base closure property in a manner that furthers the public interest, and as expeditiously as possible, within the statutory and regulatory framework of Federal property disposal and environmental laws. Central to the disposal process is the availability of adequate funding for environmental remediation at closed bases. We recognize that some LRAs and other grantees will not accept title to contaminated properties until the property is cleaned up. Consequently, we continue to incur costs associated with ownership (e.g., maintenance, protection costs) until cleanups are complete and approved by Federal and State environmental regulators.

PRIOR BRAC CLEANUP AND DISPOSAL STATUS

My boss, the Assistant Secretary of the Navy (Installations and Environment) testified before this Committee on 4 March 2003, and he provided a summary of the status of our environmental cleanup and property disposal efforts. I will repeat some of that information here as a matter of convenience along with some additional details.

The Department of the Navy has spent a total of \$2.8 billion on environmental efforts at Prior BRAC bases through fiscal year 2002. The Congress has approved

⁷ See for example, 40 U.S.C. 484(k) for park, education and public health purposes.

⁸ Sec. 2905(b)(2) of Defense Base Closure and Realignment Act.

⁹ Sec. 2905(b)(8)(e) of Defense Base Closure and Realignment Act.

¹⁰ Sec. 2905(b)(8)(f) of Defense Base Closure and Realignment Act.

an additional \$258 million for fiscal year 2003. I would note that the State of California has 21 percent of the Department of the Navy's Prior BRAC bases, and has received about 42 percent of all cleanup funds through fiscal year 2002. We estimate that an additional \$785 million is required to complete the remaining cleanup, including long-term operation and monitoring of cleanup remedies. Current projections are to complete all cleanup actions by fiscal year 2016. The availability of Prior BRAC land sale revenue could dramatically accelerate cleanup. About 66 percent of our remaining cost of cleanup is at Prior BRAC bases in California. We expect that about 40 percent of the total Prior BRAC environmental funding will be spent in the San Francisco Bay area.

As of the end of January 2003, Navy had transferred 64 of the 90 former bases planned for disposal. A total of 425 parcels of land have been conveyed at these 64 bases and other bases at which only a portion of the base has been transferred. We will need to transfer another 196 parcels and complete all actions on the remaining 26 bases. Our plans call for the transfer of 58 additional parcels, including the final parcels at eight more bases in fiscal year 2003, and 51 parcels, including the final parcels at five bases in fiscal year 2004.

IMPROVING BRAC IMPLEMENTATION

Public Sale Is A Win-Win

Although the EDC remains the preferred method of disposal, under some circumstances EDCs can be very time consuming and difficult to complete. When that happens, public sales have proven to be successful alternatives. Public sale provides a win-win situation for everyone because it puts all parties in their most familiar role:

- The community plans and manages growth through local land use and zoning ordinances instead of trying to manage redevelopment. The property gets on the tax rolls quickly. The community never holds title to the land;
- The Federal Government quickly disposes of excess property, gains fair market value for the tax payers past investment in the property, and can apply that revenue to defray the costs of closure, realignment, and environmental cleanup. The Federal Government is removed from the ill-advised role of analyzing redevelopment efforts;
- The General Services Administration becomes the real estate broker, marketing the property and ensuring equal opportunity to all developers;
- The developer provides the visionary growth opportunities and fits that within the community's local zoning requirements and economic factors. The developer secures financing and provides the project management expertise.

The Department of the Navy public sale of 3 parcels of property totaling 235 acres at the former Marine Corps Air Station Tustin, CA brought quick resolution to long standing acrimony on reuse direction, generated significant revenue to pay for environmental cleanup costs, and will provide new jobs and economic opportunities for the community, while quickly bringing the property onto the community tax rolls.

Another good example is the former Army Cameron Station in Alexandria, VA, which was closed as part of BRAC 1988. The Army held a public sale of the property in 1995, and most would agree that it has been developed and returned to the tax rolls more rapidly than other property that has been conveyed to the community at no cost.

The Department of the Navy is pursuing public sales of other Prior BRAC properties.

Simultaneous Redevelopment and Environmental Cleanup

We have learned that successful cleanup and property disposal of large tracts of Federal property requires skillful negotiation of a complex mix of Federal, State and local statutes and regulations; Federal, State and local government skills, motivation, and capabilities; flexibility and innovative thought; and available funding to conduct the environmental cleanup. We have also found that tying redevelopment with actual cleanup saves time and money for both the developer and the Federal Government. The critical ingredient to simultaneous redevelopment and environmental cleanup is the availability of detailed studies on the nature and extent of environmental contamination, and the support of environmental regulators.

Federal Agencies Sometimes Delay or Disrupt BRAC Property Disposal

BRAC property disposal process requires property to be screened for other Federal use. If another Federal Agency identifies a need for the property and the Navy agrees to transfer it to them, the receiving Federal Agency has a responsibility to accept the property within a reasonable time period. In several instances, receiving agencies have delayed acceptance of property pending completion of environmental

remediation, even though completion of cleanup is not required for property transfer. In other instances, some Agencies have withdrawn their request for the property after a prolonged delay, thus requiring the disposing service to declare the property surplus years after the LRA has completed its outreach and reuse planning. In addition, some Federal Agencies have resisted taking property unless and until a CERCLA covenant for environmental cleanup was provided, even though there is no statutory requirement to do so.

NEPA Requirements for BRAC Property Disposal

In applying NEPA to BRAC property disposal the Navy has found itself in the middle of disputes and legal challenges between adjoining government jurisdictions and different interest groups on how the community should proceed with reuse of the surplus Federal property, even though the Federal Government's ability to control future land use is limited. The NEPA process for BRAC property disposal can sometimes be time-consuming and expensive; we will continue efforts to make the process more efficient and enhance its value.

Contract for Fire and Security Services At BRAC Locations

10 U.S.C. 2465 prohibits the use of appropriated funds for the purchase of firefighting or security-guard functions at military installations within the United States that were not under contract on September 24, 1983. At BRAC closure sites with areas of exclusive legislative jurisdiction, Federal employees or military members performed firefighting or security guard functions and the local government were not required to provide such services. Local governments have the legal obligation to provide these services in areas of proprietary and concurrent jurisdiction although they are sometimes reluctant to do so. Navy is later required to conduct Reduction in Force (RIF) actions to terminate employment when the property is disposed of or the State has agreed to a retrocession of exclusive jurisdiction. The ability to contract for firefighting and security guard functions would significantly reduce caretaker expenses.

Cleanup Standards for BRAC Property Are Sometimes Inconsistent With Past Use

Several Navy BRAC property disposals have resulted in cleanup actions that exceed levels that would have been implemented if DOD had done the clean up to a level consistent with the past and current uses of the property. Local communities frequently pressure the Navy to clean up property to a level that is inconsistent with the property's previous use. For example, an industrial site could be planned for redevelopment as a residential use or a landfill could be proposed for conversion to parking or storage areas.

We Can Learn From Each Other

Each Military Department has extensive and varied experience with BRAC reuse and disposal. In order to share those experiences and expertise, and to ensure that the Department of Defense is conducting reuse and disposal in the most efficient and effective way possible for all concerned, the Office of the Secretary of Defense is forming a working group to examine potential improvements to the BRAC reuse and disposal process. The Department of the Navy supports this effort and looks forward to working with the other Departments and OSD.

CONCLUSION

I want to thank the Chairman and members of this committee for holding this hearing. I hope that I have shed some light on the complexities involved in environmental cleanup and property disposal of BRAC property. I want to ensure you that the Navy and Marine Corps team, from the installation level to headquarters, has been working very hard with regulators and communities to do a responsible environmental cleanup that is protective of human health and the environment, and to help bring BRAC property back to productive use through economic redevelopment. We will continue to give priority management attention and funding to support promising opportunities for early transfer of BRAC property. We will pursue other public sales of BRAC property when appropriate and other disposal options have not progressed. We will use the funds generated by the sale to accelerate cleanup at BRAC locations.

That concludes my statement. I appreciate the support of each member of this committee, and will try to respond to any comments or concerns you may have.

Senator HUTCHISON. Thank you, Mr. Army. I wish we had had the other panel here to talk back and forth because you are so dia-

metrically opposed that it is hard for us to determine which really works better. I mean, you make a good case, but they do as well.

Mr. ARNY. Well, it is fairly new, and I think you also need to talk to the city of Irvine some time, because they have been a partner with us on what will be the largest public sale any of us have ever done. We have 3700 acres in Orange County to sell and it will be done through public sale.

Senator HUTCHISON. Thank you. Of course Orange County is in a somewhat different category from some of our bases.

Mr. Gibbs.

STATEMENT OF HON. NELSON F. GIBBS, ASSISTANT SECRETARY OF THE AIR FORCE FOR INSTALLATIONS, ENVIRONMENT, AND LOGISTICS

Mr. GIBBS. Thank you, Madam Chairman, Senator Feinstein.

The Air Force is quite proud of the record that it has had in working with the Base Realignment and Closure (BRAC) through the first four rounds. There have been 22 closures and 19 realignments. Over 87,000 acres will eventually be transferred back to the local communities. Over 60 percent of those acres have already been transferred and another 30 percent of them are currently in long-term lease so that the development can go forward.

From the perspective of environmental aspects of it, we expect to have our last remedy in place by 2005 with the exception of one base, and the operating and monitoring, however, of that cleanup will go on for 40 years in many cases, with one substantive exception where the monitoring will go on in excess of 200 years.

PREPARED STATEMENT

We believe it has been a success and we believe that we are prepared to move forward with the 2005 round for the disposal of properties in a very expeditious manner also.

Thank you very much.

[The statement follows:]

PREPARED STATEMENT OF NELSON F. GIBBS

INTRODUCTION

Madam Chairman and members of the committee, good morning. I appreciate the opportunity to appear before you to discuss the Department of the Air Force Base Realignment and Closure (BRAC) program. Today, I will share with the committee our progress in transitioning the installations identified for closure or realignment in previous rounds of BRAC and how we are preparing to execute an additional round of base closures in 2005.

One of the most effective tools we have to transform the military is through the BRAC process. The previous four rounds of BRAC approved 22 Air Force installations for closure and 17 realignment actions, and the Air Force completed each action within its statutory deadline. We rationalized much of our infrastructure through the previous BRAC rounds—but much more needs to be accomplished. Transformation requires rationalizing our base structure to better match the force structure for the new ways of doing business.

Congress authorized a Base Realignment and Closure in 2005 to accomplish this “base transformation”. BRAC 2005 is the means for the Air Force to align our infrastructure to maximize warfighting capability efficiency, and meet the Nation’s new defense strategy. Through BRAC 2005, we will eliminate excess capacity that drains our scarce resources from defense capability.

2005 BASE REALIGNMENT AND CLOSURE

The Air Force views the 2005 Base Realignment and Closure process as a unique opportunity to reshape our infrastructure to optimize military readiness and to ensure we are most efficiently postured to meet new security challenges. In January of this year, we established a Basing and Infrastructure Analysis group within Headquarters Air Force. This office will serve as the Air Force focal point for the BRAC 2005 process. Our major commands are following suit with creating their own analysis structures to support the BRAC process. As in previous rounds of base closures, we are establishing a Base Closure Executive Group (BCEG) composed of general officers and senior civilians representing a variety of functional areas, including those with ranges and airspace operational expertise. The Air Force Deputy Assistant Secretary for Basing and Infrastructure Analysis participates in meetings with his counterparts in OSD and the other services on BRAC 2005 planning issues and also on the composition of the joint cross service teams. The Air Force is also working on a building up it's BRAC 2005 staff in order to ensure the appropriate degree of corporate attention and expertise is given to this effort. The Air Force leadership is committed to meeting the BRAC 2005 statutory deadlines and ensuring our analytical processes are comprehensive and auditable.

BASE CONVERSION

The Air Force continues to work with the local reuse authority at each closed and realigned bases from rounds of BRAC to minimize the impact on local communities from the closures. The Air Force is disposing of over 87,000 acres at 32 locations. Base conversion efforts have led to the creation of over 48,000 jobs in a variety of reuses, including industrial, aviation, commercial, residential and educational activities. Thirteen airports have been created, significantly contributing to the United States civil aviation system. Colleges expanded their operations, hospitals and senior citizen housing complexes developed, industrial uses ranging from biotechnology to a state-of-the art sawmill were created, child care centers, aircraft maintenance operations, hotels, restaurants—the list just goes on and on. The important thing is these former installations are not sitting idle; they are being transferred and used by communities, contributing to their economic redevelopment and providing valuable jobs for their people.

Successful redevelopment relies on the transfer of property to the local communities. The Air Force has deeded almost 60 percent of our BRAC property. We continue to increase the amount of deeded acres for all rounds projecting over 70 percent of our total acreage will be transferred by the end of fiscal year 2003. Over 90 percent of the property has transitioned to reuse, either by deed or utilizing long-term leases in furtherance of conveyance. The lease arrangement allows the community to use the property for economic development while we finish our environmental cleanup responsibilities. Once cleanup remedies are in place, the contract we have with the community calls for us to convert the lease to a deed. This has proven to be an extremely successful tool for transitioning property for early reuse.

BRAC ENVIRONMENTAL

While these facilities are being returned to their respective communities, the Air Force has a continuing responsibility for environmental cleanup from past operations and industrial activities. The Air Force approaches this responsibility at our BRAC installations with the same prudent environmental stewardship as at our active installations.

Since 1991, we have spent approximately \$2.2 billion in environmental cleanup activities at our closure installations, and for fiscal year 2004, the Air Force is requesting \$176 million to continue cleanup efforts. This request allocates about 70 percent for actual installation of cleanup systems, cleanup systems operations, and long-term management. The Air Force projects that over \$2 billion is needed in future years to complete our ongoing BRAC cleanup requirements. We look forward to working with the Congress as we meet these goals in our future budget submissions.

As the Air Force moves forward with our BRAC environmental cleanup program, we are seeing the results of investments made over the last several years. Since 1999, 12 of the 30 locations that have environmental restoration programs have achieved last remedy in place (LRIP) with 9 more locations scheduled to reach LRIP this fiscal year. This is a significant milestone as it means all cleanup remedies are in place and operating successfully. While some of those systems may be in place for many years to come, the Air Force ensures there is no harm to human health or the environment during the operations process. The \$176 million requested for

fiscal year 2004 will lead to six bases attaining LRIP in fiscal year 2004. The Air Force plans for all our bases to achieve LRIP status in fiscal year 2005, except McClellan Air Force Base, CA, which was one of our major maintenance, repair and overhaul centers that closed in 2001.

Investment in more efficient contracting approaches at our closure installations has successfully produced faster cleanup initiatives at significant cost savings. For example, a privatization contract at the former Lowry Air Force Base, CO, will reduce our cleanup period from 28 years to 11 years at a cost savings of \$13 million. More importantly, it enables us to transfer the property to the local reuse authority prior to cleanup using an early transfer authority. The reuse authority actually contracts for the cleanup and works with the environmental regulators. We agreed upfront to a level of cleanup and negotiated a price based on their ability to meet our cleanup goals. This is a win-win for both the community and the Air Force, as it gives the community more control over the process and it allows the Air Force to transfer the property. The Air Force is also pursuing the use of performance-based contracting for its cleanup actions. Similar to privatization, we will identify performance goals and rather than dictating the cleanup remedy, we will award the contract based on a cleanup goal. The Air Force plans to position 20 percent of our environmental program on performance-based contracts this fiscal year. As a result of these initiatives, the Air Force BRAC environmental program has successfully closed 1,100 of our 1,671 environmental cleanup sites

CHALLENGES

In light of our successful execution of the BRAC program, the Air Force continues to address important real estate and environmental challenges. As we prepare for BRAC 2005, the Air Force is addressing a key real estate issue—how to more efficiently transfer property. We are already looking at lessons learned from the previous rounds of BRAC to identify ways to improve the process so that we can improve our processes for transferring property and accomplishing cleanup. We think some of our initiatives accomplished this already, but we recognize there is room for improvement. Our goal is to maximize BRAC savings to the Department of Defense and expedite reuse.

CONCLUSION

In conclusion, we thank the committee for its support of an additional round of base closure in 2005 and of the Air Force's current Base Realignment and Closure Program. The closures and realignments of the previous rounds of BRAC allow us to use the savings on other Air Force requirements every year. With your help, we are meeting the need for community reuse while providing quality environmental cleanup efforts to ensure the protection of human health and the environment. We will approach BRAC 2005 with the same commitment. I will be happy to address any questions.

Senator HUTCHISON. Thank you.

SALE VERSUS NON-REVENUE TRANSFER

I would like to ask the Army and the Air Force Secretaries, what your view of public sale versus the non-revenue transfer merits are?

Mr. GIBBS. I will pick it up first if you want.

Senator HUTCHISON. Okay.

Mr. GIBBS. The Air Force has sold in the last round properties which will ultimately result in approximately \$70 million of proceeds. Just under \$50 million has been received. I think, as in many things, under a specific set of circumstances any one of the methods can be used most appropriately.

In the case of the transfer—I would comment also, based on Mr. Arny's previous comment, that one of the largest delays that we have experienced over the years has been in dealing with other Federal agencies. As you know, in the waterfall process that we go through it basically starts there. It says first of all, are there other military departments that would want to use the land? Then it

goes to other Federal agencies. This has been the longest delay in many instances.

Then, moving on to the local agencies, the things that have caused us the greatest difficulty are where the local community has been unable to come to a conclusion relatively quickly as to what they want done with the properties. In this business, the longer it takes, the more difficult it becomes as positions become entrenched. So the speed with which we can go through the process will, in my opinion, enhance it, and if that would be through a public sale, then I personally, and I believe the Air Force, also, would favor that route.

Senator HUTCHISON. Thank you.

Dr. Fiori.

CAMERON STATION PROPERTY SALE

Dr. FIORI. Yes, ma'am. One of our great early success stories in selling property was Cameron Station. Our local community just could not afford to assume it, even though it is a fairly wealthy area. We had a developer come and take it away and we sold it for \$30 million at the time. They then met all the local ordinances.

In our total sales, we have over \$150 million, but none of these are large properties—many of our properties are obviously environmentally contaminated and we have had a difficult time with them.

TRANSFER TO OTHER FEDERAL AGENCIES

Also, when we transfer our property to other Federal agencies, particularly the Department of the Interior, it has taken quite a few years. One of our recommended legislative corrections could easily be, let us limit the time that they tie up the property before we try selling it, and that would help us a little bit.

The fact is I think all the BRACs from the beginning to now have taken a bit too long to do. By allowing us to be more aggressive on selling it, some of the programs which I have described to you which are expediting the sale of these properties will help. In my case, this year, I do have about 100,000 acres out of the 140,000 remaining that I will be able to finally, hopefully, dispose of, and most of it is going to go to other agencies. It is a difficult subject.

ENVIRONMENTAL CLEANUP

Senator HUTCHISON. Let me ask, Mr. Arny, and if either of you have opinions on this I would welcome those as well. That is, the concept that you said you do not use but is an option, of conveying to private parties who will undertake the environmental cleanup. It seems like a win-win so we would not keep incurring these environmental costs and that seems to be more expensive than the sale of the property in many instances.

Mr. ARNY. I do not know the total history on it and I will have to get back to you for the record. But I do not believe many people have approached us on that. Again, since almost every closure we had was through an LRA rather than directly to the private sector, it is my guess—and I will document it for the record—it is my guess that the private parties were not approaching the LRAs because they assumed we would do the cleanup in place.

I think one of the great advances over the past few years has been the early transfer. We did that up at Mare Island and it has been very successful, because we have all our bases to clean up and the developer who is finally chosen by the community at Mare Island—Mare Island may not be number one on our list, but for that developer, guess what, it is number one for him. And using the Governor of a particular State, in this case the Governor of California, to adjudicate between what we think is the right amount of money and bringing insurance vehicles into place, now the community wins, because we are still paying for the development but we are not doing it, and it is now number one priority for that community. The developer cannot develop unless he gets it cleaned up.

Senator HUTCHISON. Mr. Gibbs.

Mr. GIBBS. We also have begun to use that mechanism. We entered into an agreement in Colorado where effectively, the cleanup is being undertaken by a private contractor. We pay for it, of course, but it is also backed up by insurance. This is a methodology that has turned out to be very effective there and I think we will find it being used more and more.

We are also attempting to transfer more into performance-based cleanups and that is in dealing principally with the State regulators in getting to agree on what the performance should be, and then it makes it much easier to do the private.

Senator HUTCHISON. But you have not had experience of conveying with the requirement that the person who purchases or takes the property would do the environmental cleanup?

Mr. GIBBS. Well, you mean take over the economic responsibility?

Senator HUTCHISON. Yes.

Mr. GIBBS. No, we have not, and I really would not expect that would be very difficult for any local to take up. One of the understandings is we have the responsibility to do the cleanup and for somebody to take that over, is a tremendous economic burden in many cases.

One of the difficulties—

Senator HUTCHISON. You just do not think there would be a market for it, is what both of you are saying.

Mr. ARNY. So far we have not seen one where they have come up to us.

Mr. GIBBS. And said that they would like to actually do the cleanup, no. We stay behind it economically. We believe it is advantageous to turn it over to private companies to do and to manage because in many cases, as Secretary Arny says, they are much more focused on what needs to be done.

Mr. ARNY. I am only again guessing here, but I think that since, up until just recently, almost all the transfers have been no-cost EDCs, the more recent ones, in which case there is no incentive for a private sector person to come in there because it is going “free” to the local community instead of if it is up for public sale and the developer could make money off it over and above the cost of cleanup. Then perhaps there would be an incentive. But I will get back to you for the record on the history of it.

[The information follows:]

Section 2908 of Public Law 103-160 amended the Defense Base Closure and Realignment Act of 1990 (Public Law 101-510) and provided authority to transfer sur-

plus property at closed bases to private parties who agree to perform all required environmental remediation. If this authority lapsed November 30, 1998. Navy did not identify any opportunity to use it.

The 2002 National Defense Authorization Act restored this authority for closures or realignments occurring after 2001.

Senator HUTCHISON. Thank you.

Senator FEINSTEIN.

Senator FEINSTEIN. Thanks very much.

ENVIRONMENTAL CLEANUP AT BASES

I have three base-specific questions. The first one is on Hunters Point Naval Shipyard. Let me ask them together if I might. What is the Navy's estimated cost to complete the cleanup of Hunters Point and what is the budget for the current fiscal year and each of the next 2 fiscal years? That is the first.

The second is the recent discovery of more than 100 boxes of previously unknown shipyard radiological documents. What do you expect that impact to be and will it cost more? And does the Navy see any remaining hurdles to moving forward with the conveyance agreement in the next 1 to 2 months?

Mr. ARNY. That is me. I was in a similar job in the Navy in the mideighties when we were wrestling with Hunters Point back then, so—

Senator FEINSTEIN. It goes on and on.

Mr. ARNY. And then I represented the Port of San Francisco for a while and worked for Veronica Sanchez. So I have been out there a lot.

Senator FEINSTEIN. In the mideighties?

Mr. ARNY. Yes.

Senator FEINSTEIN. While I was Mayor?

Mr. ARNY. Yes, ma'am, I met her back then.

As to our cost to complete, as of this year it is \$103.9 million.

Senator FEINSTEIN. 129, did you say?

Mr. ARNY. \$103.9 million cost to complete. The 2003 budget is \$38 million, the 2004 budget is \$24 million. I can get you later numbers.

If we are successful in land sales—well, we anticipated \$68 million of land sales for this year's budget, for 2004, and we have taken in more than that. We will use that money to accelerate cleanup.

Senator FEINSTEIN. How much have you taken in?

Mr. ARNY. Taken in—well, I have to take away GSA's pound of flesh. But we took in \$208.5 million.

Senator FEINSTEIN. Really?

Mr. ARNY. Plus we took in—that was just on Tustin. We took in \$15 million roughly in Key West in a negotiated sale, and once we are settled with a lawsuit at Oak Knoll we expect to take in another \$10 million or so.

Our priority on those is the money goes to the base that was closed or to a base—if it is a Marine base—

Senator FEINSTEIN. In the State?

Mr. ARNY. In the State. We have it prioritized and I can get you that for the record.

Senator FEINSTEIN. Would you?

Mr. ARNY. Yes, ma'am.

Senator FEINSTEIN. I would very much appreciate it.

[The information follows:]

We need to retain some flexibility, but any additional Prior BRAC land sale revenue received by the Department of the Navy beyond the \$68 million included in the fiscal year 2004 budget bill will be applied to accelerate cleanup and property disposal at Prior BRAC locations in the following general priority order.

—The BRAC base that generated the revenue.

—The Navy or Marine Corps military service that generated the revenue.

—DoN bases to implement an early transfer opportunity.

—DoN bases that, with a modest infusion of additional funds, could quickly complete cleanup and property disposal, thereby completing actions on that base.

—All remaining DoN bases.

Mr. ARNY. And we tend to—it is the base that was sold gets first priority. The service that that base was gets next priority, and the State—I forget where the State falls in there. I can get that for you, and I can get you the later numbers.

Senator FEINSTEIN. Great.

Mr. ARNY. But Hunters Point is clearly one that we would like to accelerate the cleanup on. Hunters Point—you talked about the six bases to Mr. DuBois. I would suspect that three of them are ours and three of them are in the San Francisco Bay. I would suspect they are Mare Island, Alameda, and Hunters Point. That is just a guess.

Senator FEINSTEIN. And then Alaska would be another, right? That would be—

Mr. ARNY. That is just huge area.

Senator FEINSTEIN. Right.

Mr. ARNY. It is area, not cost.

Senator FEINSTEIN. And the other two would be?

Mr. ARNY. McClellan maybe and—I do not know.

Senator FEINSTEIN. Pearl, did you say?

Mr. ARNY. No, McClellan perhaps. I am not sure.

Mr. GIBBS. I do not know the six.

Senator FEINSTEIN. Well, you gentlemen will get us the six.

Mr. GIBBS. You will get the list.

Senator FEINSTEIN. I appreciate that.

Mr. ARNY. As far as the boxes of material, I just got briefed yesterday on the HRA, Historical Radiological Assessment. We are working very closely with the city, as you know. There is a RAB meeting in 2 weeks. We will lay out ahead of time before the Restoration Advisory Board (RAB) with the city officials. The number of boxes is not quite as large as we thought it was, but it is still very large.

We believe we will be ready by 1 October, I think is our deadline, and we have—

Senator FEINSTEIN. Is that for conveyance?

Mr. ARNY. No, the conveyance should be ready to go before then. We have separated the conveyance from—we were going to require the transfer of parcel A prior to conveyance. But because the HRA has delayed that, we are separating parcel A from the conveyance.

We would, however, like the city in return for early conveyance, which we are ready to do, we would like them to take over fire and security guard service. We are paying \$1 million a year for fire and police security services. If you recall, the police, the San Francisco

Police, are actually stationed at Hunters Point, but they are not to respond to stuff at Hunters Point.

It is very difficult for us to hire firemen. We hire them, they become Federal, we train them up, and guess what, they get hired away by the City of San Francisco. And oh, by the way, so we are undermanned, our firemen respond to a fire, and the city also responds to the same fire.

Senator FEINSTEIN. I would be very happy to help with that.

Mr. ARNY. Thank you, I would appreciate that.

Senator FEINSTEIN. I really appreciate the work that has been done. So do you see any hurdles? 1 to 2 months for conveyance, is that about correct?

Mr. ARNY. I will have to check on the time frame. I was not thinking that quickly, but that could very well be the time frame.

Senator FEINSTEIN. Thank you.

Mr. ARNY. Firefighting is the only hurdle.

Senator FEINSTEIN. All right.

MC CLELLAN AIR FORCE BASE

Secretary Gibbs, I understand that the required McClellan funding for 2004 is nearly \$43 million and the Air Force has communicated to the community a commitment of \$30 to \$40 million per year to be spent on remediation at McClellan over the next 5 years. Is that in fact correct?

Mr. GIBBS. Yes, ma'am.

Senator FEINSTEIN. What is your current working estimate of the cost to complete the environmental cleanup at McClellan?

Mr. GIBBS. I will give you a number—

Senator FEINSTEIN. And the time line.

Mr. GIBBS. We expect that it will be about three-quarters of a billion dollars to complete all of the work at McClellan. Now, I notice that Mr. Leonard had used a number substantially greater than that in his estimate, so I will get back to you for the record specifically. I will provide you all of the details of the money spent to date and the amount to go.

[The information follows:]

McCLELLAN AFB

Historical expenditures (including pre-BRAC DERA costs) for the environmental cleanup at McClellan Air Force Base total \$402,800,000 (includes fiscal year 2003). Our current estimated cost to complete the cleanup is \$752,000,000 for the period fiscal year 2004 through 2034.

Senator FEINSTEIN. Is most of the \$750 million or above related to the nuclear—

Mr. GIBBS. Much of it is.

Senator FEINSTEIN [continuing]. Residue?

Mr. GIBBS. Much of it is, yes, ma'am.

Senator FEINSTEIN. And that does not include the sewer?

Mr. GIBBS. No, the sewer is included.

Senator FEINSTEIN. The sewer is included, okay. And the time line?

Mr. GIBBS. The time line on the sewer is—well, there are discussions currently going on now with the redevelopment agency to see if we can rearrange the time line on that. It was scheduled out

about 2 or 3 years from now. I do not know precisely when. But the agency has decided that it would prefer to move that up as opposed to something else. So it is a change in the process.

FORT ORD CLEANUP

Senator FEINSTEIN. Thank you very much.

Dr. Fiori, the cleanup bill for Fort Ord is estimated I believe at \$306 million. I realize that unexploded ordnance (UXD) is under a different account, but, given the concentration of UXO on Fort Ord, can you estimate the remaining time it will take to clean up that base and whether you foresee additional costs?

Dr. FIORI. The costs are about \$300 million from now until the end. The cleanup will not happen under the process we are going under today for at least another 15 to 17 years, and those are regulatory issues that we have to solve.

Senator FEINSTEIN. Let me just—you are saying the cleanup—

Dr. FIORI. Of our 7,000 acres that have UXO it is going to take 14 years. The reason for it is, at the moment at least, at the present plan with the regulators of California, we are allowed to only burn 500 acres per year. We need to burn the vegetation off so we can survey the land to find the UXO. Five hundred into 7,000 is 14 years, ma'am.

I am going out there and I am going to discuss this with Congressman Farr. Perhaps we have alternative ways to do this. But right now we are stuck in that regulatory climate.

Senator FEINSTEIN. Let me ask a couple questions. This is because of air pollution?

Dr. FIORI. Yes, ma'am, the controlled burns are due to air pollution. They limit us to 500 acres a year. We missed this year as a matter of fact because the weather changed at the time we were going to do it, so we did not even do it this last calendar year.

Senator FEINSTEIN. Does the county want a speedier cleanup?

Dr. FIORI. As far as I could tell at the moment, everyone seems to be satisfied with this except me. I would like to speed it up dramatically. This is my long pole in the tent of my remaining 40,000 acres once I get rid of my 100,000 acres that I plan to get rid of this year.

But it is a regulatory issue and we are going to work on it. I have a task force just working Fort Ord to see what we could do to really expedite it and look at alternative technologies. But right now we literally cannot find the UXO.

Senator FEINSTEIN. Well, please let me know if I can be of help and I would be happy to.

Dr. FIORI. I would be delighted to let you know about it, because it is high on our priorities, ma'am.

Senator FEINSTEIN. Thank you.

OTHER CALIFORNIA PROPERTIES

Dr. FIORI. I do have an answer, though, about the other properties. A lot of them are in California.

Senator FEINSTEIN. Good.

Dr. FIORI. The largest one is Honey Lake, Sierra Army Depot, California, 64,000 acres. I think we will be able to transfer that to the Department of Interior this year. So that is a large chunk of

my 100,000. The other one, of course, is Fort Ord, but only 1,300 acres of my remaining 15,000 acres will be transferred this year. Those are the two California large chunks of property that we are going to try to dispose of this year.

ADDITIONAL COMMITTEE QUESTIONS

Senator FEINSTEIN. Thank you very much.

Thanks, Madam Chairman.

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

QUESTIONS SUBMITTED TO RAYMOND DUBOIS

QUESTIONS SUBMITTED BY SENATOR CONRAD BURNS

BASE REALIGNMENT AND CLOSURE (BRAC)

Question. Please explain the deliberation process the BRAC working group is undergoing as it develops the initial selection criterion set for submission to the defense committees and the deadline for this submission.

Answer. The Department will ensure that the proposed selection criteria meet all of the requirements of the enabling legislation and incorporate changes that might be needed to accommodate changing military missions. We intend to meet all legislatively mandated deadlines regarding selection criteria, beginning with publication of the proposed selection criteria in the Federal Register not later than 31 December 2003.

Question. We hear that much emphasis will be placed on "jointness" as it applies to military infrastructure in the 2005 closure round. What are your initial thoughts on what areas the Department will be focusing on in this area?

Answer. In the operational and readiness mission areas, the Department will focus on multi-service and multi-mission basing, leading to enhanced inter-service training and planning opportunities by collocating units of various military services where it makes military sense to do so. The Department will also place emphasis on jointness in common support areas by streamlining the support management infrastructure. We are looking for efficiencies through inter-service cooperation and rationalization of support requirements.

Question. How do you anticipate assets classified as BRAC excess property in 1995 being considered for realignment opportunities in the 2005 round by the Department?

Answer. Prior BRAC rounds identified considerable excess property for disposal. Unless the Department identifies a need for this currently excess property, we will continue with the property disposal process.

Question. We understand that community economic impact may play a lesser role with respect to decisions made for closure or major realignment of a base. Can you tell us what community factors may play a more important role in the initial selection criteria?

Answer. Community factors have been considered in the past and will be considered in the future. The specific factors that will be taken into account will not be identified until the proposed selection criteria are developed and published.

Question. Encroachment is an issue that has been continually emphasized as a major concern for the Department—how do you anticipate this being measured by the Department as it applies to the selection criteria?

Answer. In the past, encroachment has been a factor the Military Departments considered as a component of military value. I anticipate that both current and potential future encroachment issues will be identified and considered as a part of the installation military value assessments during the BRAC 2005 process.

REDUCED PRESENCE IN OVERSEAS BASE INFRASTRUCTURE

Question. Do you see the possibility of a reduced presence in our overseas base infrastructure and, if so, does the Department anticipate increased basing of forces at CONUS bases? Will such a change in basing factor into the 2005 round?

Answer. Since the Department is currently engaged in a review of our overseas presence and basing structure, it would be premature to speculate on any potential changes.

However, to the extent that overseas forces are relocated to other overseas areas, there would be no impact on United States basing. If any overseas forces return to the United States, they would be stationed at a domestic installation. Regardless, it is important to note that decisions regarding overseas basing will be made in advance of the completion of the BRAC 2005 process. As such, BRAC 2005, which is on a later timeline, will factor overseas presence decisions into its analyses.

BASE REALIGNMENT AND CLOSURE (BRAC)

Question. Tell us how the Nuclear Posture Review will affect the initial selection criteria sent to the Congress.

Answer. The December 2001 Nuclear Posture Review (NPR) Report to Congress outlined a new portfolio of strategic capabilities for the United States. United States plans include development of new, non-nuclear capabilities, concurrent with a reduction in the number of operationally deployed strategic nuclear warheads by 2012. The NPR report listed the planned strategic nuclear force structure for 2012 and noted that periodic reviews of United States strategic capabilities would occur during the decade ahead. The BRAC force structure plan will reflect the most recent decisions by the Department on the strategic nuclear force posture, and the selection criteria will connect these decisions to the BRAC analysis to support the Secretary's closure and realignment recommendations.

Question. What role do you see the individual services playing in the development of the initial selection criteria and can you give me a couple of examples of the kinds of themes they have discussed with OSD as you have moved forward in the deliberation process?

Answer. The Department, with all of its components, will work as a team to develop the BRAC 2005 selection criteria. The Infrastructure Steering Group (ISG), chaired by the Under Secretary of Defense (Acquisition, Technology and Logistics), and the Infrastructure Executive Council (IEC), chaired by the Deputy Secretary of Defense, will develop the selection criteria for the Secretary's approval. Senior leaders from each component of the Department are represented on these two groups. Military value will be the primary consideration, as required by statute.

Question. What different considerations will be given in the 2005 as contrasted with the 1995 round given the new Unified Command Plan?

Answer. The Unified Command Plan sets forth basic guidance to all unified combatant commanders, establishing their missions, responsibilities and force structure, and delineating the general geographic area of responsibility for geographic combatant commanders. One of the major differences between the 2005 BRAC round and the 1995 round is the consideration of force structure. The BRAC Act of 1990, as amended, requires the 2005 round to develop a force structure plan based on probable threats to our national security over a 20-year period. The 1995 round required a force structure plan of only a 6-year period. To the extent the new Unified Command Plan impacts our force structure requirements over this extended period, those impacts will be considered during the 2005 BRAC analysis process.

IMPACT OF BRAC ON THE MILCON REQUEST

Question. How have military construction requests been affected by the eventuality of the upcoming base closure round?

Answer. The 2004 request funds our highest priorities for improving quality of life and resolving critical readiness shortfalls, irrespective of BRAC. For quality of life, the military construction request sustains funding for family and bachelor housing and increases the number of housing units privatized. We increased funding for facilities sustainment, raising the corporate sustainment rate from 93 to 94 percent, which will help to preserve our facilities and reduce the need for future, more costly revitalizations. We also preserved funding for recapitalization.

BASE REALIGNMENT AND CLOSURE (BRAC)

Question. What role do you see Guard and Reserve forces playing in any base closure or realignment recommendations?

Answer. As in past BRAC rounds, the Guard and Reserves will be fully integrated in BRAC 2005. The Department views all components as important participants in BRAC 2005.

Question. How will BRAC officials ensure each base is treated equally in this process? Will they visit each and every installation they are looking to realign or close?

Answer. The BRAC 2005 process now beginning will be a comprehensive analysis of all military installations with the primary goal being enhanced war fighting capability and efficiency. The Department will do everything possible to ensure the

BRAC process is as fair and objective as possible, within a very disciplined analytical framework. All military installations will be reviewed and all recommendations will be based on approved, published selection criteria and a force structure plan. As required by Public Law 107-107, military value is the primary consideration in analyzing and making closure or realignment recommendations.

The independent BRAC Commission will review the SecDef's closure and realignment recommendations (due to the Commission by May 16, 2005). Commissioners will be nominated by the President in consultation with the Congressional leadership. In previous BRAC rounds, at least one Commissioner visited each site recommended for closure or realignment. The BRAC statute, as amended to authorize the 2005 round, provides that the Commission may not recommend the closure of a military installation not recommended for closure by the Secretary of Defense unless at least two Commissioners visit the installation. Upon completion of public hearings and deliberations, the Commission must forward its closure and realignment recommendations to the President for approval not later than September 8, 2005.

The President must approve the recommendations (on an all-or-none basis) and forward them to the Congress. Upon receipt, the Congress has 45 legislative days to vote down the Commission's recommendations on an all-or-none basis; otherwise they take on the force and effect of law.

Question. Some of the BRAC goals are to eliminate excess infrastructure and optimize military readiness. How do the BRAC personnel feel this will affect our homeland security mission?

Answer. The events of September 11, 2001, have confirmed in my mind that the Department must act now to review our basing requirements. We are looking at and experiencing different threats than we were a decade ago, and our forces must be stationed appropriately to respond to contingencies and support the Global War on Terrorism.

EXCESS INFRASTRUCTURE

Question. Could excess infrastructure be used for homeland security or to house or maintain other Federal, State, local government agencies that need added security since 9/11?

Answer. Whenever the Department of Defense determines that it has property that is excess to its needs, that property is made available to other Federal agencies during the Federal screening process. If no Federal agency identifies a need for the property, it becomes surplus property and is made available for disposal outside the Federal Government. State and local governmental agencies may be able to acquire surplus property for a variety of purposes if the purpose meets the criteria for various public benefit conveyances under the 1949 Federal Property Act, as amended. Additionally, State and local governments can negotiate to purchase surplus property if the intended use is for a "public purpose" as defined in the 1949 Act.

BASE REALIGNMENT AND CLOSURE (BRAC)

Question. Will BRAC look closely at realigning bases and locating missions (from the same and other services) at bases where the primary missions cannot be moved? There are several States that have multiple military installations; will BRAC officials take into consideration the economic impact a closure would have on a State where there's only one base to those that have several bases?

Answer. As in prior BRAC rounds, all bases will be treated equally and considered in BRAC 2005. BRAC 2005 selection criteria will be used to evaluate potential BRAC actions with Military Value selection criteria having primary consideration. For example, BRAC 2005 will be looking for opportunities to achieve economies by further developing multi-service and multi-mission installations.

Regarding economic impacts on States with one base, as required by the BRAC enabling legislation, the selection criteria for military installations will also address the economic impact on existing communities in the vicinity of military installations. Regardless of the number of military installations in any given state, economic impact criteria will be uniformly applied.

INSTALLATIONS REQUIRED TO SUPPORT MISSILE DEFENSE

Question. Do you see any new installations' under current or future plans for a missile defense?

Answer. The Department does not have plans to add any new installations in support of missile defense. However, we plan to expand facilities at existing installations as follows:

Fiscal year (proj #)	Project title	Project amt	Loc
MAJOR MILCON			
2003 (464) THAAD	Test Facilities	\$23,400	PMRF, HI
MINOR MILCON			
2002 (463)	Launch Facilities	1,450	PMRF, HI
FISCAL YEAR 1996–2005 RDT&E PROJECT SUMMARY			
2002 (514)	Site Activation Facilities	1,900	Eareckson AB, AK
2002 (501)	Missile Defense System	273,121	Ft Greely & Eareckson AS, AK
	Test Bed Facilities, Ph I Preparation		
2002 (502)	Missile Defense System, Test Bed—Kodiak Facilities, Ph I.	8,200	Kodiak Island, AK
2003 (503)	Missile Defense System, Test Bed Facilities, Ph II.	121,778	Ft Greely & Eareckson AS, AK & Beale AFB, CA
2003 (505)	Missile Defense System, Test Bed—Kodiak Facilities, Ph II.	14,880	Kodiak Island, AK

CONCLUSIONS OF THE NUCLEAR POSTURE REVIEW

Question. Another Nuclear Posture Review will occur in 2004, is there any present indication that this NPR changes the conclusions of the last NPR regarding the continued need for the long-standing triad? If so, how, what, when, where, and why?

Answer. The 2001 Nuclear Posture Review (NPR) lays out the direction for United States strategic forces over the next five to 10 years. The Review concluded that the United States needs to transform its strategic forces, from the triad of the last 45 years into a New Triad. The three “legs” of the old triad have consisted of nuclear-armed strike forces: Intercontinental Ballistic Missiles (ICBMs), Submarine-Launched Ballistic Missiles (SLBMs), and nuclear-armed bombers. The New Triad will comprise three legs: (1) nuclear and non-nuclear strike forces, (2) active defenses against missiles, and (3) a revitalized defense infrastructure. The three legs will be supported by robust planning, command and control, and intelligence.

Nuclear forces, including ICBMs, SLBMs, and bombers, will constitute one portion of the Strike leg of the transformed New Triad—one that is vitally important. The NPR determined that the United States will deploy, at least until 2012, a force of 500 ICBMs, 14 ballistic-missile submarines (12 operational at any time), and a bomber force of 21 B–2s and 76 B–52s. The number of operationally deployed strategic nuclear warheads on these forces will decline to 3,800 in 2007 and to 1,700–2,200 in 2012.

There is no requirement for another Nuclear Posture Review in 2004, but periodic assessments are required under the Implementation Plan for the 2001 NPR.

The periodic assessments will review the progress achieved in establishing the New Triad. The conclusions of the assessments cannot be predicted in advance, but the Department of Defense currently plans to maintain the NPR-recommended force of 500 ICBMs, 14 ballistic missile submarines (12 operational at any time), 21 B–2 and 76 B–52 bombers until at least 2012.

ICBM LAUNCHERS

Question. Will the concept of 500 ICBM launchers be maintained? If so, how, what, when, where, and why?

Answer. The 2001 Nuclear Posture Review (NPR) lays out the direction for United States strategic forces over the next 5 to 10 years. The President and the Secretary of Defense approved the NPR recommendation that the United States will deploy, at least until 2012, a force of 500 ICBMs.

The force of 50 Peacekeeper ICBMs is being retired in accordance with the recommendations of the NPR. Accordingly, the force of 500 ICBMs envisioned by the NPR will comprise entirely the existing force of Minuteman III missiles.

There are no plans to move the Minuteman III ICBMs from their current locations.

BASE REALIGNMENT AND CLOSURE (BRAC)

Question. Presuming some missions will be realigned during the next BRAC, what factors will be considered in the decision-making process regarding placement at other bases?

Answer. Decisions will be based on the force structure plan and the final selection criteria, with primary consideration on military value. Some of the factors that could be considered are operational and training effectiveness and efficiencies through joint operations.

Question. Malmstrom AFB has experienced hundreds of millions of dollars in construction since 1987, with additional millions to be spent over the next couple of years. The funds have been spent improving infrastructure, operational facilities (particularly along the flight line), housing and other facilities designed to upgrade the living conditions of personnel. The estimated cost to reopen the flight line to a new mission is estimated at \$10,000,000 to \$15,000,000. With little or no operational encroachments, great weather and significant available air space, what flying missions might be considered for placement at MAFB?

Answer. In accordance with the requirements of the base closure statute, the Department will consider all military installations equally, without regard to whether the installation has been previously considered or proposed for closure or realignment by the Department. The attributes of Malmstrom AFB will be considered along with those of all other installations.

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

BASE REALIGNMENT AND CLOSURE (BRAC)

Question. You and other Defense Department officials have suggested that the target of the 2005 BRAC round is to reduce DOD's real estate inventory by 20 to 25 percent. That is a very significant reduction, particularly at a time when the Nation is mobilizing for war. Has the Defense Department taken another look at its estimate of excess property in light of the current world crises and the build up to war?

Answer. BRAC 2005 does not have a target in terms of either reducing installation capacity or in savings dollars. However, the 1998 Report of the Department of Defense on Base Realignment and Closure estimated the Department has substantial excess infrastructure capacity (20–25 percent). Notwithstanding the indications of the 1998 report, specific excess capacity will be determined only after extensive analyses are accomplished within the BRAC 2005 process. Once these excesses are identified, critical considerations, like technology changes and transformational advances, will be factored against them to determine the unneeded capacities that can actually be eliminated.

The force structure on which BRAC 2005 installation requirements will be based will project 20 years into the future. As in past BRAC rounds, BRAC 2005 will consider not only peacetime garrison requirements, but also requirements associated with the mobilization of the reserve components. While the BRAC process focuses on CONUS installations, the requirements of the global force will necessarily take into account anticipated overseas basing that is largely driven by international security considerations. As in prior base realignment and closure rounds, BRAC 2005 will retain sufficient base structure flexibility and capacity to accommodate unanticipated changes in overseas basing requirements. In sum, the Department envisions continuing to look at the future force and mobilization requirements, as well as potential CONUS beddowns of forward deployed forces.

LONG TERM STATIONING OF U.S. FORCES IN CENTRAL COMMAND

Question. In your testimony, you note that the Defense Department is undertaking a comprehensive review of military property overseas. At the same time that the Department is looking at reducing the United States military footprint in Europe and Korea, the war on terror and the build up for war against Iraq have resulted in an expansion of the United States footprint in the Persian Gulf region.

What does this mean in terms of the long term stationing of United States forces in the Central Command area of responsibility?

Answer. The global positioning of all United States forces and their supporting infrastructure outside the United States is currently being examined by the Department of Defense. Secretary Rumsfeld has directed that a comprehensive and integrated presence and basing strategy looking out 10 years be developed and presented to him by July 1, 2003. The strategy will provide an essential foundation for decisions concerning the appropriate locations and infrastructure necessary to execute the United States defense strategy today and in the future.

BASE REALIGNMENT AND CLOSURE (BRAC)

Question. You have been quoted as saying that, for the 2005 BRAC round, all installations are on the table. Will there be any difference in the way active installations are weighted or graded versus Guard and reserve bases?

Answer. All active and reserve component installations will be considered during BRAC 2005. They will be assessed based on enabling legislative guidelines, the force structure plan and approved selection criteria, with military value having primary consideration. In doing so, we will take into account the missions of reserve component installations. Additionally, reserve component installations often support units that rely upon geographic recruiting areas, a consideration not usually relevant to active installations.

ECONOMIC IMPACT OF BASE CLOSURE

Question. What will you do differently in the 2005 round to better help local communities deal with the economic impact of a base closure?

Answer. We would like to build upon the effectiveness of the Defense Economic Adjustment Program (DEAP) as it assists in the alleviation of serious community effects that result from BRAC actions. As an agency whose primary responsibility is national security, the Department relies heavily on the domestic Federal agencies to assist local adjustment efforts through technical and financial support. Therefore, we will work through the Office of Economic Adjustment, as it manages the DEAP, coordinates Federal adjustment assistance, and assists communities to organize and respond to these impacts. Among activities currently being undertaken to assist communities that may be impacted by an 2005 round:

- Reinvigorate the President's Economic Adjustment Committee (EAC) to expand its purview to address certain regulatory issues and update its membership to include all Federal agencies with programs that can assist local economic recovery.
- Review activities that may be undertaken today to assist a community where a substantial portion of the economic activity or population of a community is dependent on defense expenditures. On the basis of this effort we anticipate the publication of a Notice of Funding Availability for communities that would like to proactively engage in economic diversification planning.

When Secretary Rumsfeld makes his recommendations for base realignment and closure public in May 2005, the Defense Office of Economic Adjustment (OEA), will be prepared to provide responsive assistance for those communities that want to begin the base reuse planning process.

PROPERTY TRANSFER PROCESS

Question. In your opinion, what property transfer process best allows for communities to succeed in transforming a military installation?

Answer. There is tremendous variability in the type of facility, geographic location, private investment rates, unemployment levels, and other economic strengths and weaknesses at each BRAC location that directly affect opportunities for civilian reuse. In addressing this variability, and recognizing the uneven capacities of the private and public sectors at each of these locations, the Department needs flexibility in determining a responsive mix of disposal authorities to support a community's particular resources. Existing Federal property disposal laws provide for an array of methods to dispose of surplus property ranging from the transfer of property to another Federal entity, through opportunities for discounted conveyance for public purposes, to competitive bid sales.

LESSONS LEARNED

Question. Does the DOD plan to work with communities before and after lists are published to provide "Lessons Learned" from past rounds?

Answer. The DOD Office of Economic Adjustment (OEA) is available to discuss civilian reuse experiences from prior base realignment and closures. This information is available on a web site (<http://www.acq.osd.mil/oea>) with links to several current base reuse locations, through many publications offering guidance and lessons learned information, and direct staff contact. There are also links from the web site to other Federal agencies and NGO organizations, such as the International City Managers Association, and the National Association of Installation Developers, that also have documents with lessons learned. This information will continue to be kept current with the best practices as we approach and implement BRAC 2005.

BRAC CLEANUP

Question. In the 2005 BRAC round, DOD needs a better environmental assessment of property and a better estimate of environmental remediation costs upfront so we know from the outset what the problems are and what the cleanup costs are likely to be. How do you plan to achieve these standards—and to accomplish cleanup in a reasonable time period?

Answer. The Department of Defense (DOD) is currently addressing sites on its active, closing, and realigning installations with potential contamination under the Defense Environmental Response Program (DERP). Sites subject to a future BRAC round already have the majority of required environmental restoration underway and are currently subject to DERP program management goals. These sites are included in DOD's current site inventory along with cleanup phase, costs incurred to date, and cost-to-complete information. Detailed site and installation-specific information regarding the status of cleanup is maintained at the installation and documented in the installation's Management Action Plan. Once the closure process begins, the Services and regulators may identify additional requirements as investigations progress potentially increasing costs.

Additionally, DOD has undertaken an extensive, Department-wide effort to ensure accurate, reliable, and timely financial information, is available on a routine basis to support informed decision-making at all levels throughout the Department. Established in July 2002, the Financial Management Modernization Program (FMMP) is intended to develop a DOD-wide enterprise architecture and transition plan designed to transform the Defense business operations and technical infrastructure. The scope of this initiative encompasses those defense policies, processes, people, and systems, which guide, perform, or support all aspects of financial management within the Department, from the formulation of budget estimates to the preparation of management reports and financial statements. Specific to the DERP, the Office of the Assistant Deputy Under Secretary of Defense for Environment (OADUSD(E)) is working to align its Restoration Management Information System (RMIS), as well as the DOD Component's data systems that feed the RMIS, with the DOD-wide Financial Management Enterprise Architecture. Additionally, the OADUSD(E) has directed the Components to eliminate serious deficiencies with the preparation and documentation cost-to-complete estimates and material weaknesses in the annual financial statements. Component cost-to-complete estimates and the values in the annual financial statements for environmental restoration must be consistent with each other and able to withstand an audit. In summary, these DOD-wide and DERP-specific initiatives to improve financial management and reporting will facilitate DOD's development of accurate, supportable environmental remediation cost estimates.

To ensure cleanup is accomplished in a reasonable time frame, OADUSD(E) will be working with the Components to develop goals and metrics for the 2005 BRAC round. OADUSD(E) will closely oversee Component progress using such tools as regular In-Progress Reviews.

BRAC BUDGET

Question. Given the magnitude of the outstanding cleanup costs from the prior BRAC rounds—an estimated \$3.5 billion will be needed to complete cleanup assuming there are no more surprises out there—why did the Defense Department reduce the fiscal year 2004 BRAC budget request by 34 percent?

Answer. The fiscal year 2004 budget request for the total fiscal year 2004 BRAC program (including environmental and caretaker costs) represents a 34 percent reduction from fiscal year 2003. When considering BRAC environmental costs only, the planned value of the fiscal year 2004 program (\$412.0 million) represents a 24 percent reduction from fiscal year 2003 (\$540.2 million). A significant portion of the difference is attributed to revenues anticipated from land sales of base closure properties, thus reducing the fiscal year 2004 budget request.

Question. What are your projections for the out years—are you planning increases or further decreases in the BRAC environmental remediation budget requests?

Answer. The President's budget will support the goal of remedies in place by fiscal year 2005. As the requirements decrease, the budget will decrease. A substantial level of total BRAC environmental requirements will remain beyond the current FYDP because many of the BRAC sites are still in the study phase and that a greater range of contaminants may be considered in the cleanup process leading to transfer of properties to communities. The Department recognizes the inherent advantages of transferring properties as soon as possible and fully funds cleanup of all properties with identified schedules for transfer.

STATUS OF EXCESS ACREAGE AT SIX INSTALLATIONS

Question. Could you identify those 6 installations and tell the Committee the estimated cost and cleanup time line for each of them?

Answer. The six installations are: Adak Naval Air Station, Alaska; Fort McClellan, Alabama; Fort Ord, California; Fort Wingate, New Mexico; Savanna Depot Activity, Illinois; and Sierra Army Depot, California. These six installations have some sites where remediation under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) remains to be completed. Though there are exceptions, generally remediation under CERCLA has to be completed before property can be transferred to a non-Federal entity. Through fiscal year 2002, the Department spent approximately \$697 million on remediation at these six installations; we estimate the remaining environmental cost-to-complete, including environmental remediation, at these six installations to be approximately \$635 million. Additional information on acreage, funding, and environmental remediation associated with each installation is shown in the table.

Installations	Excess Acres	Acreage Suitable for Transfer Under CERCLA ¹	Acreage Transferred to Date ²	Acreage with CERCLA Activities ³	Projected Final Cleanup Ready ⁴	Environmental Remediation Expenditures through fiscal year 2002 ⁵	Environmental fiscal year 2003 to Completion Funding ⁶	Comments
ADAK NAS, ALASKA	72,600	57,600.00	0.00	15,000.00	2008	\$209,282	\$50,680	Remedy selection for petroleum sites has been delayed due to negotiations with regulatory agencies to consider risk based approach to cleanup decisions for these sites. Major remaining obstacle to airfield conveyance is future funding for the airfield after transfer from Navy.
FORT MCCLELLAN, ALABAMA	18,232	17,789.26	4,953.00	442.74	2011	92,873	126,352	Primary issues relate to complex unexploded ordnance activities. Army is planning on early transfers in fiscal year 2003 and fiscal year 2004, with the LRA assuming cleanup responsibilities, including UXO. With this early transfer approach, not only will the LRA be able to control and integrate both re-development and cleanup, but the cleanup may be completed sooner.
FORT ORD, CALIFORNIA	27,015	3,062.00	11,466.00	23,953.00	2011	261,168	305,755	Primary issues relate to complex unexploded ordnance activities, especially with limitations placed by chaparral habitat management plan.
FORT WINGATE, NEW MEXICO	21,881	21,829.00	5,423.00	52.00	2010	33,647	16,047	Army is working with the State of New Mexico on environmental issues related to OB/OD closure on the latter transfer parcel. Army currently in negotiations for fiscal year 2003 transfer of about 8,300 acres to DOI. Remaining acreage (about 8,100) planned for transfer after fiscal year 2007.

SAVANNA DEPOT ACTIVITY, ILLINOIS	12,606	11,821.00	0.00	785.00	2015	93,846	135,074	Complex cleanup issues related to unexploded ordnance, potential chemical warfare material, and groundwater. The Strategic Management Analysis and Requirements Team (SMART) team is working actively to expedite cleanup. Most of the property can transfer at any time by mutual agreement with DOI. Army and DOI are negotiating planned transfers.
SIERRA ARMY DEPOT, CALIFORNIA	64,996	64,996.00	663.00	0.00	2000	6,467	1,523	Army anticipates getting remaining MMRP work completed in fiscal year 2003. Army is intending on having property ready to revert to California in fiscal year 2003. Listing of Carson Wandering Skipper (butterfly) under ESA may impede property transfer.

¹ Cleanup actions either completed or not required to satisfy CERCLA requirements for transfer to a non-Federal entity. Some of the acreage may have Military Munitions Response Program activities (e.g., unexploded ordnance clean up). Information as of September 30, 2002.

² Includes property transfers to Federal and non-Federal entities, as well as long-term leases such as Lease in Furtherance of Conveyance. Information as of December 31, 2002.

³ Cleanup actions or further information needed to satisfy CERCLA requirements for transfer to a non-Federal entity. Note cleanup actions are taken on discrete cleanup sites within the listed acreage. Some of the acreage may also have Military Munitions Response Program activities (e.g., unexploded ordnance clean up). The property can be transferred to other Federal Agencies or can be transferred to a non-Federal entity through use of CERCLA's Early Transfer Authority. This property can also be put into reuse by non-Federal entities through a lease. Information as of September 30, 2002.

⁴ Projected date of having a final BRAC cleanup site at the installation having a remedy-in-place or response complete with respect to hazardous substances. This means that cleanup actions have been taken to satisfy CERCLA requirements for property transfer to a non-Federal entity. Information as of September 30, 2002.

⁵ Environmental remediation (traditional CERCLA-type Installation Restoration Program cleanup and Military Munitions Response Program cleanup) project costs through end of fiscal year 2002. Information as of September 30, 2002.

⁶ Includes environmental remediation (traditional CERCLA-type cleanup and Military Munitions Response Program cleanup) and environmental compliance costs. Information as of September 31, 2002.

ESA=Endangered Species Act.
 IRP=Installation Restoration Program; e.g., hazardous substances.
 LRA=Local Redevelopment Authority.
 MMRP=Military Munitions Response Program; e.g., unexploded ordnance.
 UXO=Unexploded Ordnance

REMAINING CLOSED BASES TO TRANSFER

Question. How many closed military bases remain to be transferred to the local community?

Answer. Overall, there were 387 major and minor base closures and realignment actions in the four rounds of BRAC. Of this total, 82 installations have property remaining to be transferred to other Federal agencies and eligible recipients, including local communities. The parcels range in size from 4 acres to 72,600 acres. As reported separately, 82 percent of this property (in acres) is at 6 installations. However, in many instances these properties are already being used to develop new community jobs through interim leases, pending final transfer.

BASE REALIGNMENT AND CLOSURE (BRAC)

Question. What is the cost to the government for maintaining closed military properties that haven't been transferred?

Answer. The Department continues to dispose of surplus property associated with former BRAC locations as quickly as possible. Costs for maintaining closed military properties that have not been transferred fall into the operations and maintenance category, such as providing a level of maintenance to keep facilities from being damaged by weather, cutting the grass and maintaining security. In fiscal year 2002, those costs approximated \$70 million, and have decreased to \$60 million in 2003 and \$48 million in the 2004 budget request. These costs will continue to decrease as more BRAC property is transferred out of the Department's inventory.

DEPARTMENT'S POTENTIAL LIABILITY FOR PERCHLORATE CONTAMINATION

Question. How would you respond to Mr. Lowry and Mr. Salazar's concerns? Can you assure me that your proposed amendments will have absolutely no effect on the Department's potential liability for perchlorate contamination?

Answer. The Department revised the legislative language of our proposed Readiness and Range Preservation Initiative (RRPI) before submitting it to Congress this year to address some of the concerns expressed by State officials last year with respect to closed ranges. In addition, the Department has worked with the U.S. Environmental Protection Agency (EPA) subsequent to submission of our legislation specifically to address further concerns expressed by these and other State officials about closed ranges and contractor activities and facilities. We have submitted these revisions through DOD testimony offered before the Readiness Subcommittee of the Senate Armed Services Committee on April 1, 2003, and the Senate Environment and Public Works Committee on April 2, 2003.

These revisions make even clearer that our legislation will not alter the Department's legal obligations or responsibilities with respect to our closed ranges or ranges that close in the future, or with respect to our contractors. Moreover, our legislation also does not alter the Department's obligations under the Safe Drinking Water Act even with respect to operational ranges. Our legislation provides that the Department will be liable for cleanup under the Resource Conservation and Recovery Act (RCRA) of munitions fragments or constituents that migrate off an operational range if they create an imminent and substantial endangerment and are not being addressed under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). Finally, the Department's legislation does not seek to change the liability or cost recovery provisions of CERCLA.

Thus, enactment of our range proposals would have no effect on the Department's potential liability for perchlorate contamination. The RCRA and CERCLA provisions would affect the timing of cleanup activities on operational ranges, deferring clean-up on them until they closed, in the absence of off-range migration.

Question. Can you assure me that your proposed amendments will have absolutely no effect on the Department's potential liability for perchlorate contamination, and if this is correct, explain why?

Answer. Our legislation will not alter the Department's legal obligations or responsibilities with respect to our closed ranges or ranges that close in the future, or with respect to our contractors. Moreover, our legislation also does not alter the Department's obligations under the Safe Drinking Water Act even with respect to operational ranges. Our legislation provides that the Department will be liable for cleanup under the Resource Conservation and Recovery Act (RCRA) of munitions fragments or constituents that migrate off an operational range if they may create an imminent and substantial endangerment and are not being addressed under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). Finally, the Department's legislation does not seek to change the liability or cost recovery provisions of CERCLA.

Thus, enactment of our range proposals would have no effect on the Department's potential liability for perchlorate contamination. The RCRA and CERCLA provisions would affect the timing of cleanup activities on operational ranges, deferring cleanup on them until they closed, in the absence of off-range migration.

NATIONAL ACADEMY OF SCIENCES PERCHLORATE STUDY

Question. Can you assure me that the NAS study will rigorously examine potential health effects on children, which many believe occur at low levels of perchlorate exposure?

Answer. EPA has decided, with the full support and in partnership with the Department and other Federal agencies, to submit perchlorate health science issues to the National Academy of Sciences (NAS) to resolve several underlying scientific questions about perchlorate toxicity and risk. We, along with EPA and others, expect the NAS study will be a complete, thorough, and vigorous independent review that will answer these substantial scientific uncertainties including the effect of perchlorate on sensitive subpopulations, which may include children.

Question. How would you address the concerns some have expressed that an NAS panel on perchlorate might be biased in favor of industry's perspective?

Answer. As this will be a review conducted by the National Academy of Sciences (NAS), the NAS—not the Department, EPA, or industry—will be selecting panel members for the study. The Department's expectation is that the review will be an open and transparent independent scientific review that will answer the underlying scientific questions about perchlorate toxicity and risk.

EARLY TRANSFER PROCESS

Question. Could the BRAC early transfer process be streamlined?

Answer. The Department is establishing a Property Reuse and Disposal working group that will be considering ways to improve the entire BRAC property disposal and reuse process, including early transfer.

INTEGRATING CLEANUP WITH REDEVELOPMENT

Question. Is it more cost effective to accomplish environmental cleanup in conjunction with the redevelopment of the property?

Answer. Integrating cleanup with redevelopment can increase efficiency, saving time and money for both the community and DOD. These savings can be even more dramatic if the redevelopment is consistent with DOD's prior land uses. This is especially true for base-reuse parcels where financially feasible redevelopment is ready to happen with redevelopers and end-users anxious to proceed. For example, under a traditional property transfer approach, DOD may remove soil contamination by physically digging a ditch, treating the soil, and then replacing the treated soil. Later, a developer may excavate the site to build the foundation for a building, install utilities, or change elevations to support redevelopment, again removing the soil. If these activities were integrated the soil could be removed and shipped off-site for treatment or disposal while the redevelopment is ongoing, eliminating the unnecessary step of replacing and again removing the soil. By integrating cleanup and redevelopment, four important outcomes can be realized:

- Cleanup is only done once and it is done to the appropriate levels for reuse
- Property will be reused much faster, benefiting the local community by creating new jobs, generating revenue, and putting Federal property back on the local tax rolls much earlier.
- DOD is removed from the business of managing property. By divesting the property sooner, DOD reduces expenses associated with maintaining the property. Earlier deed transfer also reduces DOD's landlord responsibilities and liability as a Federal property owner. Earlier transfer may also eliminate some restrictions on the use of the property.
- Significant cost savings can be realized for both DOD and the redeveloper. Integrating land use planning and site remediation decisions early in the remedial process and matching the remedy with reuse can save money and time for all parties involved.

REUSE PLAN & CONTROL ZONING

Question. Local communities generally have difficulty assuming the financial burden of BRAC properties. If local communities create a reuse plan and control zoning, could the Department advertise and sell the property to the private sector in accordance with their plan and zoning?

Answer. Yes. There are several factors that contribute to the Department's ability to dispose of property through a competitive sale and the speed at which this could be accomplished. An adopted reuse plan which then is incorporated into local general plans and zoning is certainly critical to establishing a property's highest and best use for potential buyers. This also helps to minimize uncertainty in the marketplace where buyers may otherwise hesitate or discount their willingness to pay until the final use for available property is negotiated. Another complicating factor may be the manner in which communities confer development rights. Many communities confer development rights to the private sector in exchange for the construction of other "public improvements," such as schools, roads, parkland/open space, etc. In such instances, it is incumbent for the community to identify as early as possible the activities or costs that would be the responsibility of the developer to assist the effort. Lastly, care must be taken to ensure there is a realistic way to redevelop property where a viable market may not presently exist. In these situations the community or another "public" body is often tasked to redevelop property that is unable to attract sufficient private investment. Thus, the parceling of the property becomes a significant issue, particularly if the community is likely to be left with the least marketable property.

PROPERTY REUSE AND DISPOSAL

Question. Should Federal agencies that claim BRAC property be given a finite time period to assume control of the property?

Answer. The Department is establishing a Property Reuse and Disposal working group that will be considering ways to improve the entire BRAC property disposal and reuse process. This issue will be examined in that context.

QUESTIONS SUBMITTED TO DR. MARIO P. FIORI

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

BRAC ENVIRONMENTAL CLEANUP

Question. The Army's fiscal year 2004 BRAC budget request is \$66.4 million, a 56 percent reduction from fiscal year 2003. How much money above the budget request could the Army execute in fiscal year 2004 to expedite its BRAC cleanup program?

Answer. The fiscal year 2004 budget request of \$66.4 million includes \$57.3 million for environmental cleanup and allows us to achieve our restoration and disposal goals, within Army priorities, and in support of community reuse of the remaining BRAC installations. The funds requested are appropriate for BRAC cleanup within Army priorities for fiscal year 2004.

Question. Did you request a higher level of funding from the Defense Department? (If so, what happened; If not, why not?)

Answer. No. The Department of Defense supported the Army's request for BRAC funding in fiscal year 2004. The Army's BRAC budget request of \$66.4 million was the correct amount for this program within Army and Defense priorities.

Question. Could the BRAC early transfer process be streamlined? Is it more cost effective to accomplish the environmental cleanup in conjunction with the redevelopment of the property?

Answer. The best way to streamline the early transfer process is to establish timelines for property conveyance in the public sector resulting from the screening process and Public Benefit and Economic Development Conveyances. The Department could then make properties available for public sale. When appropriate, an option would be early transfer with the price discounted by the value of the remaining cleanup. The Army has conveyed several properties early in conjunction with a cooperative agreement for the community to complete the remaining cleanup. Integrating cleanup with redevelopment resulted in efficiencies and cost savings. Bayonne Military Ocean Terminal, NJ, Fitzsimons Army Medical Center, CO and Oakland Army Base, CA are examples in the Army's experience to date.

LOCAL REUSE

Question. Local communities generally have difficulty assuming the financial burden of BRAC properties. If local communities create a reuse plan and control zoning, could the Department advertise and sell the property to the private sector in accordance with their plan and zoning?

Answer. This scenario is more in line with the traditional roles of local governments. The Department could work with local communities to define reuse through

reuse planning and zoning, and then market the properties within those established parameters.

Question. Should Federal agencies that claim BRAC property be given a finite time period to assume control of the property?

Answer. Yes. Our experience from the first four BRAC rounds indicates that when other Federal agencies claim BRAC properties, in some cases they take years to take control of the property. The responsibility for cleanup of any Defense generated contamination should remain with the Defense Department, but transfer to another Federal agency should occur shortly after they claim the property.

QUESTIONS SUBMITTED TO NELSON F. GIBBS

QUESTIONS SUBMITTED BY SENATOR CONRAD BURNS

BRAC SELECTION CRITERIA

Question. Encroachment is an issue that has been continually emphasized as a major concern for the Department—how do you anticipate this being measured by the Department as it applies to the selection criteria?

Answer. Until the Secretary of Defense (SECDEF) promulgates the selection criteria DOD and the services must use in making recommendations for the closure and realignment of military installations in 2005 it would be premature to speculate how DOD will measure encroachment as it applies to the selection criteria. The law requires the SECDEF to propose these criteria not later than December 31, 2003, and finalize them by February 16, 2004 (Section 2913(a) and (b) of the Defense Base Closure and Realignment Act). The law does specify that the selection criteria must address, at a minimum, several factors, to include “The ability of both existing and potential receiving communities’ infrastructure to support forces, missions, and personnel” and the cost impact of environmental compliance activities. Once these criteria are finalized by the SECDEF, the role of encroachment related factors in the recommendation process should be clarified.

NEW INSTALLATIONS

Question. Do you see any new installation’s under current or future plans for a missile defense?

Answer. The Air Force has no current plans to build new installations to support deployment of the Ballistic Missile Defense System (BMDS) that is under research and development with the Missile Defense Agency (MDA).

The Missile Defense Agency should be able to provide more insight into required installations/MILCON to meet BMDS requirements.

BASE REALIGNMENT

Question. Will BRAC look closely at realigning bases and locating missions (from the same and other services) at bases where the primary missions cannot be moved?

Answer. The Defense Base Closure and Realignment Act, as revised by the fiscal year 2002 National Defense Authorization Act to provide for the 2005 round of closure and realignment recommendations, specifically requires the Secretary of Defense (SECDEF), in making his determinations of levels of necessary versus excess infrastructure, to consider efficiencies to be gained from joint service tenancy at military installations (Section 2912(a)(3)(B)). The selection criteria that SECDEF is directed by law to develop to make recommendations for closure and realignment of military installations must ensure that military value is the primary consideration, and that military value must include at a minimum several specified factors, to include “The impact on joint warfighting, training, and readiness.” (Section 2913(b)(4)). It will not be until the SECDEF proposes these selection criteria by December 31, 2003 and finalizes them by February 16, 2004, that we will be able to describe the exact role joint service tenancy will play in the closure and realignment recommendation process. Certainly to the extent an installation is not closed, it may be considered as a gaining installation for both same and other service missions closed and/or realigned from other installations, in accordance with the promulgated recommendation selection criteria.

BASE CLOSURE

Question. How have military construction requests been affected by the eventuality of the upcoming base closure round?

Answer. The Air Force's military construction request is in no way affected by the eventuality of the upcoming base closure round. We did not consider the upcoming base closure round when developing our fiscal year 2004 military construction request, nor did we receive any guidance suggesting we do so.

Furthermore, our out-year military construction programs are comprised entirely of validated requirements at existing Air Force installations. No parts of those programs are "reserved" for any requirements related to yet-to-be-determined base closure or realignment activities.

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

BRAC ENVIRONMENTAL CLEAN UP

Question. The Air Force fiscal year 2004 request for BRAC environmental remediation and caretaker costs is \$198.7 million. It is my understanding that the Air Force could execute significantly more funding in fiscal year 2004. According to my information, the Air Force could execute nearly \$65 million in environmental clean up on top of the budget request. Is this also your understanding?

Answer. The fiscal year 2004 Air Force request for BRAC environmental remediation and caretaker costs is \$200.7 million. The Air Force could execute \$65 million in environmental clean up on top of the budget request.

Question. Did you seek a higher level of funding for BRAC environmental remediation in your budget submission to the Office of Secretary of Defense? If so, what happened? If not, why not?

Answer. No. The Office of Secretary of Defense supported full funding of our fiscal year 2004 budget submission for BRAC environmental remediation.

Question. Would additional funding help to expedite the Air Force BRAC environmental clean up program?

Answer. While the fiscal year 2004 request reflects our requirements additional funding would allow us the opportunity to expedite cleanup requirements currently planned for future years.

Question. What impact would additional funding have on installations in California, such as McClellan?

Answer. While the Air Force is fully funded in fiscal year 2004 at McClellan and the other five California BRAC installations, we have requirements which currently would be addressed in fiscal year 2005/2006. Additional funding would allow us to execute these requirements in fiscal year 2004 without negatively impacting the reuse or cleanup schedule.

Additionally, we are pursuing process improvements that will have significant and positive impacts to the cleanup costs and schedules for our bases. These improvements include cleanup system optimization to reduce long term operating costs. We are also working cooperatively with the California regulatory agencies to streamline the document requirements and review processes.

Question. It appears that the Navy has some assurance from the Department that it will be able to return proceeds from property sales into its BRAC environmental cleanup account. The Air Force has realized total proceeds of \$58.4 million to date as a result of property sales and expects an additional \$27.5 million. Does the Air Force have the same assurances that any proceeds realized from property sales will be returned to the BRAC cleanup account?

Answer. Section 2906(d) of Public Law 101-510, as amended (10 U.S.C. 2687, note) provides for the recovery of the depreciated value of Defense Commissary Agency (DeCA) or Non Appropriated Fund (NAF) investment in real property impacted by Base Realignment and Closure (BRAC) actions. Therefore, any proceeds realized from the sale or lease of BRAC property will be first paid to this account. After the unrecovered depreciated value has been recovered for the BRAC installation, all proceeds received will then be paid the BRAC account, at which time we would request the proceeds be available for environmental cleanup.

Question. Could the BRAC early transfer process be streamlined?

Answer. Yes. The early transfer authority has worked well for us in cases where the local reuse authority requests the early transfer. An improvement to the process would be to allow the Department to initiate and request the early transfer authority by making early transfer a condition of the transaction.

Question. Is it more cost effective to accomplish environmental cleanup in conjunction with the redevelopment of the property?

Answer. Yes. The Air Force's experience is that closely integrated redevelopment and environmental cleanup is more cost effective. The Air Force has worked with its BRAC communities to understand and align our joint priorities to achieve these

efficiencies. A notable example was the conversion of Bergstrom Air Force Base, Texas to the Bergstrom International Airport, where we identified synergies between the Air Force cleanup program and the Airport construction plan so that the conversion occurred within budget and on schedule. Additionally, the Air Force maximizes its flexibility to customize the redevelopment and cleanup integration. We successfully integrated the cleanup and redevelopment at the former Lowry Air Force Base and believe that the long-term costs will be reduced through the privatization of the cleanup.

Question. Local communities generally have difficulty assuming the financial burden of BRAC properties. If local communities create a reuse plan and control zoning, could the Department advertise and sell the property to the private sector in accordance with their plan and zoning?

Answer. Yes. This is our preferred approach. Local communities, through planning and zoning, definitely affect the kind of development that can occur. This approach you describe worked very successfully at those locations that used it. It not only minimizes the financial burden on the community but it gets property very quickly on the local tax rolls.

Question. Should Federal agencies that claim BRAC property be given a finite time period to assume control of the property?

Answer. Yes. Property transfers to other Federal agencies should occur as soon as the property is vacated. Transfer of property from one Federal agency to another does not require Environmental Protection Agency (EPA) or State Regulators concurrence because ownership is not leaving the Federal Government.

QUESTIONS SUBMITTED TO WAYNE ARMY

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

PROPERTY SALES STAYING IN NAVY BRAC ACCOUNT

Question. The fiscal year 2004 Navy request for BRAC cleanup is \$101.9 million, a 62 percent decrease from the fiscal year 2003 enacted level. However, the Navy intends to spend \$180 million this year in BRAC cleanup—the \$79 million difference being made up in anticipated property sales from previously BRAC'd properties.

What assurances to you have from the Department of Defense that the revenue from property sales will remain in the Navy BRAC accounts?

Answer. We have received verbal assurances from the senior leadership in the Office of the Secretary of Defense that land sale revenue from Department of Navy BRAC actions would remain available for us to use to expedite our BRAC cleanup actions.

BRAC EXECUTIONS CAPABILITY

Question. How much money above the budget request, and the additional \$79 million in anticipated revenue, could the Navy execute in fiscal year 2004 to expedite its BRAC cleanup program?

Answer. The Navy's fiscal year 2004 budget consists of an appropriation request for \$101.9 million plus a conservative estimate of \$68 million from land sales and a \$10.7 million adjustment providing a total of \$180.6 million in spending authority. The Navy has substantial contract execution capacity in place and could readily obligate as much as about \$500 million in fiscal year 2004 for BRAC cleanup under normal BRAC outlay rates. Other factors that impact expediting BRAC cleanup programs include regulator support for additional workload, timing when funds become available, and making sure that we get real cleanup and property disposal progress for the investment.

STREAMLINING EARLY TRANSFER

Question. Could the BRAC early transfer process be streamlined?

Answer. The actual time required to implement an early transfer of BRAC property can be relatively short. However, our experience to date with early transfer is that they only occur when the community is sufficiently motivated in taking the property, particularly when it is needed to implement a well financed, economically sound redevelopment plan. We have also found that the number of issues needing resolution grows proportionally with the number of approving entities involved (e.g., various State agencies as a precondition to gubernatorial approval). We continue to work with State and local officials to ensure that they understand the commitment of the Federal Government to clean up the property even if it is conveyed under the early transfer authority.

PARALLEL CLEANUP AND REDEVELOPMENT

Question. Is it more cost effective to accomplish environmental cleanup in conjunction with the redevelopment of the property?

Answer. Yes. Integrating environmental cleanup can be cost effective in terms of time and money for both the Navy and the community. Performing cleanup and redevelopment simultaneously allows the Department to dispose of the property sooner via an early transfer. Furthermore, costly cleanup expenses can be avoided with the same environmental remedy achieved through the normal redevelopment planning and construction process. In addition, parallel cleanup and redevelopment by the new owner supports the early transfer process by allowing the developer a much quicker timeline to project completion which fosters motivation to take the property as soon as possible.

Cleanup performed in conjunction with redevelopment is more effective in terms of accelerating cleanup and property disposal timelines, as it is usually associated with an early transfer of property. A Navy Environmental Services Contract Agreement typically provides funding to the receiving entity that will perform the redevelopment, and in most cases will also do the cleanup. The following table lists recent examples of early transfers that included parallel cleanup and substantially accelerated property disposal and redevelopment compared to previous plans:

Site	Acres	Date	Disposal Acceleration
FISC Oakland	529	Jun 1999	Disposal 36 months early st
NAS Agana	1,799	Sep 2000	Disposal 12 months early
NTC San Diego	51	Feb 2001	Disposal 4 months early
NSY Mare Island (EETP)	668	Mar 2002	Disposal 48 months early
NSY Mare Island (WETP)	2,900	Sep 2002	Disposal 7 to 10 years early

Cost avoidance can be achieved by integrating the cleanup actions with the construction effort. Cost avoidance can result from synchronizing the two actions, e.g., coordinating the excavation and removal of contaminated soil with the construction of a foundation, or installing a parking lot in an area for which the environmental remedy would be a landfill cap. In addition, the remedial action for a contaminated site can be tailored to the actual reuse, rather than setting more restrictive and expensive cleanup standards to meet potential reuse needs.

Combining cleanup and redevelopment as part of an early transfer of property accelerates cleanup schedules and property disposal timelines, which speeds redevelopment and economic reuse of BRAC property. Early transfer also ends Navy oversight and management of the property; investments for caretaker functions; participation in local redevelopment disputes; and escalating cleanup costs due to concerns over the need to conduct additional studies, or to expand the scope of the cleanup. It brings finality to the BRAC decision to close the base and dispose of the excess property.

BRAC SALE AND LOCAL ZONING

Question. Local communities generally have difficulty assuming the financial burden of BRAC properties. If local communities create a reuse plan and control zoning, could the Department advertise and sell the property to the private sector in accordance with their plan and zoning?

Answer. Yes, the Department supports a public sale with these terms and conditions. First, it signifies the support of the Department for the local community's reuse plan. Second, the reuse plan and zoning simplifies the property appraisal process, reduces risk for potential buyers, and maximizes the value of the property. Third, local zoning requirements could be made part of the terms of the sale, even if these were overlays that would not become effective until property conveyance. This is especially true for base reuse parcels where financially feasible redevelopment is ready to happen with redevelopers and end users anxious to proceed.

FEDERAL AGENCY BRAC NEEDS

Question. Should Federal agencies that claim BRAC property be given a finite time period to assume control of the property?

Answer. Generally, yes. The BRAC property disposal process requires that property be screened for other Federal use. If another Federal agency identifies a need for the property, the property is normally reserved and the receiving Federal agency has a responsibility to accept the property within a reasonable time. In several instances, receiving agencies have delayed acceptance of property pending completion of environmental remediation even though completion of cleanup is not required for

property being transferred between Federal agencies. In other instances, after prolonged delays, some requesting agencies have withdrawn their requests for the properties thus requiring the disposing service to initiate disposal actions years after these actions would have otherwise been taken. Because these issues have surfaced in the past, the Department of the Navy is eager to work with the Department of Defense and the Military Departments on the Property Reuse and Disposal Working Group, where this issue and others will be examined in detail.

SUBCOMMITTEE RECESS

Senator HUTCHISON. Thank you, Senator Feinstein.

I want to thank all of you. I think we had a very good hearing and learned a lot that we can apply to the next round. Thank you.

[Whereupon, at 12:05 p.m., Tuesday, March 18, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

MILITARY CONSTRUCTION APPROPRIATIONS FOR FISCAL YEAR 2004

TUESDAY, APRIL 29, 2003

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

The subcommittee met at 4:35 p.m., in room SD-138, Dirksen Senate Office Building, Hon. Kay Bailey Hutchison (chairman) presiding.

Present: Senators Shelby, Stevens, Domenici, Feinstein, and Landrieu.

DEPARTMENT OF DEFENSE

**STATEMENT OF JAMES L. JONES, JR., GENERAL, USMC, COMMANDER,
UNITED STATES EUROPEAN COMMAND**

**ACCOMPANIED BY LEON J. LAPORTE, GENERAL, USA COMMANDER,
UNITED NATIONS COMMAND, COMMANDER, REPUBLIC OF
KOREA-UNITED STATES COMBINED FORCES COMMAND, AND
COMMANDER, UNITED STATES FORCES KOREA**

OPENING STATEMENT OF SENATOR KAY BAILEY HUTCHISON

Senator HUTCHISON. Thank you very much for being here. I am very pleased to have both of our distinguished witnesses here. We have tried to get together, but there have been a few things going on the planet that have kept us from hearing from you. But, frankly, I think the time has been well spent, because I am very pleased with the prepared statements that I have seen about the efforts that you are making on overseas bases, and this has been a priority of our Military Construction Subcommittee really for the last 4 years. We will look at overseas military basing in two key theaters of operation today.

The fiscal year 2004 military construction request includes over \$1 billion in spending for overseas facilities. More than 70 percent of that is in Europe and Korea. The Administration has requested \$535 million for U.S. bases in Europe, including \$288 million in Germany and \$173 million for bases in Korea. At the same time, new threats, a changing international political environment, and efforts to transform the structure of our military forces are leading the Defense Department to reconsider how we deploy forces overseas and where those forces will be located.

The military construction challenge is twofold. In the near-term, during the time it takes to determine future security needs, the challenge is to ensure that expenditures are not wasted on facilities

which may be abandoned in the future. The long-term challenge is to ensure far-reaching decisions about how to deploy forces overseas makes sense.

Congress directed the Defense Department to submit a report on its overseas-basing master plan by April 1, 2002. The Defense Department is still studying the issue and has not yet submitted that report. This afternoon, Senator Feinstein and I introduced legislation that would establish an independent commission to review the overseas military structure of the United States and advise Congress. We look forward to passing that legislation this year.

We are fortunate to have with us today the commanders of U.S. Forces in Europe and Korea, where so much of our military construction dollars are spent. Both of you have been working hard to transform our overseas basing from a Cold War structure to one more suited to the military challenges of the 21st century.

I really appreciate the meetings we have had, the efforts you have made. Your staffs have been working with our staff, and I am very satisfied that we are going in the right direction for the efficient use of our taxpayer dollars, making sure we have the information about the long-term goals before we spend military construction dollars this year. And I also appreciate that the Department really stopped spending the 2003 dollars until they were also allocated for what we are now calling "enduring bases."

So, with that, I want to ask Senator Feinstein, the Ranking Member, to also make remarks that she might have, and I want to particularly say what a great working relationship Senator Feinstein and I have. She has traveled overseas to bases. I have traveled overseas to bases. And I think from what we have both learned, we have come to the similar conclusions that we need to look at those overseas bases, try to fit them within the structure of our forces as projected for the future and try to maximize the efficiency of our taxpayer dollars.

Senator Feinstein.

STATEMENT OF SENATOR DIANNE FEINSTEIN

Senator FEINSTEIN. Thanks very much, Madam Chairman. Your comments are reciprocal. As you said earlier this morning, we have both been Chairs, and we have both been Ranking Members of this Committee, and I think, in the process, have developed a very positive working relationship—I, for one, very much appreciate that—and, in addition, a friendship which means a lot to me.

You know, Madam Chairman, I have had the opportunity to visit both the Korean Command, under General LaPorte, in December, the European Command, unfortunately, not under General Jones, but under General Ralston, a little earlier, and had an opportunity to talk with both of them. And I just want to repeat something I said to my staff on the way coming in to this meeting.

One of the really great, I think, illuminating findings that I have had since I have been in the United States Senate is really how fine the command leadership of our military is. And I have had the opportunity to meet four-stars, to talk with them, to see men, really, at the apex of their military careers, particularly note those who are open to comments, those who are not. But I guess what I want to say is how well served I think our Nation is by both of you and

by our other four-stars. You are very impressive people, each in your own right; each different, but both highly committed, I think highly intelligent. It has been a very special experience for me, and, on a personal note, I want you both to know that.

Madam Chairman, your timing could not be more on target, considering that the Department of Defense submitted a budget amendment to the President only yesterday that proposes to rescind, delete, or realign more \$500 million of fiscal 2003 and fiscal 2004 overseas military construction projects.

I had the opportunity to talk with both generals in my office yesterday. I am very impressed with their commitment to streamlining and improving the efficiency of the United States military presence overseas. Their efforts to reshape the military forces within their commands have potential to produce significant efficiencies, increase responsiveness, and enhance the national security of the United States.

These generals are undertaking this task at a particularly sensitive time in our relations with our allies overseas. I think it is important to repair the damage that has been done to the image of America overseas and to get these relationships back on track. Both General Jones and General LaPorte have assured me that they are committed to working with our allies and strengthening our ties to Europe and Korea, and I want to really commend them for these efforts.

So thank you for scheduling this hearing, Madam Chairman, and I look forward to hearing from these distinguished witnesses.

Senator HUTCHISON. Thank you, Senator Feinstein.

Senator Stevens.

STATEMENT OF SENATOR TED STEVENS

Senator STEVENS. Thank you, Madam Chairman.

I welcome each of you, Generals. I consider each of you to be close friends through the years we have worked together.

I regret to tell you, I am going to have to go to a meeting with the Members of the House Appropriations Committee here soon to talk about allocations for 2004, and so I will not be able to stay and ask questions. But I do intend to stay and listen to you as long as I can.

I welcome the initiatives, as both of the other Senators have said, that have been indicated to me through my staff that your people are about ready to present. And I think it is very timely for us to consider such initiatives, and I look forward to working with you on them.

Thank you very much.

Senator HUTCHISON. Thank you, Mr. Chairman.

General Jones, I would like to ask you to speak first, and followed then by General LaPorte.

EUCOM OVERVIEW

General JONES. Thank you, Madam Chairman, and thank you for your kind opening remarks. And, Senator Feinstein, thank you for your very gracious remarks. I know I do not want to speak for General LaPorte, but I know all of us who are privileged to lead the tremendous young men and women in the uniform of the United

States today take a great pride in that privilege, and we are so proud of everything they do day in and day out. That makes our job much easier.

And, Senator Stevens, thank you for taking time to be here today, and thank you for your continual support of our Nation's Armed Forces around the globe and the important work that they are privileged to do every day of the year.

I am very pleased to appear before you to present testimony on the very important subject of the fiscal year 2004 Military Construction Request for the United States European Command. As each of you know full well, the area of responsibility of EUCOM has recently been increased to include 93 countries, a net increase in the land mass of 16 percent, and a net increase of 28 percent on the seas, as a result of the revisions to the Unified Command Plan.

As you also know, during the last decade our Nation reduced the numbers of Americans in uniform by roughly 40 percent while transforming the force into a 21st century capability that during these difficult times has made all of us extremely proud. In my 36 years of active duty, I have never been prouder of what our forces represent, not just in terms of combat capability, but especially in terms of what such a force means for the collective future of nations who are prepared to defend freedom wherever it might be threatened. It is not only a force that will win any future conflict; it is also one which will deter and prevent future conflicts through its positioning and through its engagement strategy around the world.

I thank the Committee, the Members, and the staff, alike, for the attention given to the infrastructure and the quality of life of our men and women who serve in the vast European, Africa, and Near-Eastern theater. I pledge continued cooperation and active dialog on these important issues.

Senator Feinstein, you mentioned my predecessor, General Joe Ralston, to whom I am particularly grateful for a wonderful turnover of this all-important command. He is one of our Nation's most distinguished modern-day warriors. I thank him for his leadership and friendship as I assumed the responsibility of the command. No one could have been more gracious, and no one could have done more to make it a better experience than did General and Mrs. Ralston. The Nation will miss them in its active-duty ranks.

EUCOM TRANSFORMATION

Much has been said about the ongoing transformation of our Nation's Armed Forces. The United States European Command's Strategic Transformation Campaign Plan Proposal is based on several key assumptions, and they are as follows.

The United States desires to maintain its current position as a Nation of global influence through leadership in the efficient and effective application of military, economic, and diplomatic power.

The United States remains committed to its friends and allies through its commitment to global organizations and institutions, and supports treaties and international agreements to which it is a signatory.

The United States remains committed to a global strategy, the cornerstone of which is forward-based and forward-deployed forces which contribute to the first line of defense, peace, stability, and world order.

The United States supports in-depth transformation of its Armed Forces and of its basing structure, as required, in order to respond to 21st century threats and challenges.

The United States will continue to seek ways to mitigate or offset obstacles posed by 21st century global sovereignty realities through a reorientation of its land, sea, air, and space assets.

The United States recognizes that the current concept and disposition of U.S. basing within the European Command may not adequately support either the strategic changes attendant to an expanded NATO alliance or the national requirements of a rapidly changing area of responsibility.

And finally, that the United States will seek to preserve those assets which are of strategically enduring value to its missions, goals, and national interests, so as their location measurably contributes to our global strategy, the NATO alliance, and our bilateral engagements in theater.

STATUS OF EUCOM INFRASTRUCTURE

I have been in my current office for approximately 3 months, and each day has been a great learning experience. With regard to military construction, we find ourselves at a crossroads despite impressive theater reforms over the past 10 years, which, in and of themselves, produced a 66 percent reduction in the number of our European installations. We find ourselves retaining an inventory of aging facilities, many of which should be removed from our inventory.

In determining the current value of our facilities in Europe, we used our Theater 2002 Overseas Basing Requirements Study, which has identified that 80 percent of all of our installations are of critical mission value as being Tier I facilities. Another 14 percent were labeled as very important to the theater's mission, or Tier II. Finally, 6 percent were deemed to be non-critical to the theater, or Tier III.

We are using this study as a benchmark for our continuing evaluations of the needs of the European theater in the 21st century. Our needs will clearly be different than they are today. Determining how different is the challenge.

At present, we face four challenges with regard to infrastructure. The first is to quickly and efficiently remove unneeded Tier II and Tier III installations from our inventory. This is proceeding satisfactorily, but we need to quicken the pace. No monies in the fiscal year 2004 request will be expended for these installations. This represents approximately 20 percent of the total number of our installations in Europe.

We need to reevaluate all Tier I facilities with regard to their modern suitability for supporting our alliance in our national engagement strategies in the new world order, or, as some say, "new world disorder." Each European component is at work redefining its future basing needs while engaging with parent service headquarters in the context of how to obtain the maximum effect, the-

ater-wide, in the pursuit of our objectives. This is work in progress, and it is my expectation that we should soon be able to better see our way ahead in this very important matter. We are sensitive to the Committee's legislative calendar, and we will keep Members and staff apprised in real time of our progress in this study.

The asymmetric world and its associated threats, NATO's own invitation to seven new members, the deepening crises that threaten to engulf much of Africa, and the emergence of ungoverned regions from which narco-trafficking, criminality, and terrorism will be exported to the developed Nations, compellingly argues for some new basing paradigms, which will be different from our strategy of the past century. The key will be to preserve those installations that are of critical utility to our future goals and missions.

Our 20th century success in developing a free and prosperous Western Europe has made it more difficult and more expensive to train our military forces. Urbanization has brought cities to the edge of our bases both at home and in Europe. Despite having been successful protectors of the environment on our bases for the last half of the 20th century, we now face concerted efforts to limit essential military training at sea, in the air, and on land. It is a major problem, and it must be addressed both at home and abroad.

EFFICIENT BASING

The 21st century requires that we not only identify and maintain our most critical strategic infrastructure, it further requires that we become more agile, more expeditionary, and more efficient in our basing efforts on land, at sea, in the air, and in space. Our new bases should have a transformational footprint, be geostrategically placed in areas where presence yields the highest return on investment, be able to both contract and expand, as required, and should be constructed in such a way as to take advantage of our developing ability to rotationally base our forces coming from different parts of the world. It will also capitalize on the effectiveness of those forces which need to be continually and permanently stationed in the critical locations.

In Europe, we will need a robust mix of each to be effective in the future, and we are at work to determine the proposals for such considerations. For example, flexible, forward-operating bases and smaller forward-operating locations and new sites for our pre-positioned equipment to augment our permanent strategic presence will prove to be extremely useful to our future requirements. We will no longer be required to build the small American cities of the 20th century to achieve our strategic goals.

PREPARED STATEMENT

Our fiscal year 2004 request is predicated upon the assurance that we will not expend resources except where strategically warranted, that we will close unneeded facilities as efficiently and as quickly as possible, that we will identify those permanent facilities which have enduring strategic value for the future, and that we will look at better, more accessible, and more affordable training areas throughout our AOR; that we will begin to reshape a portion of our theater infrastructure to better capitalize on the utility of ro-

tational forces; and that we will develop newer basing models which will produce greater strategic effect resulting in a more peaceful theater in the 21st century.

Thank you, Madam Chairman, for the opportunity to present testimony before your Committee. I look forward to your questions.

[The statement follows:]

PREPARED STATEMENT OF GENERAL JAMES L. JONES, JR.

Introduction

Madam Chairman, Senator Feinstein, distinguished Members of the Committee; it is my privilege to appear before you as Commander, United States European Command (USEUCOM), to discuss the very exciting efforts underway in the European Theater to respond to the challenges and opportunities of the 21st Century. On behalf of the men and women in USEUCOM who proudly serve this Nation, and their families, I want to thank the committee members and staff for your unwavering support over this past year. Your efforts have provided us with the resources for mission success and have enabled us to do our part in protecting our democracy and in contributing to the security of our Nation. Your dedication to improving our important facilities and the quality of life of our men and women in uniform is both recognized and greatly appreciated.

The USEUCOM Area of Responsibility

USEUCOM's area of responsibility encompasses a vast geographic region covering over 46 million square miles of land and water. The new Unified Command Plan, effective 1 October 2002, assigns USEUCOM an area of responsibility that includes 93 sovereign nations, stretching from the northern tip of Norway to the southern tip of South Africa, and from Greenland in the west to Russia's distant eastern coastline (Enclosure 1). The very title "U.S. European Command" is somewhat of a misnomer and does not fully capture the vastness of our area of operations.

The astonishing diversity of our area of responsibility encompasses the full range of human conditions: some nations are among the wealthiest of the world, while others exist in a state of abject poverty; some are open democracies with long histories of respect for human liberties, while others are struggling with the basic concepts of representative governments and personal freedoms. For example, Africa, long neglected, but whose transnational threats, ungoverned regions, and abject poverty are potential future breeding grounds for networked non-state adversaries, terrorism, narco-trafficking, crime, and sinking human conditions, will increasingly be factored into our strategic plans for the future. The resulting change in the security environment has driven a change in our strategic orientation with increased emphasis eastward and southward.

Historical Setting

U.S. Forces in Europe, in concert with our NATO Allies, played a pivotal role in bringing about the end of the Soviet Union and the Warsaw Pact. The dramatic collapse of the Soviet Empire brought tremendous opportunities for the former Warsaw Pact states. It also brought unprecedented uncertainty for NATO and the U.S. European Command. For nearly a decade after the end of the Cold War, funding for U.S. European Command infrastructure was virtually non-existent.

The existing uncertainty of the future size and makeup of U.S. Forces in Europe led to a long period of significantly reduced funding for infrastructure at European bases (Enclosure 2). Assuming that we no longer required the same robust presence as that of the Cold War era, we down sized our force structure and the number of military facilities in theater. Since the fall of the Berlin wall in October 1989, USEUCOM has undergone a reduction in forces of approximately 66 percent, from 248,000 (in 1989) to 109,000 (in 2002). We have closed 566 installations over the past decade, along with over 356 other sites and training areas. This reduction equates to a 70 percent shift in personnel and facilities compared to Cold War Era peaks. The scope and rapidity with which force levels and structure were reduced in USEUCOM was an extraordinary accomplishment.

During this turbulent time, my predecessors adjusted our force disposition in keeping with the requirements of our national strategy. Their efforts resulted in the beginning of our "efficient basing" programs and a number of alternative funding programs that have produced tangible results in our effort to provide adequate, affordable housing and facilities for our men and women in uniform. Although the end of the Cold War promised a much more stable and secure Europe, the scope of USEUCOM's mission grew as the newly independent states struggled to define their

place in a free Europe. In the same period, USEUCOM experienced a dramatic decline in the number of installations and a substantial reduction and realignment of our force structure in theater. Consequently, we now have a greater reliance on our forward basing capabilities than ever before. And, I believe forward based and forward deployed forces will be even more important as we confront the security challenges of the next century.

The New Security Environment

Today, we find ourselves at the crossroads of two centuries. While the bipolar security environment of the 20th Century shaped our command, and defined our mission, the 21st Century requires that we depart from the clearly defined role of territorial defense. As we shed the limitations of 20th Century warfare, we are emerging from a doctrine of "attrition" warfare to "maneuver" warfare, from symmetrical to asymmetrical response options, from the principle of mass to the principle of precision, and from large and vulnerable military stockpiles to a revolutionary integrated logistics concept. We are changing from the traditional terrain-based military paradigms to effects-based operations, in order to prepare for a new set of security challenges.

The developed world now faces threats from sub-national or supra-national groups; threats that are based on ideological, theological, cultural, ethnic, and political factors. Our new adversaries do not recognize international law, sovereignty or accepted norms of behavior. These are the challenges of the new world "disorder." They demand new approaches and different metrics by which we allocate resources and develop strategies for the protection of our national interests and the future security of our environment.

Our NATO allies have also recognized the dramatic changes in the European security environment and have responded with the most significant changes to the Alliance's strategic direction since its founding. At the 1999 Washington Summit, members approved the new strategic concept, defining the range of threats the Alliance would have to confront, and identified a broad range of new capabilities necessary to meet them. The same year, three new states joined the Alliance as the expansion eastward began. The Washington Summit set the stage for an even bolder expansion in 2002. During the historic Prague Summit last year, the Alliance again expanded, this time inviting seven new members to join; Latvia, Lithuania, Estonia, Romania, Bulgaria, Slovenia, and Slovakia (Enclosure 3). Equally significant was NATO's commitment to transform its military capabilities, command arrangements, and operational concepts. The endorsement of the NATO Response Force provides political guidance for the Alliance to develop an agile and tailorable joint military force to respond to the full spectrum of crisis, both within and outside NATO's borders. NATO's strategic reorientation and renewed focus on relevant military capabilities will enhance USEUCOM's capability and ensure full interoperability with our most important allies as we transform our forces.

To respond to the dangerous and unpredictable threats of the 21st Century, we are developing a strategy that matches our resources to needed capabilities. We shall continue to refine our strategy and recommend a basing plan that enhances our ability to project our forces, support sustained operations, and conduct engagement activities in the most remote regions of our theater, as required. This plan will reflect the tremendous importance of our main operating bases as strategic enablers to support operations both outside and inside our area of responsibility. In achieving our goals we will begin the process of an in-depth theater transformation that will yield a greater return on our strategic investment.

USEUCOM Transformation Assumptions

Our efforts to transform USEUCOM's infrastructure are based on four principal assumptions. First, that the United States desires to maintain its current position as a Nation of global influence through leadership and the judicious application of military, economic and diplomatic instruments of power. Secondly, that the United States will remain committed to supporting its friends and allies through its involvement in global institutions and in support of treaties and international agreements to which it is a signatory. Thirdly, that the United States, by virtue of its critical contribution to the world order of the 20th Century, remains committed to a global engagement strategy. The military vanguard of this strategy will be found in our forward based, and forward deployed forces, which contribute the first line of defense to promote peace, stability, and order in our world. Finally, that the United States will continue to pursue in depth transformation of the Armed Forces. Changing our basing strategy to respond to the dramatically different challenges of the new century is a key element of this transformation.

Main Areas of Emphasis

The challenges presented by the new security environment and USEUCOM's commitment to national security interests, coupled with the opportunities made possible by transformed forces and infrastructure, suggest three areas of focus: a critical evaluation of our existing infrastructure; a reassessment of how we assign and deploy forces to our theater; and new operational concepts to take advantage of transformational capabilities and concepts.

To begin with, we are critically evaluating every facet of our European Theater footprint. The continued reduction/realignment of "legacy" infrastructure that was justified by the Cold War strategy of the 20th Century is central to our conceptual transformation. We will re-orient some of the capability of our forces in a manner that better reflects our expanding strategic responsibilities and the emergence of new regional and global realities.

Next, we are reassessing how we deploy and assign forces to the European Theater. We will use forces that are joint, agile, flexible, and highly mobile. The combination of permanent and rotational forces, accompanied by an expeditionary European component construct, is better suited to meet the demands of our fluid, complex, multi-faceted, and dangerous security environment.

Additionally, we are adopting operational concepts that capitalize on innovation, experimentation, and technology in order to achieve greater effect. We are witnessing a shift from our reliance on the quantitative characteristics of warfare (mass and volume), to a new family of qualitative factors. Today, warfare is characterized by speed, stealth, precision, timeliness, and interoperability.

The modern battlefield calls for our forces to be lighter, less constrained and more mobile, with a significant expansion in capability and capacity. The principle of maneuver, attained by leveraging technologies, reduces a unit's vulnerability while increasing its lethality and survivability. High-speed troop lift (on land and sea), precision logistics, in-stride sustainment, and progressive Command and Control (C2) architectures are strategic enablers that translate into power projection.

USEUCOM as a Strategic Enabler

With our forward presence, bases in USEUCOM provide a springboard from which U.S. forces are able to rapidly support efforts beyond our area of responsibility. In addition to being an "ocean closer," USEUCOM enjoys a robust and secure transportation network in Germany, Belgium and the Netherlands that provides a tremendous power projection capability and provides our Nation immense capability and flexibility to carry out our National Security Strategy. Nowhere is this better demonstrated than in the ongoing operations in Afghanistan and Iraq.

USEUCOM's role and contributions to Operation ENDURING FREEDOM are significant, and go far beyond simply providing intermediate staging facilities. Our transportation planners have extensive experience with some of the best ports, rail connections, and airfields in the world, allowing immense flexibility in carrying out this campaign. For example, U.S. Army Europe rapidly established a rail line of communication from Bremerhaven, Germany, through Eastern Europe to Kabul, Afghanistan, facilitating the efficient movement of bulk supplies and heavy equipment. U.S. Air Forces in Europe has flown thousands of tons of humanitarian and military supplies into Southwest Asia. The Naval Air Station Sigonella and Naval Station Rota provided the staging and throughput for the majority of supplies moving south and east. The Army's 21st Theater Support Command is fully engaged in the effort providing thousands of tons of medical supplies, food, blankets, and relief support in this effort.

The importance of USEUCOM's strategic bases is further demonstrated by the support provided to Operation IRAQI FREEDOM. Over 22,000 U.S. military personnel from USEUCOM are under the operational control of USCENTCOM in support of Operation IRAQI FREEDOM. Most recently, the 173rd Airborne Brigade from the U.S. Army Southern Europe Airborne Task Force (SETAF) traveled 2,200 miles to successfully complete a "combat jump" into northern Iraq. The capability to successfully deploy SETAF is a direct result of the Efficient Basing South initiative. Additionally, European-based Patriot Air Defense systems have been deployed to Turkey and Israel reassuring these key allies of the United States' reliability and concern for their defense.

European-based U.S. Air Force C-130 aircraft are moving supplies and equipment bound for the Iraqi Theater of Operations through Europe. Additionally, we are providing advanced basing support to U.S. Central Command and U.S. Transportation Command at Burgas, Bulgaria; Constanta, Romania; Ramstein and Rhein Main Air Bases, Germany; Souda Bay, Greece; Akrotiri, Crete; Aviano, Italy; Moron and Rota, Spain; and RAF Fairford, and RAF Mildenhall in the United Kingdom. So far, this airlift bridge has moved over 26,165 passengers and 45,188 short tons of equipment

and provided a departure point for special operations aircraft, and bombers, as well as tankers to support a myriad of coalition forces.

In addition to our six main operating bases, four Forward Operating Bases were established to support coalition operations. Most significantly, our forward presence enabled our B-52s operating from RAF Fairford to strike targets in Iraq with half the number of air refuelings and two-thirds the quantity of fuel. Ultimately, this presence enabled us to double our sortie generation rates by turning bombers and crews in 18 hours or less versus 48 hours from locations in the U.S. This was crucial to not only to strike assets such as B-52s but also for C-17s operating out of Aviano Air Base, Italy, which dropped over 1,000 Army airborne troops into Northern Iraq, opening up the northern front. Reduced timelines mitigate strains on PERSTEMPO, lessen impact on operational assets, and provide commanders greater flexibility on the battlefield.

U.S. Naval bases in Europe provided logistics support to two carrier battle groups and one Amphibious Ready Group (ARG) operating with the SIXTH Fleet in the eastern Mediterranean. Air wings from these two carriers, and cruise missiles from other ships, conducted strike and close air support missions into northern Iraq, providing continuous air support to Coalition Forces. U.S. Marines from the Amphibious Ready Group were inserted into northern Iraq directly from NSA Souda Bay, supporting security efforts in that volatile region. Sailors from U.S. Naval Forces Europe's Naval Mobile Construction Battalion deployed to support force flow preparatory tasks in Turkey and tactical logistics support on the battlefield in Iraq alongside units of the 1st Marine Expeditionary Force.

USEUCOM is also actively engaged in the movement and treatment of U.S. and allied soldiers wounded or injured in Southwest Asia. Casualties are transported to the Regional Medical Center in Landstuhl, Germany, and Fleet Hospital EIGHT, a naval expeditionary hospital that was set-up at Naval Station Rota, Spain. European-based intelligence specialists from every branch of the U.S. Armed Services are providing timely, accurate, and actionable intelligence to U.S. Forces engaged in combat in Iraq, our commanders and national leaders.

Theater capabilities are the derivative of operational concepts that have been validated through combined and joint exercises. The Marine Corps' strategic agility and operational reach capability was demonstrated during the Dynamic Mix exercise conducted in Spain last year by the 2nd Marine Expeditionary Brigade. The derivative of this exercise is Task Force Tarawa, which has played a vital role in the war in Iraq. Exercising strategic enablers in theater, such as the Maritime Positioning Squadron (MPS) assets of the 2nd Marine Expeditionary Brigade, provides valuable lessons, increases efficiencies, and leads to operational success.

The operations in Afghanistan and Iraq highlight USEUCOM's value as a strategic enabler and underscore the importance of regional engagement. In both operations, new and willing allies made significant contributions that resulted in increased operational reach and combat effectiveness for U.S. and coalition forces. These same new allies offer new and exciting opportunities for training and future basing.

Basing Concepts for the 21st Century

Semi-permanent expeditionary bases, such as those utilized in Operation IRAQI FREEDOM, can more effectively engage and influence the stability of the region. Joint Forward Operating Bases such as "Camp Bondsteel" in Kosovo have proven their merit and demonstrate a visible and compelling presence at a fraction of the cost of a larger "small American city" base, more emblematic of the past. The strategic value of establishing smaller forward bases across a greater portion of our area of responsibility is significant and would allow us to assign and deploy our forces more efficiently.

Transforming how U.S. forces are based and deployed in the USEUCOM area of responsibility will be a difficult process, but one, which is absolutely essential. To achieve our goals and meet the new security challenges, we must be willing to embrace institutional change and accept a shift in our previously understood paradigms. The importance of moving this process along quickly is heightened in light of the current disposition of our facilities and installations. The average age of USEUCOM's 36,435 facilities in our 499 installations is 32 years. It is worse in family housing, where the average age in U.S. Army Europe family facilities, is now 48 years. In U.S. Air Forces in Europe, it is 43 years, and in U.S. Naval Forces Europe, it is 35 years. Due to other pressing requirements, insufficient resourcing and modernization, since 1989, has resulted in 19,090 government quarters being officially termed "inadequate."

The utilization of a rotational basing model, more flexible and along the lines of an expeditionary construct, will complement our forward-basing strategy and enable

us to reverse the adverse proportions of our theater “tooth-to-tail” ratio. Rotational forces require less theater infrastructure and increase our agility to respond to changing environments at significantly lower cost than that generally associated with closing and moving bases. In this regard, rather than enabling our operations, some of our “legacy” bases (those that are not strategic enablers), can become modern day liabilities as we strive to deal with the security challenges of the new century.

While this may represent a dramatic shift in how USEUCOM operates, it is not a foreign concept to our Service Chiefs. The Navy-Marine Corps team, for example, has been a predominantly expeditionary force since its inception. The Air Force has already created and implemented the Expeditionary Air Force model and the Army is in the process of creating lighter and more agile forces. Our global presence, of both sea-based and land-based units, redistributed more strategically, will achieve the desired goals of our National Security Strategy.

This approach to transformation is not intended to undermine the consolidation and revitalization process related to the “enduring” infrastructure of our vital Strategic Bases. It is a continuum of our effort to increase efficiencies and provide greater effectiveness for our forces. Through the proper melding of forward basing with new and more agile expeditionary components, we will achieve the desired capability and the right balance to ensure our effective forward presence in the 21st Century.

With your support, it will be possible to achieve significant reforms to our old and costly infrastructure in the near future. We have come a long way since the days of the Cold War, yet there is much still to do. The process to review our current infrastructure inventory and assess its merit through the lens of transformation is already well underway.

Theater Basing & Consolidation Efforts

USEUCOM completed a deliberate and detailed internal review of basing requirements and infrastructure that was completed in March 2002. This study allowed us to develop criteria by which we could evaluate our Real Property Inventory and determine those installations essential for mission accomplishment. As an example, our study determined that 80 percent, or 402 of the existing 499 installations in theater, were judged to be of “enduring” value (Tier I). This is to say, 402 European installations were assessed to be vital to the execution of U.S. Strategies, and worthy of regular funding and improvement, without which our mission may risk failure. It was determined that future military construction expenditures, in support of these installations, were both appropriate and necessary. Our fiscal year 2004 military construction program focuses on these enduring installations deemed “vital” by the basing study.

The study also determined that 14 percent, or 68 of the 499 installations in theater, were “important” to theater operations (Tier II). The study further determined that 6 percent, or 29 installations in theater were of “non-enduring” value (Tier III), or of “non vital” importance to the accomplishment of our missions. Tier III installations only receive the minimal sustainment (Operations & Maintenance) funding required. They will receive no military construction funding. USEUCOM’s fiscal year 2004 military construction submissions, contained in the President’s Budget are only for enduring installations.

This early study enabled us to accurately assess the utility of our bases in theater and provided us a useful benchmark to align our future infrastructure requirements to our new strategy. Our budget request reflects the relevant points from this study, along with our ongoing efforts to establish a force structure and basing plan that more aptly meets the challenges of the current security environment. Toward that end we are working in the Secretary of Defense’s broader study on, “Integrated Global Presence and Basing Strategy,” which will ensure that USEUCOM’s footprint is properly sized and structured to meet our changing national security interest.

Much of the groundwork for the study was well underway in 2000, when the U.S. European Command established a formal theater basing working group. This group brought together the basing plans of each of our Service Components to address issues that cross Service lines and best posture our in-theater forces to meet current and emerging threats. The release of the Quadrennial Defense Review provided the working group with the force structure information needed to pursue an appropriate basing strategy. As we restructure our footprint in USEUCOM we are considering future capabilities like the Army’s Stryker Brigade Combat Team. Design and planning for the Stryker Brigade Combat Team conversion is underway and is reflected in U.S. Army Europe’s input to the Future Years Defense Program.

It is important to understand the criteria used to evaluate basing strategies. The March 2002 study met the strategy requirements set forth for that study which was primarily for fixed forces. A fixed force strategy is very different from a strategy using rotational forces working and training out of semi-permanent expeditionary bases. We have begun a new evaluation of our basing requirements, using different criteria, with an operational premise of employing some rotational units in theater. USEUCOM's service components are leading the way in this important effort and are the agents of change as we continue with this vital transformation.

Military Construction Requests by Service Components

Rather than invest significant sums of money into all of our existing facilities, some of which may not be suited to our future basing needs, nor to our force requirements, we can seize the moment to apply the newer metrics of transformation to determine how best to spend, and where best to spend, our resources. The process has begun with the reshaping of our fiscal year 2004 military construction requirements.

USEUCOM submitted a realigned MILCON program, reducing the number of requested projects from 50 to 37, a reduction of \$164.20 million, to the Secretary of Defense. Theater components are realigning four non line item family housing projects with their services for a combined value of \$70.90 million. We have requested that five projects for enduring installations, with a total value of \$57.90 million, be added to the military construction program. Together, these adjustments will help set the conditions for successful transformation.

U.S. Army Europe (USAREUR)

U.S. Army Europe has the greatest amount of infrastructure in the theater and in order to ensure funding is concentrated on only enduring installations; USAREUR's military construction program has been adjusted from eleven line item projects to five, a reduction from \$177.60 million to \$121.70 million. USAREUR is working with the Department of the Army to realign three non-line item family housing military construction projects with a value of \$49.90 million to installations that are enduring. The adjustments to the fiscal year 2004 program will reduce older static infrastructure and improve the efficiency of the enduring bases.

Consistent with the objectives of our earlier basing study, USAREUR's Efficient Basing East is an ongoing initiative to enhance readiness, gain efficiencies, and improve the well being of 3,400 soldiers and 5,000 family members by consolidating a brigade combat team from 13 installations in central Germany to a single location at Grafenwöehr, Germany, further east. Executing this initiative will enhance command and control, lower transportation costs, enable better force protection, improve access to training areas, eliminate over 5 million square feet of inventory, and reduce base operations costs by up to \$19 million per year.

U.S. Army Europe's other major basing initiative, Efficient Basing South, is likewise consistent with established basing objectives and is well into the execution phase. Efficient Basing South, which added a second airborne battalion to the 173rd Airborne Brigade in Vicenza, Italy, provides U.S. European Command with enhanced forced entry capabilities, increased flexibility and more efficient use of ground combat troops by increasing the Army's tooth-to-tail ratio. It addresses the theater requirement for additional light-medium forces, which in concert with other support modules, will deploy as part of the Immediate Reaction Force. The second battalion, reached full strength in March 2003, and recently deployed to Northern Iraq.

In support of the Efficient Basing South initiative, the Defense Department's submission to the President's fiscal year 2004 budget includes a critical \$15.5 million Joint Deployment Processing Facility at Aviano Air Base, Italy, to support the 173rd Airborne Brigade's rapid deployment mission with a heavy drop rigging facility. A project we have asked consideration for funding this year is a \$13 million Personnel Holding Area to provide our troops with cover and space to check parachutes, weapons, and equipment before boarding their airlift.

U.S. Air Forces in Europe (USAFE)

U.S. Air Forces in Europe are also assessing its basing strategy in the theater, looking east and south to optimize access, interoperability, cooperation, and influence. This strategy relies on permanent bases, necessary to provide mobility throughput and power projection to Forward Operating Locations in the new NATO countries. Although these bases are not all main operating bases, they are geo-strategically located in the European theater.

U.S. Air Forces in Europe continues to consolidate some of its geographically disparate units throughout the region to major operating bases that support airlift and power projection capabilities, thus increasing efficiencies while reducing footprint.

Fiscal year 2004 military construction is critical for these consolidation efforts, focusing on improvements to infrastructure and quality of life. The budget contains 21 line-item projects valued at \$178.07 million. Recently submitted transformational adjustments to the program reduce the line-item projects to 18, but add two projects for a combined value of \$158.71 million. These projects provide improvements to enduring installations across the spectrum including a mobility cargo processing facility, consolidated communications facilities, aircraft ramps, and crash fire stations. Critical quality of life improvements that positively impact our mission include an airman's dormitory, Family Support and Child Development Centers. One non-line item family housing project for \$21 million is also being realigned to an enduring installation in the theater.

U.S. Naval Forces Europe (NAVEUR)

Power and influence projection throughout the area of responsibility, strategic agility worldwide, and our ability to swing combat and logistics forces around the world—requires assured access through Air and Sea Lines of Communication. Line of communication control is a fundamental strategy that will be enhanced by our future Forward Operating Bases, and Forward Operating Locations, as they directly support the force flow and stability operations of the future. The Navy's revised fiscal year 2004 military construction submission contains four projects, totaling \$94.90 million that will continue to strengthen U.S. Naval Forces Europe's support to project logistics and combat power east and south.

Recapitalization of Naval Air Station Sigonella's operational base improves its ability to support logistics flow. The significant Quality of Life and operations support facilities upgrades at NSA La Maddalena's waterfront, the homeport of Navy's Mediterranean based ship-repair tender, will ensure USEUCOM maintains the capability for unimpeded access to repair facilities for nuclear powered warships. Construction of a Bachelor Quarters at Joint Maritime Facility St. Mawgan will eliminate serious antiterrorism and force protection risks and improve single sailor quality of life at this critical joint maritime surveillance facility. These projects will ensure that these critical bases can support future operations and maintain our surveillance coverage of the eastern Atlantic Ocean.

U.S. Naval Forces Europe is also considering consolidating several satellite locations, including those in London, as a means of gaining efficiency and reducing the footprint to effectively respond to the changing theater mission requirements and transformational initiatives. In 1990 there were 14 major naval bases and 17,500 naval personnel permanently stationed at shore bases. Today, U.S. Naval Forces Europe's footprint has been reduced by five bases and the number of personnel in-theater has decreased by one third. Previous closures have predominately been in the United Kingdom with follow-on military construction focusing on enhancing Navy bases in the Mediterranean.

U.S. Marine Forces Europe (MARFOREUR)

U.S. Marine Corps Forces Europe is the smallest Service Component Command in USEUCOM. It is, however, well structured to support transformational concepts with its pre-positioned equipment set, the Norway Air-Land Brigade and Maritime Pre-Positioning Squadron-1 (MPSRON-1). The force projection capability associated with MPSRON-1 is a timely and effective means to place a self-sustaining 15,000 man, combat-ready brigade when and where its presence is required. The Norway Air-Land Brigade set of equipment and supplies started in the mid-1980's as a pre-positioned deterrent located in Norway during the Cold War. Over the years, the Norway Air-Land Brigade program has evolved into a very cost effective, and timely pre-positioned capability for the entire USEUCOM area of responsibility. The equipment and supplies have been used numerous times during past years from the war in Kosovo, to the current War on Terrorism. The return that USEUCOM gains for the extremely small cost and physical footprint associated with U.S. Marine Corps Forces Europe is substantial.

U.S. Special Operations Europe (SOCEUR)

Special Operations Command Europe (SOCEUR) continues to examine the feasibility of relocation from Patch Barracks, Vaihingen, Germany, to other installations within the Stuttgart military community. Consolidation of headquarters command and staff elements is a key goal. HQ SOCEUR currently operates from six facilities on two installations, Patch Barracks and Kelly Barracks, within Stuttgart. Two of SOCEUR's four subordinate units are based on Panzer Kasern, Stuttgart.

Effective 1 October 2004, SOCEUR's military personnel authorization increases by 79 personnel with the addition of a Standing Joint Special Operations Task Force. Also in fiscal year 2004, USSOCOM will fund approximately \$11.4 million for the construction of hanger and office facilities for the fiscal year 2005 basing of F Com-

pany, 160th Special Operations Aviation Regiment, at the Stuttgart Army Air Field, totaling 105 personnel. In fiscal year 2005, HQ SOCEUR will receive a Joint Special Operations Air Component consisting of an additional 32 manpower authorizations. Basing options within the USEUCOM Theater are being evaluated.

War Reserve Material

Multi-service war reserve material in the theater is presently stored in several Preposition Sites throughout USEUCOM's area of responsibility. There is \$22 million in our fiscal year 2004 military construction request to establish facilities to store a pre-positioning set of equipment that supports our basing strategy. Pre-positioned equipment is essential to support our rotational force concept. These war reserve material sites are strategic enablers that facilitate rapid response to crises, reduce the burden on strategic-lift assets, and optimize our ability to project power.

Infrastructure Investment: A Key Enabler

It cannot be overstated—the quality of our infrastructure has a profound impact on our operations, intelligence capabilities, training, security cooperation activities, and the quality of life of our service members. We recognize the need to eliminate excess infrastructure, and the Congressionally mandated and OSD-directed Overseas Basing Requirements Study highlights our most recent efforts to do so. However, despite our continued efforts and determination, it has not been possible to improve existing infrastructure and reduce the degradation of mission readiness at existing funding levels. Considering the tremendous impact our infrastructure makes on all aspects of our mission, and the current state of our facilities, infrastructure investment is our most critical funding requirement.

We have a coherent basing strategy based on current and emerging threats; we continue to consolidate our facilities; and, we have maximized the use of alternative funding sources. In addition to Appropriated and Non-Appropriated Agency Construction and Service funding, we pursue several alternative funding programs that have contributed to this effort. Such programs include the North Atlantic Treaty Organization Security Investment Program, Residual Value, the Payment-in-Kind program, and Quid Pro Quo initiatives. Since 1990, these programs have generated in excess of \$2 billion for construction projects throughout U.S. European Command's area of responsibility.

Significant efforts by the Service Components to consolidate, privatize, and outsource have reduced the requirements backlog. Our very successful, and still embryonic use of the build-to-lease program to recapitalize our family housing throughout the theater has substantially decreased our military construction requirements. However, we need to do much more in this regard, and the renovation of existing housing is an area that still accounts for 20 percent of the theater's request for military construction funding.

USEUCOM has embraced the concept and practice of Public-Private Ventures with build-to-lease housing, contracted support services, and the privatization of utilities. We are aggressively pursuing utilities privatization and the use of private sector financing to improve utility system reliability. U.S. Army Europe started these programs in the 1980's with the privatization of their heating plants and systems and continued in 1996 with other utilities. 85 percent of U.S. Army Europe's heating systems have been privatized providing a cost avoidance of \$2 billion. Since 1996, 39 percent of their utility systems have been privatized resulting in a cost avoidance of \$27.60 million. In fiscal year 2003, the Army's cost avoidance was \$15.40 million. U.S. Air Forces in Europe has contracted out base operating support functions, using private industry to provide civil engineering, services, supply, and other important support. United States military personnel and civilian employees normally hold these positions, but at certain locations, we have effectively transferred the workload to the private sector. The USEUCOM Service Components have all divested their family housing and presently have a mix of both Government Family Housing and build-to-lease family housing.

Our fiscal year 2004 military construction request has recently been revised and submitted to the Office of the Secretary of Defense for consideration. The adjustments submitted reflect recommended funding support for our most strategically enduring installations, supports our long-term effort to capitalize on new capabilities and appropriately arrayed forces to enhance our theater engagement strategy. With the funding requested, we can continue to transform and align our forces in a manner that is consistent with our expanding strategic interests and Alliance responsibilities, while improving the quality of life for those who serve.

Summary

USEUCOM is proceeding with a strategy that matches military capabilities with the challenges of the new century. Through the proper blend of our Strategic Bases

with newer and more agile Forward Operating Bases, we will achieve the combined capability, and the right balance, necessary in the new millennium. I would like to thank the Congress for its continued support, without which our Soldiers, Sailors, Airmen, Marines, and Coast Guardsmen would be unable to perform the tasks assigned to them by our Nation. With your continued assistance, they will remain ready and postured forward to defend freedom, foster cooperation and promote stability throughout our theater of operations. I appreciate the opportunity to testify, and for the committee's consideration to my written and oral remarks.

I look forward to responding to your questions.

LEXICON OF TERMS

Main Operating Base.—Strategically enduring asset established in friendly territory to provide sustained command and control, administration, and logistical support in designated areas.

Forward Operating Base.—Semi-permanent asset used to support tactical operations without establishing full support facilities. Can be scalable, and may be used for an extended time period. May contain prepositioned equipment. Backup support by a MOB may be required to support

Forward Operating Location.—Expeditionary asset similar to a FOB, but with limited in-place infrastructure. May contain prepositioned equipment.

Preposition Site.—Sites that contain prepositioned war reserve material (Combat, Combat Support, Combat Service Support), usually maintained by contractor support.

Base.—Locality from which operations are projected or supported; An area or locality containing installations, which provide logistic or other support; and Home airfield or carrier.

Installations.—A grouping of facilities, located in the same vicinity, which support particular functions. Installations may be elements of a base.

Facility.—A Real Property entity consisting of one or more of the following: a building, a structure, a utility system, system, pavement, and underlying land.

Site.—A geographic location that has one or more bases or facilities associated with it.

Senator HUTCHISON. Thank you, General Jones.

General LaPorte.

General LAPORTE. Madam Chairman, Senator Feinstein, Senator Stevens, thank you for your opening comments. I am honored to appear before the Committee to update you on the current situation in the Republic of Korea.

First, I want to extend the thanks of all the soldiers, sailors, airmen, marines, and Department of Defense civilians who serve in Korea. Your unwavering support enables us to maintain readiness and accomplish our deterrence mission on the Korean Peninsula.

This past year, we were able to harden theater-level command posts, renovate a portion of our existing facilities, and begin construction on several new projects, to include new barracks, family housing, and multipurpose facilities on our enduring bases. These projects continue the work needed to provide service members with quality facilities to work and to live.

This year is a unique opportunity to significantly improve readiness and overall quality of life in Korea. We are committed to consolidating our dispersed and inefficient legacy installations into hubs of enduring installations that position units where they can best accomplish their assigned missions. Consolidation is a critical step toward solving systematic issues related to encroachment, decaying support infrastructure, overcrowded and inadequate housing, and deficient force-protection design.

Three programs, the Yongsan Relocation, the Land Partnership Plan, and the future of the Alliance Policy Initiative, are the vehicles to implement this much-needed reorganization.

Yongsan Relocation has received renewed attention this year. Under the original 1990 Yongsan Relocation Agreement, the Republic of Korea committed to fund the movement of the United States Forces Korea units out of Central Seoul. Due to President Roh's current administration's support and emphasis, we now have agreed, in principle, to accelerate the Yongsan Relocation.

The Land Partnership Plan. The principal instrument for consolidating our 41 major installations and 90-plus camps and stations is on track. The Land Partnership Plan, signed by the Minister of National Defense and ratified by the Korean National Assembly, will ensure stable stationing of the United States Korea forces. It returns half of the land, 32,000 acres, granted to the United States forces under the Status of Forces Agreement. In exchange, the Republic of Korea Government will procure the land needed for new construction on our enduring installations' hubs. Moreover, the Land Partnership Plan has the flexibility needed to accommodate refinements in force structure and stationing. The Land Partnership Plan requires no new military construction funding; however, it depends on stable funding to existing military construction projects throughout the future years defense plan.

To strengthen the Republic of Korea-United States Alliance and to ensure continued regional and peninsula security, we are in the midst of a Future of the Alliance Policy Initiative Study, a series of high-level consultations directed by the Secretary of Defense and the Republic of Korea Minister of Defense. The Future of the Alliance Policy Initiative is designed to strengthen the alliance, enhance deterrence, shape future roles, missions, and functions for the combined military forces, and establish a stable stationing plan. The Future of the Alliance Policy Initiative brings 21st century warfighting capability to Korea and improves combined deterrence. It synchronizes our efforts to consolidate United States Forces Korea into hubs of enduring installations through the Land Partnership Plan and Yongsan Relocation. We also achieve significant economies of scale that reduce the overall cost of operating our bases.

Because of the Republic of Korea's commitments provided in these three innovative programs, I am confident that we can implement our Military Construction Plan to achieve efficiencies and improve readiness and overall quality of life. U.S. support to stable military construction budgets for projects in future years is essential to bringing this plan to fruition.

Our strategy uses a balance of sustainment, renovation, build-to-lease, and military construction to address our core deficiencies. We prioritize military construction projects based on their impact on readiness, infrastructure, mission accomplishment, and quality of life. This approach ensures that we use resources to address the most pressing needs on our enduring installations.

PREPARED STATEMENT

To implement this strategy, we need your help in two areas, continued stable military construction budgets and, secondly, a change in the rules governing build-to-lease programs in the Republic of Korea.

I am confident that our strategy will prudently use military construction projects to improve the overall readiness and quality of life for the service members who serve in Korea.

I thank you for the opportunity to appear today before this Committee, and I look forward to your questions.

[The statement follows:]

PREPARED STATEMENT OF GENERAL LEON J. LAPORTE

INTRODUCTION

Senator Hutchison, Senator Feinstein, and distinguished committee members, I am honored to appear before you as Commander United Nations Command, Combined Forces Command, and United States Forces Korea. I want to express our deep gratitude to Congress for your support to our forces serving in Korea. Our ability to accomplish the mission in Korea has been possible because of the help you provided. Over the last year, we have had many legislators and their staffs visit Korea. They spent time with our service members hearing about their concerns, and seeing the living and working conditions firsthand. With your support we have made significant quality of life improvements such as workplace renovation, housing upgrades, and providing internet access in our libraries, day rooms and community centers. However, there is much more to be done. Your efforts and personal involvement made a tremendous impact on our people. On behalf of all the Soldiers, Sailors, Airmen, Marines, and Department of Defense civilians serving in Korea, I thank you for your continued support.

This has been an extraordinary year in Korea. 2002 marked the fourth democratic transfer of power in the Republic of Korea, renewed South Korean efforts toward inter-Korean reconciliation, and the first World Cup hosted in Asia. In contrast, there were some discouraging incidents such as North Korea's calculated armistice violation in the West Sea, exposure of the North Korean nuclear weapons programs, a tragic training accident in June, and cyclic rise of anti-United States Forces Korea sentiment. North Korea attempted to split the Republic of Korea-United States Alliance by exploiting these events. Our Alliance weathered these challenges and continues to serve as the foundation for peace and security throughout Northeast Asia. These incidents have firmly reinforced three points: the consequences of events in Korea affect the entire world, continued United States presence in Northeast Asia is critical to regional stability, and the Republic of Korea-United States Alliance is essential to regional security.

CONSOLIDATING TO ENDURING INSTALLATIONS

This year is a unique opportunity to significantly improve readiness and overall quality of life in Korea. We are committed to consolidating our dispersed and inefficient legacy installations into hubs of enduring installations that position units where they can best accomplish their assigned missions (Figure 1). Moreover, this effort is a crucial step toward solving systemic issues related to encroachment; decaying infrastructure; overcrowded and inadequate housing; and deficient force protection design. Momentum in three major programs facilitate this consolidation effort: Yongsan relocation; Land Partnership Plan; and the Future of the Republic of Korea-United States Alliance Policy Initiative.

Yongsan relocation has received renewed attention this year. Under the original 1990 Yongsan relocation agreement, the Republic of Korea committed to fully fund the movement of United States Forces Korea units out of central Seoul. For a variety of reasons, relocation of Yongsan languished until the current Korean government placed heavy emphasis on moving national government functions out of Seoul. Partly as a result of the Roh administration's emphasis, we now have agreement-in-principle to accelerate Yongsan relocation. Next month we expect to complete the Yongsan relocation facilities master plan. The Republic of Korea will pay all costs associated with Yongsan relocation. We are aggressively working with the Republic of Korea government to decide the details of timing and final facilities for Yongsan relocation under the terms of the original agreements.¹

¹The Yongsan relocation agreement provides for residual U.S. presence in Seoul to man headquarters billets for Combined Forces Command and United Nations Command. United States Forces Korea headquarters and operational units will move out of Seoul.

Land Partnership Plan, in its first year of execution, is the principle instrument for consolidating our 41 major installations.² Approved by the Ministry of National Defense in March 2002 and ratified by the National Assembly in November 2002, Land Partnership Plan has the full support of the Korean government and will ensure stable stationing for United States Forces Korea. Land Partnership Plan depends heavily on predictable military construction funding because the needed facilities are funded by a combination of United States military construction and host nation funded construction.³

Land Partnership Plan is a comprehensive, durable framework for United States Forces Korea stationing. It returns half of the land (32,000 acres) granted to United States Forces Korea under the Status of Forces agreement. In exchange, the Republic of Korea government must procure the land needed to expand our enduring installations. These land parcels accommodate new facilities construction and provide easements that reduce encroachment and improve force protection. Moreover, Land Partnership Plan has the flexibility needed to accommodate refinements in force structure or stationing to achieve efficiencies identified through the Future of the Republic of Korea—United States Alliance Policy Initiative.

The Future of the Alliance Policy Initiative is a series of high-level consultations designed to strengthen the Alliance, enhance deterrence, shape future roles, missions, and functions for the combined military forces, and establish a stable stationing plan for United States Forces Korea. During these talks, the Republic of Korea confirmed the agreement to consolidate United States Forces Korea into hubs of enduring installations and to refine the Land Partnership Plan to implement a stable stationing plan.⁴ The details of the consolidation will be developed in subsequent meetings between the Republic of Korea Ministry of National Defense and Ministry of Foreign Affairs and Trade in conjunction with the United States Office of the Secretary of Defense and State Department.

With these three innovative programs, I am confident that we can implement our military construction plan to enhance readiness; achieve efficiencies; guarantee force protection; and improve overall quality of life. Your support to stable military construction budgets for projects in the Future Year's Defense Plan is essential to bringing this plan to fruition.

Today I will address current and future requirements in the context of: the Northeast Asia security environment; the Republic of Korea today; the North Korean challenge to regional and global security; the Republic of Korea-United States Alliance; and the Fix Korea Strategy.

THE NORTHEAST ASIA SECURITY ENVIRONMENT

Northeast Asia is a nexus of economic might, competing interests, converging threats, cultures, and historical animosities. Over 17 percent of the world's trade value is with countries in Northeast Asia, and United States trade with the region (over \$414 Billion) is second only to our trade with the North American Free Trade Association.⁵ Many of the nations in the region—China, Japan, Russia, and the Republic of Korea—are contending for economic and political influence. Enduring cultural and historical animosities remain a dynamic political force. This region marks the convergence of five of the world's six largest militaries, and three of the five declared nuclear powers. Today, the current military demarcation line between North and South Korea is the most heavily armed in the world and remains an arena for confrontation. North Korea's pursuit of nuclear weapons and proliferation of missile technology threatens global and regional stability. United States presence in Korea demonstrates our firm commitment to defend democratic values and prevent our en-

²As ratified in November 2002, the Land Partnership Plan identifies 23 enduring United States Forces Korea installations on the Korean peninsula. As part of the Future of the ROK-U.S. Alliance Policy Initiative, USFK proposed LPP refinements to further reduce the number of enduring installations and accelerate consolidation into enduring hubs.

³The Land Partnership Plan agreement provides the Status of Forces Joint Committee the authority to negotiate modifications to the basic plan.

⁴The joint press statement from the first Future of the Alliance Policy Initiative meeting confirms ROK commitment to USFK consolidation and acceleration of Yongsan relocation: "The two sides agreed to consolidate the USFK base structure in order to preserve an enduring stationing environment for USFK, to achieve higher efficiency in managing USFK bases, and to foster a balanced development of ROK national lands. Both sides agreed to continue discussion on the timing of the overall realignment process . . . to provide a stable stationing environment for USFK, the two sides agree to relocate Yongsan Garrison as soon as possible."

⁵Derived from U.S. Census data. For 2002, total trade with Northeast Asia (\$U.S. billion) are: Japan \$172.93, China \$147.22, Republic of Korea \$58.17, Taiwan \$50.59. Trade with NAFTA during the same period was \$557.39 (Canada \$371.39 and Mexico \$232.26), (<http://www.census.gov/foreign-trade/top/dst/2002/11/balance.html>, accessed 14 APR 2003).

emies from threatening us—and our partners—with weapons of mass destruction. Our forces in Korea send the clear message that we will stand with our allies and friends to provide the stability that promotes prosperity and democratic values.

The Republic of Korea Today

The Republic of Korea today is fast becoming a global economic competitor. In 2002 the Republic of Korea's economy grew six percent while boasting the world's 11th largest Gross Domestic Product and third largest cash reserves.⁶ The Republic of Korea's vision of the future is to diversify its economy by becoming the "transportation, financial, and information technology hub of Northeast Asia."⁷ This vision seeks to route Northeast Asia, Europe, and the Americas trade through South Korea using an inter-Korean transportation system. Inter-Korean initiatives begun by former President Kim, Dae Jung and continued by President Roh, Moo Hyun pursue reconciliation for cultural, economic, and humanitarian reasons. The Republic of Korea's engagement policies toward North Korea profoundly affect how South Koreans view their relations with the United States and North Korea.

Many South Koreans under age 45, a generation that has lived in an era of peace, prosperity, and democratic freedoms, have a diminished perception of the North Korean threat. These South Koreans see North Korea not as a threat but rather as a Korean neighbor, potential trading partner and a country that provides access to expanded Eurasian markets. This view of North Korea contrasts with America's view that North Korea is a threat to regional and global stability. This divergent perception of North Korea, coupled with strong national pride, has been a cause of periodic tension in the Republic of Korea-United States Alliance.

There have always been groups in the Republic of Korea that are critical of United States policy and claim that the United States hinders inter-Korean reconciliation. Demonstrations against American policy and military presence increased sharply during this year's Republic of Korea presidential election. Political interest groups made claims of inequity in the Republic of Korea-United States alliance a central issue during the presidential campaign. Opposition groups exploited a United States military court's acquittal of two American soldiers charged with negligent homicide in the tragic training accident that claimed the lives of two South Korean schoolgirls last June. Non-governmental organizations asserted that the Status of Forces Agreement (SOFA) was unjust and that the acquitted soldiers should have been tried in a Republic of Korea court rather than by a United States military court. During the presidential election campaign, these groups used biased and inaccurate media reporting to inflame anti-United States Forces Korea sentiments and mobilize demonstrations, a traditional tool of political protest in the Republic of Korea. Regrettably, several of these protests turned violent.

Since the December 2002 Republic of Korea presidential election, anti-United States Forces Korea demonstrations have virtually disappeared, due in large part to positive steps taken by United States Forces-Korea, the United States Embassy, and the Republic of Korea government. Shortly after his election, President Roh, Moo Hyun voiced support for a strong Republic of Korea-United States alliance and continued United States military presence in Korea even after reconciliation. Since the presidential election, pro-American groups in the Republic of Korea have conducted demonstrations, some as large as 100,000 people, supporting the continued stationing of United States forces in the Republic of Korea. The future of the Alliance involves the Republic of Korea assuming the predominant role in its defense and increasing both Republic of Korea and United States involvement in regional security cooperation. I firmly believe that we have an opportunity to revitalize the Alliance, by closely examining the roles, missions, capabilities, force structure, and stationing of our respective forces.

THE REPUBLIC OF KOREA'S SUPPORT TO GLOBAL MILITARY OPERATIONS

The Republic of Korea has continued their support for U.S.-led operations in Iraq and Afghanistan. The Republic of Korea's National Assembly has extended its mandate and increased its commitment of support forces to Operation ENDURING FREEDOM through December 2003. Today Republic of Korea liaison officers are planning and coordinating with their United States counterparts at both Central

⁶United States Department of State, Country Commercial Guide Korea, fiscal year 2003.

⁷President Roh, Moo-hyun announced his intent to position the Republic of Korea as the "economic powerhouse of Northeast Asia". In public appearances, he amplified this vision stating that he sought to make South Korea the transportation, financial, and information technology hub of Northeast Asia. For President Roh's national priorities, see Korea Herald articles at http://kn.koreaherald.co.kr/SITE/data/html_dir/2003/01/11/200301110003.asp, http://kn.koreaherald.co.kr/SITE/data/html_dir/2002/12/28/200212280010.asp.

Command and Pacific Command headquarters. The Republic of Korea has provided several contingents of support troops to Operation ENDURING FREEDOM, including a navy transport ship moving essential airfield material to Diego Garcia, four C-130 cargo aircraft to support the United States Pacific Command's operations, a hospital unit in Afghanistan, and an engineering unit at Bagram Air Base, Afghanistan. In addition, the government of the Republic of Korea has provided \$12 million of their \$45 million pledge to fund humanitarian and rebuilding efforts in Afghanistan.

In April, with President Roh's strong endorsement, the Republic of Korea National Assembly approved deployment of troops to the Iraqi theater of operations. The contribution of a 600-man engineering battalion, a 75-man security unit, and a 100-man medical unit to the Iraqi theater of operations bring needed stability operations capabilities to Iraq. Participation in Operations ENDURING FREEDOM and IRAQI FREEDOM represent another in a long series of Republic of Korea deployments along side United States troops during the past 50 years of our Alliance.

NORTH KOREAN CHALLENGES TO REGIONAL AND GLOBAL SECURITY

North Korea is a dangerous dictatorship that continues to pose a direct threat to peace, security, and stability in NEA Northeast Asia. The Kim Regime uses illicit activities to fund the extravagant lifestyles of the inner circle and is using its military capabilities to extort resources from the international community. North Korea poses several threats to global stability: an economy on the brink of failure; an active nuclear weapons program; withdrawal from the Nuclear Non-proliferation Treaty; growing threat to the world through proliferation of missiles, chemical, and biological weapons technologies and possibly nuclear materials and technology; and large conventional force and special operations force that directly threaten our Allies. North Korean brinkmanship ensures that the Korean Peninsula remains a place of palpable danger, illustrated by the North Korea's unprovoked attack in the West Sea on June 29, 2002, the restart of the Yongbyon nuclear reactor, and their efforts to develop highly enriched uranium nuclear weapons. North Korea continues to flagrantly violate their international agreements resulting in increased regional tensions. The Republic of Korea and United States forces continue to face the possibility of a high intensity war involving large conventional forces and significant weapons of mass destruction delivered by long-range missiles.

North Korea poses a dangerous and complex threat to peace and security on the peninsula and throughout the region. Their growing weapons of mass destruction, missile, and re-vitalized nuclear weapons programs constitute a substantial threat to the world. What's most dangerous is that they have shown willingness to sell anything to anybody for hard currency. They will continue to support the military at the expense of the general population and extort aid to prop up their failing economy. We see no indications that the Kim Regime will change the policies of brinkmanship and proliferation of missiles and weapons of mass destruction technologies throughout the world.

THE REPUBLIC OF KOREA-UNITED STATES ALLIANCE: UNITED NATIONS COMMAND, COMBINED FORCES COMMAND, AND UNITED STATES FORCES KOREA

Since I took command in May 2002, I have had several opportunities to assess the readiness and training of United Nations Command, Combined Forces Command, and United States Forces Korea. Key events included response to the West Sea Armistice Violation by North Korea, security for development of the inter-Korean transportation corridors through the Demilitarized Zone, and security support for the 2002 World Cup and Asian Games.

United Nations Command

Under the mandate of United Nations Security Council Resolutions 82, 83, and 84, the United Nations Command in Seoul provides a standing coalition with 15 member nations to address trans-national interests in regional stability. United Nations Command led the international response to the June 29, 2002 West Sea Armistice violation by the North Koreans. This egregious, unprovoked North Korean attack in the West Sea that sank a Republic of Korea patrol boat, killed 6 and wounded 19 Republic of Korea sailors. The member nations of the United Nations Command promptly issued strong statements denouncing the North Korean aggression. Facing this international censure, North Korea reluctantly expressed regret over the incident and agreed to the first United Nations Command-Korean Peoples Army General Officer talks in almost 2 years. At the General Officer talks, North Korea guaranteed not to interfere with a United Nations Command-led salvage operation. Under the United Nations flag, the Republic of Korea's navy successfully salvaged

the sunken boat. United Nations Command observers ensured neutrality and transparency of the salvage operation. The strength of the Republic of Korea-United States Alliance, backed by the United Nations Command member nations led to a successful West Sea recovery operation and reinforced the legitimate authority of United Nations Command to enforce the Armistice. United Nations Command again provided a stabilizing force and prevented a dangerous situation from escalating into open hostilities.

Following the West Sea salvage operation, the Republic of Korea and North Korea held the Seventh Inter-Korean Ministerial talks, during which they re-invigorated efforts to establish inter-Korean transportation corridors. These corridors allow re-connection of rail lines and roadways through two designated points in the Demilitarized Zone to facilitate inter-Korean humanitarian visits and commerce. To support this Republic of Korea reconciliation initiative, United Nations Command worked closely with the Republic of Korea's Ministry of National Defense to establish special coordination measures between the Republic of Korea's Ministry of National Defense and the North Korean People's Army to speed construction and operation of the transportation corridors while ensuring compliance with the Armistice Agreement and security of the Demilitarized Zone. The first group of passengers crossed the Military Demarcation Line through the eastern corridor on 14 February 2003. This was the first time in 50 years that citizens of the Republic of Korea crossed directly into North Korea and is a clear demonstration of successful cooperation between the Republic of Korea and United Nations Command. Figure 2 illustrates the location of the east and west inter-Korean transportation corridors through the Demilitarized Zone.

Combined Forces Command

Combined Forces Command ensures the security of the people of the Republic of Korea. Combined Forces Command provides the military force that deters external aggression and stands ready to defeat any external provocation against the Republic of Korea. Combined Forces Command, composed of air, ground, naval, marine, and special operations component, conducts combined training exercises and readiness inspections to maintain the warfighting readiness that is essential to deterrence. The Combined Forces Command headquarters is a fully integrated staff, manned by Republic of Korea and United States military officers. This thoroughly integrated headquarters coordinates the operations that deter external aggression. In 2002, Combined Forces Command assisted with the successful United Nations Command salvage operation in the West Sea and military security support to the World Cup and Asian Games.

Leveraging Combined Forces Command wartime operational procedures, United States Forces-Korea and Republic of Korea forces shared information and conducted combined exercises to deter terrorist infiltrators seeking to disrupt the World Cup and Asian Games. Combined Forces Command operated a Crisis Action Response Team to quickly respond to any type of incident. United States Forces-Korea provided unique biological defense assets to augment the Republic of Korea's military capabilities. Our close cooperation demonstrated the agility of Combined Forces Command to conduct a wide range of operations and ensured a secure 2002 World Cup and Asian Games.

United States Forces Korea

United States forces in Korea are the tangible demonstration of United States commitment to peace and stability in Korea and throughout Northeast Asia. United States Forces-Korea brings the robust technological superiority, information dominance, and warfighting prowess that buttress the Republic of Korea's military capabilities. Our forward presence deters North Korean aggression and prevents a devastating war that can only have tragic consequences throughout the region. My command priorities—Ensure peace and stability on the Korean peninsula, Readiness and Training, Strengthen the Republic of Korea-United States Alliance, Transform the Command, and Make Korea an Assignment of Choice—focus our resources to maintain the military dominance that ensures deterrence. I want to present my vision of improved readiness and quality of life and the key military construction projects that will need your support. Your continued support is essential to maintaining the balanced readiness that sustains our state-of-the-art warfighting capabilities.

Enduring Installations—the Cornerstone of Balanced Readiness

Balanced readiness requires functional installations that meet both warfighting requirements and quality of life needs. Our current installations, a legacy of the Cold War, meet neither of these criteria. The existing 41 major bases are dispersed throughout Korea, causing substantial inefficiency in operations, logistics, and life

support. For example, our logistics facilities are significantly separated from their operational unit customers, lengthening supply channels and delaying replenishment. Dispersion also impacts quality of life, requiring service members at remote installations to travel between 1 and 4 hours to a medical or dental appointment or use a commissary.

Our facilities and infrastructure are old—one third of all buildings in the command are between 25 and 50 years old and another one third are classified as temporary buildings. They have deteriorated because of high operational tempo, deferred maintenance, and the 1990–1994 military construction freeze. These deficits underscore the need for stable military construction to achieve consolidation and rectify our facilities shortfalls. Figure 3 illustrates the historical military construction spending in Korea.

Fix Korea Strategy

Consolidating into enduring installations is the key to improving readiness and improved quality of life for United States Forces Korea. Our service members in Korea face challenges from decaying support infrastructure, inadequate force protection facilities, overcrowded and inadequate housing, family separation, and financial hardship. Our strategy to maintain readiness and improve the working and living conditions in Korea has six pillars: Sustain and Improve Our Aging Infrastructure, Renovate Where We can, Maximize Build-to-Lease, Minimize Build-to-Own, Achieve Environmental Standards, and Address Inadequate Pay. With your help, we've made significant progress implementing this strategy. We have upgraded much of our existing housing and begun construction on several of the needed additional facilities. Stable funding contributes to the strength of each of the strategy pillars.

Sustain and Improve our Aging Facilities and Infrastructure

The first priority of our strategy is sustaining our existing infrastructure. Providing quality facilities allows our skilled uniformed and civilian personnel to work safely and efficiently. We prioritize Sustainment, Restoration, and Modernization funding based on safety of use, mission impact, efficiency, and quality of life to ensure that best return on investment. However, Sustainment, Restoration, and Modernization funding levels have resulted in a growing backlog of restoration requirements.⁸ Over time, lack of maintenance leads to failure of life support systems and degraded readiness and increases the frequency of emergency repairs. It also leads to increased costs associated with substantial restoration projects. Figure 4 illustrates how lack of proper maintenance required significant repair to one of our many sewer systems. Similar projects have been required to maintain our electrical power distribution, roads, and buildings.

Renovate Where We can

In addition to sustaining our infrastructure, we are renovating existing structures to provide the capabilities we need. The fiscal year 2004 renovation of hardened aircraft shelters at Kunsan air base illustrates this process. This \$7 million force protection project is part of a phased plan that repairs the concrete protective structures and utility systems that support our mission critical aircraft.

Force protection is a key part of our renovation program. Protecting the force remains essential to operational readiness—I will not compromise the safety of our service members and their families. Although we continue to assess the terrorist threat as low, we remain vigilant and have taken critical steps to improve our security posture. Notable improvements this year have been increasing perimeter security forces, installation of closed circuit television monitors at key access points, fielding Portal Shield chemical and biological detection systems, and conducting intensive anti-terrorism and force protection training exercises.

Over the past year we completed a detailed vulnerability assessment of our installations. This assessment identified over 130 major tasks required to comply with anti-terrorism and force protection requirements. Key requirements to improve force protection focus on establishing adequate standoff protection around our key facilities and installations and upgrading structural integrity on mission essential and vulnerable buildings. The total value of these force protection projects is \$15 million. We appreciate your support to these programs that protect our service members and improve our warfighting facilities.

In addition to workspace improvements, we are also upgrading our family housing, dormitories and barracks. I firmly believe that safe, quality accommodations

⁸Current Sustainment, Restoration, and Modernization backlog in Korea is approximately \$1.1 billion: \$774 million Army, \$327 million Air Force, \$1.8 million Navy. 2003 Sustainment, Restoration, and modernization funding is \$171 million.

improves our members' quality of life, increases their satisfaction with military service, and ultimately leads to increased readiness and retention. With your support, we have continued our housing renovation program and service members across the peninsula are enthusiastic about the results. To continue this initiative in 2004, we will invest another \$8 million in family housing.

Korea currently has the worst unaccompanied housing in the Department of Defense. Overcrowding and inadequate facilities requires us to house 40 percent of our unaccompanied personnel outside of installations, causing significant force protection concerns. The Air Force Dormitory Master Plan and Army Barracks Upgrade and Buyout Plan allow us to use funds where they are most needed for renovation and construction. Last year we invested \$130 million to renovate fourteen barracks buildings across the peninsula. Our plan calls for us to replace the last Quonset hut with permanent facilities by the Department of Defense target of 2008. We need your continued commitment to a stable Military Construction budget to continue our renovation and force protection improvement programs.

Use Build-to-Lease

As we close facilities during consolidation under Land Partnership Plan, we will need additional facilities on our enduring installations. Build-to-lease is the most cost effective way to improve housing and facilities in Korea. We believe this program, modeled on successful Department of Defense programs in the United States and Europe, provides the answer to many of our quality of life concerns and reduces costs associated with new military construction. We are now exploring build-to-lease units at Camp Humphreys (1,500 families) and Camp Walker (500 families) to provide adequate housing for our military and certain key and essential civilian sponsored families. Build-to-Lease uses Korean private sector and Host Nation Funded construction where appropriate. These programs reduce both initial start-up costs and total cost of ownership. Build-to-Lease will enable use to rapidly replace our aging housing infrastructure and to increase our available family housing units.

To fully implement the Build-to-Lease plan, I need your help to change the legislative rules on Build-to-Lease. First, we need to increase the maximum family housing lease period from 10 to 15 years and extend the maximum lease duration for support facilities from 5 to 15 years. Build-to-Lease is a "win" for the American service members stationed in Korea because it will significantly raise their quality of life and it is a "win" for the American taxpayer because it reduces the cost of housing improvement for our service members with families.

With increasing numbers of married service members, we recognize that high operational tempo and unaccompanied tours are detrimental to overall readiness. We must act now to reduce the perennial problems of family separation and poor quality of life in Korea. We currently provide government owned and leased housing for less than 10 percent of our married service members (1,862 families) compared to more than 70 percent in Europe and Japan. Our goal is to provide quality command-sponsored housing for at least 25 percent of our accompanied service members and their families by 2010. If traditional military construction alone were used to meet this increased demand for housing, it would cost \$900 million.

Increasing our rate of command sponsorship is an important step to enhance readiness and improve quality of life. Replacing a portion of the current 12-month unaccompanied tours with longer accompanied tours reduces turbulence that affects readiness on and beyond the Korean peninsula. For example, a 24 to 36 month accompanied tour enhances readiness by allowing leaders to develop more enduring and stable working relationships with our Republic of Korea partners. Longer tours in Korea also reduce the turbulence throughout the Services, enhancing readiness in units beyond the peninsula. Accompanied tours, coupled with adequate housing, improve the service member's quality of life by reducing family separation. I urge you to support all efforts to increase and improve the family housing in Korea.

Build-to-Own

While "Build-to-Lease" is a promising option, there are some facilities that must be government owned. For example, Build-to-Own provides unaccompanied housing, administrative, operations, logistics, maintenance, and medical facilities that support our core operations requirements. These improvements are sorely needed to improve the efficiency of our enduring installations and the quality of life in Korea. As a key steward of Military Construction in Korea, I assure you that your appropriations will be prudently invested in the enduring installations that will support our service members long into the future.

We deeply appreciate your support to 2003 Military Construction (\$237 million), which has vastly improved readiness and quality of life. We were able to harden the theater Command Post Tango and to begin construction on 1,792 unaccom-

panied housing units, a new family housing development at Osan air base, and a multi-purpose center at Camp Castle. Even with the great assistance we received in fiscal year 2003 we continue to have substandard facilities throughout this command. Our fiscal year 2004 military construction projects are prioritized based on their impact on readiness, infrastructure, and quality of life. Table 1 summarizes the major military construction projects for the coming fiscal year. These projects have been re-validated in the Secretary of Defense fiscal year 2003–2004 Military Construction budget review as essential facilities.

TABLE 1.—SUMMARY OF FISCAL YEAR 2004 MILITARY CONSTRUCTION PROJECTS

[In millions of dollars]

Service	Category	Project	Cost
Air Force	Readiness	Upgrade Hardened Aircraft Shelters	7.0
Air Force	Housing	Dormitory (156 Room)	16.5
Air Force	Housing	Construct Family Housing Phase II	45.0
Army	Housing	Barracks Complex	40.0
Army	Housing	Barracks Complex	35.0
Army	Housing	Barracks Complex	30.0

In addition to the previously discussed projects to upgrade aircraft shelters at Kunsan, we have also asked for fiscal year 2004 Military Construction appropriations that include 111 new family housing units at Osan air base (\$45 million) and four new Unaccompanied Enlisted Housing projects (\$131.5 million), providing new housing for 888 service members. These projects will reduce the number of service members living in dense urban areas outside our installations, improve force protection and reduce the high out-of-pocket living expenses incurred by service members and their families. They will also allow us to move toward our goal of increasing the command sponsored housing for our accompanied service members and their families. Your continued support to Military Construction in the Future Years Defense Plan enables us to implement our comprehensive construction program that prudently uses resources to correct the significant infrastructure shortfalls on our enduring installations.

Achieve Environmental Standards

We have made significant strides in environmental custodianship. Caring for our environment is important to me personally and to the command. Our wastewater management has been a great success. Over the last 6 years, we invested approximately \$30 million in ten wastewater systems and we have programmed an additional \$12 million for three more systems. Your support to these improvements ensures safe water and a clean environment for all who serve in Korea. We have worked hard with the Republic of Korea-United States team to improve coordination on environmental protection measures and to share lessons learned to protect the environment.

In addition, we have implemented innovative procedures that have decreased the operational use of hazardous materials, reducing our storage and disposal requirements. Computer-assisted material management programs allow us to better manage inventory, shift to more environmentally friendly alternative products, and reduce disposal requirements. Other initiatives include recycling used oil and anti-freeze, and an effective battery recovery program that reconditions and returns batteries for use with minimum environmental impact.

The most immediate environmental concern is with aging and frequently leaking fuel storage tanks, a legacy of our obsolete infrastructure. We are committed to resolve this problem throughout United States Forces Korea. We have a \$100 million program through Defense Energy Support Center to upgrade fuel storage facilities throughout Korea to ensure that we meet environmental standards. To sustain our environmental improvements we need your continued support for environmental projects in 2004. These resources will be wisely invested in our enduring installations under the Land Partnership Plan, resulting in improved stewardship of the environment.

In conclusion, I'd like to leave you with these thoughts:

Northeast Asia is a critical region for the United States and our partners. The Republic of Korea-United States Alliance and our continued presence in the region demonstrate our commitment to ensure peace and security in the region. Congressional support is vital to our future in Korea and Northeast Asia. We thank you for all that you've done.

Korea is a better place because of your efforts, and we thank you for all that you've done. We have made some significant improvements in quality of life and readiness—investments that increase our efficiency and will support our service members far into the future. However, substantial work remains to be done. To improve family housing and service member quality of life that is essential to morale and readiness, we need to increase Build-to Lease authorities in Korea. We also need stable military construction budgets that support to our critical projects. With your continued support we can implement our plan to make Korea an assignment of choice for all the Services.

Land Partnership Plan is an enduring commitment to achieve stable stationing for United States Forces Korea. The momentum provided by the Future of the Republic of Korea-United States Alliance Policy Initiative, ensures that we can establish a stable, enduring stationing plan that improves readiness and overall quality of life. Because the success of Land Partnership Plan depends on stable military construction projects, I assure you that your appropriations will be prudently invested in enduring installations.

You can be justifiably proud of all the Soldiers, Sailors, Airmen, Marines, and civilians that serve and sacrifice in Korea. Their daily dedication and performance reflect the trust and support that you've placed in them. They appreciate your efforts and continued support.

Senator HUTCHISON. Yes, Senator Stevens.

LEGAL CHANGES RELATED TO TRANSFORMATION

Senator STEVENS. Thank you very much, Madam Chairman.

Let me ask you just one general question for each one of you. Do you require any changes in basic law that govern your military forces in order to bring about these changes you have just described?

General JONES. Senator, I do not think, in terms of our national law, I am not aware of any changes in basic law that we might require.

Senator STEVENS. No treaty changes, no basic laws?

General JONES. We may need to re-look at some of the understandings with which we have entered into some of our agreements—for instance, notably with—if we should decide to put some bases in the eastern part of our EUCOM AOR, we may have to re-look at some of the understandings with Russia, for example. The agreement that allowed NATO expansion was that there would be no major military bases. That was not defined. The model that we are presenting, or that we will present, has smaller units more oriented on engagement as opposed to strategically in place warfighting capability.

So I think that as we look through all of these documents, we are looking at that as we go along to make sure we, number one, understand them all, find the ones that are still in existence. It is a work in progress. But, right now, I have not seen anything that is a show-stopper.

Senator STEVENS. General LaPorte.

General LAPORTE. Senator Stevens, the six tenets of the United States Republic of Korea Mutual Defense Treaty that was signed in 1953 are still valid today and will apply in the future. So I see no requirement for any national legislation or treaty reorganization with South Korea.

Senator STEVENS. One further. What is the time frame for each of you in the changes that you envision?

General JONES. Sir, we are operating under a near-, mid-, and long-term plan. Near-term is 2 to 3 years. Mid-term is 5 to 8, and long-term is 8 to 10 or 12.

General LAPORTE. The same time period that General Jones stated is what we are operating under.

Senator STEVENS. Thank you very much.
Thank you very much, Madam Chair.

NON-ENDURING INSTALLATIONS

Senator HUTCHISON. Thank you, Senator Stevens.

First, I want to ask—I think, General Jones, you mentioned this, but do either of you have any military construction projects ongoing in bases that you do not consider to be enduring?

General JONES. I am sorry, that we do not consider to be—

Senator HUTCHISON. Enduring.

General JONES. Oh, enduring. We probably have some projects that are in the defined Tier II and Tier III category, and we have decided, upon reexamination of both of those categories, that we should not continue to invest any funds in those particular installations. So whatever we have will be stopped.

Senator HUTCHISON. And, as I understand it, you are also re-evaluating your Tier I installations—

General JONES. That is correct.

Senator HUTCHISON [continuing]. With the thought that there would be no 2004 money going there, as well if—

General JONES. We will not invest, and will not request any money for any installation in Europe that is not of strategically enduring value.

Senator HUTCHISON. And what would be your—I am going to come to you, General LaPorte—but what would be your time table on the reevaluation of the Tier I?

General JONES. I would say that within the next 60 days we will have that completely done.

Senator HUTCHISON. Thank you. That will certainly meet with our time table, because we are trying to delay our—

General JONES. Yes, ma'am.

Senator HUTCHISON [continuing]. Report.

General LaPorte.

General LAPORTE. Senator, we have two projects from 2000 that are in the process of being implemented in the Yongsan relocation area. It was a medical warehouse and it was a modification/renovation of the hospital. Those are ongoing. They should be completed in the next 12 to 18 months. There is also one barracks from 2002 MILCON that is ongoing. Both of these facilities, we believe, we are going to be able to use into the future.

I talked about Yongsan relocation. There will be some U.S. forces that will remain in Seoul as part of the United Nations Command and Combined Forces Command. They will be able to make use of these facilities.

Senator HUTCHISON. Other than that, there would be none going—

General LAPORTE. No, ma'am.

Senator HUTCHISON [continuing]. Out.

TRAINING SITES FOR EUCOM

I have been concerned, from my visits around the world, about encroachment on training space at many overseas locations. It could be airspace, it could be artillery range. I wanted to ask each of you to what extent this has posed a problem for you in your areas of responsibility. And are you looking at the potential of rear-ranging your training to perhaps do training elsewhere, perhaps even in the United States with rotations back in?

General Jones.

General JONES. Madam Chairman, as you know, post-war Europe has been a tremendously successful period. Entire Nations have been transformed into prosperous democracies, and urbanization has taken hold in Europe, just as it has in our own country. And the bases that were built 40 or 50 years ago in areas that were remote locations are no longer remote. And with that urban sprawl comes increased concern about the environment, the ecology, the noise, just things that are normally attendant to military bases.

And the second thing that has happened is that it becomes more costly. As Nations become more prosperous, the cost of training goes up. There is not any one thing that has changed the environment except that the development of the European theater has made it more difficult, particularly on land and in air space, to adequately train our units.

Sometimes the restrictions do not seem to be much; sometimes they say, "Well, we will impose ours on you"—sometimes they will impose limits on the size of the unit; sometimes they will impose limits on the types of weapons that you can use. But in the aggregate, it becomes harder. And like all militaries, we tend to look for areas where we can go and get the units trained for the important work that they do.

And training is extremely important, particularly as we go into a high-tech force in the 21st century. The transformed force requires training so that we can eliminate the problems that face us on the battlefield when we have to fight the Nation's battles.

So we are always looking for ways to train better, and some of those bases might be back here at home, some might be elsewhere in our own theater, and we pledge to you that we are going to do a continued examination to try to find where we can train most efficiently and in accord with the environment that we happen to be in.

Senator HUTCHISON. Well, one of the reasons that we have introduced our legislation to evaluate our overseas bases is to try to have all of the information on training constraints and other problems as we go into the 2005 BRAC. Because if significant units are going to be brought back, of course, we want to make sure we do not close a base that we are going to need, particularly a big training area. So that certainly will be part of the overall 2005 BRAC.

General JONES. Absolutely.

Senator HUTCHISON. General LaPorte.

General LAPORTE. Senator, we have over 90 camps and stations; and at the end of the war, we basically went aground where the units were and established these camps. They used to be at the end of dusty trails. Today, most of these camps have been engulfed by

significant development. The prosperity of South Korea has caused a boom in the construction arena.

So encroachment is an area that I am very concerned with and we work very hard on. Unfortunately, last year we had an accident as a result of encroachment because of the congestion associated with moving to and from a training area. So we are very concerned about this.

One of the main tenets of the Land Partnership Plan is to address this, to move away from the crowded residential urban areas, such as Seoul and some of the other very congested areas, and move our assets to areas where we are able to conduct our training. We are able, with the Land Partnership Plan, to use training areas that, in the past, have been just for the ROK military; but part of the agreement was to give them back land and to get training time on those training areas.

As we look to the future, the force we have will have more of a regional role, in terms of regional stability, so there will be training opportunities off the peninsula to look at. We are examining those now. Encroachment is a concern. At this point in time, we are able to meet all our training objectives, and we are just going to have to continue to work this.

Senator HUTCHISON. Thank you, General LaPorte.

I am going to come back with other questions, but I did want to pass it down.

Senator Feinstein.

COST FACTORS IN EUROM TRANSFORMATION

Senator FEINSTEIN. Thanks very much, Madam Chairman.

Let me begin with, if I might, General Jones. As you were speaking, General, I was reading your written statement, and it is really a very solid statement. I think you point out that your area of responsibility includes 93 sovereign Nations and stretches from the southern tip of Norway to the southern tip of South Africa, from Greenland to the west, to Russia's eastern coastline. You are right, it really is a misnomer to say it is the European Command, because it is such a vast area.

As mentioned in your statement, on page 4, you point out the crossroads of two centuries, departing from territorial defense and shedding the limitations of 20th century warfare to a very different—from symmetrical to asymmetrical responses. And you go on and make the case for a major reevaluation. And in the study that was just concluded, you determined that 80 percent, or 402, of the existing 499 installations in theater were judged to be of enduring value.

This morning, the Washington Post discussed your plan to develop new, quote, "bare bones," end quote, training bases throughout Europe, and the article mentions "relatively modest construction costs."

I do not see how they can be relatively modest if you have 402 of 499 installations in theater of enduring value and yet knowing what you have to do to reposition and redeploy. Can you make further comment on the "relatively modest" figures?

General JONES. Yes, ma'am, I think I can.

The first point I would like to make is that the Tier I strategically enduring value judgments were made in 2002. I mentioned in my opening statement that we are reevaluating those, as well, and it is work in progress. I am not convinced that all of those are absolutely of strategically enduring value.

So my commitment to you is that we will complete that reevaluation. We have already done Tier II and Tier III, and that is beyond us, but we are re-looking of Tier I, as well.

Now, I also suggest that an installation, by DOD definition, can be as small as an antenna surrounded by a fence, and you may have a base with 14 installations on them. So when we say 499 installations, we should not confuse that with bases, because that is not the case.

With regard to the future and the term “modest investment,” I use that term in terms of the size of the investment to be required. If, for some reason, we decided to shift one of our very strategically enduring locations, and I publicly used the example of Ramstein Air Base, and the huge cost—huge cost—it would take to simply move that facility somewhere else in our theater simply because we would judge it to be more useful elsewhere, I would think that we would not want to assume that kind of a burden.

CATEGORIZING INSTALLATIONS

The proposal that we are working on is to identify truly bare-bones facilities, truly lighter footprints that can accommodate rotational forces, that are there for limited periods of time, that can practice the strategy of engagement along with a strategy of strategic response to a crisis, that can be built at comparatively very modest costs and can be easily contractible from being an active base to not-so-active base to a cold base, where we could use our strategic flexibility using forces that emanate both from the theater and from the continental United States or, frankly, anywhere else in the world if we wish to do so, as opposed to the 20th century model where we built what I call “Small City, USA,” with families and schools and basing infrastructure and PXs and commissaries and everything else that goes with the traditional mindset of an American base in the 20th century.

I believe that we can identify the few strategically enduring installations that we would not want to pay the kind of money we would have to pay—i.e., a Ramstein Air Force Base—and use the strategic enduring installations as springboards to these smaller, more remote locations, that would, by comparison, be very, very modest, in terms of an investment.

So it is a comparison between a 20th century model of a base, that was very useful to us, and the fact that the world has gotten smaller and we can project power coming from different parts of the world to do those things that we wish to do at a significantly—at a fraction of the cost that it would take to rebuild a 20th century base.

ROTATIONAL FORCES

Senator FEINSTEIN. Would that envision, then, a different rotation system? You would not bring families, for example? It would

be, I guess, a base similar to that which was built in Kosovo, for example?

General JONES. Camp Bondsteel would be a good example of what I would term a forward-operating base. I also would envision a family of forward-operating locations which would be much more modest than the forward-operating base. And the units that would visit those bases and operate from those bases would be generally rotational, whether they come from the theater or from the United States, and they would be there for temporary periods of time to do a specific mission, and then they would leave.

And we are working with the services, principally the United States Army, because this is the service that has the most transformation, the most difficult time with this concept. But we are making good progress, and I think we will be able to, in time, provide a force-basing construct that will support a much more flexible basing strategy.

AFRICA

Senator FEINSTEIN. Is there anything you could tell us at this time about Africa and what your plans would be in that area?

General JONES. Thank you for that question, Senator. I appreciate that, because I think Africa is a continent that is going to be of very, very significant interest in the 21st century, and I think it is only a matter of time. It is assigned, with the exception of several countries around the horn of Africa, to the European Command. And, as you have correctly stated, it is a little bit of a misnomer to think of the European Command as simply in Europe. It is not.

We have had an engagement strategy in Africa that has been largely reactive, reactive to crisis. Where we have had a proactive strategy, it is generally been confined to special operating forces, very small, focused efforts that have been important. But, in my estimation, we will have to do more in the future.

I am concerned about the large, ungoverned areas of Africa that are possibly "melting pots for the disenfranchised of the world," so to speak, the terrorist breeding grounds, criminality, people who are being recruited as we speak to rise up against the developed world and the democracies that enjoy a peaceful and prosperous way of life. And I believe that we are going to have to engage more in that theater.

And part of the basing realignment and proposals that we are coming up with will establish some footprints at a very low cost, and very low manpower cost, as well, but we will hopefully see more visits and more presence by our American forces, and maybe even coalition forces, coming from the European theater to begin to stem the tide of what is going to be, I think, an extremely difficult story with regard to the developments of not only the southern rim of the Mediterranean, but sub-Saharan Africa, as well.

Senator FEINSTEIN. Thank you very much because, you know, many of us think that we have really ignored Africa, at great peril for the future, for exactly the reasons you are saying and actually looked away when huge atrocities were committed involving literally the destruction of millions of people. And I think once we let that get started, America's credibility is diminished, so, at the very

least, we can say that there is going to be additional attention, and I think that is very welcome. So thank you.

General LaPorte, you mentioned, in your opening comments, about something that we well know, and that is the extraordinary value of Yongsan in won or dollars, and the plans you have for the future of the Alliance Policy Initiative and the impact of that on the Land Partnership Program.

I would like to know the extent to which this has been discussed with the Government of South Korea, the extent to which the South Korean Government looks favorably upon this, and the degree to which they will help in its implementation.

General LAPORTE. Senator, the meeting in December, which was held here in Washington, the Security Consultative meeting between Secretary Rumsfeld and the Minister of National Defense, directed this Future of the Alliance Study.

Senator FEINSTEIN. Could I ask you to speak a little more loudly? I have a cold, and both of my ears are plugged, so I am kind of straining to hear.

General LAPORTE. The SEM directed us to do a Future of the Alliance Policy Initiative. We have started those negotiations. Department of Defense policy is working with Ministry of National Defense policy. The first series of talks have been conducted. They were conducted at the end of April. They will have future talks in May. So the discussions on the roles, the missions, the force alignments, is ongoing.

The first decision that has come out, of significance, is the Yongsan Relocation, where the Republic of Korea Government has endorsed the relocating of forces in Seoul south to Camp Humphreys, which will be an enduring installation. As part of the agreement, the South Korean Government will defer all costs associated with the procurement of land and the movement of facilities to that area.

Minister of Defense Cho has given us a letter of commitment, through the Secretary of Defense, to purchase the needed land, and they will purchase that in their fiscal year 2004 budget. So the discussions have really gone well up to this point, and the commitment from the South Korean Government has been exceptional. So I am very confident, as we continue these discussions and address the other issues on the table, we will get similar results.

Senator FEINSTEIN. When I was there in December with you, there was some concern about South Korean acceptance of our military. Could you update us on that? And could you also tell us, very briefly, what you have done to try to intermesh with the community on a greater basis?

General LAPORTE. Following the tragic accident that we had, there was some anti-American sentiment expressed, primarily through demonstrations. And that continued throughout the month of December. Following the national elections, the demonstrations just dropped off almost totally.

Recently, I have been asked several times, "Is there a crisis in South Korea?" And my answer is adamantly, "No, there is no crisis in South Korea." There would be a crisis in South Korea if they did not hold free and democratic elections. There would be a crisis in South Korea if the people of South Korea could not gather and

speak their mind. There would be a crisis in South Korea if the civilian leadership did not control the military. Or there would be a crisis in South Korea if the people were unable to worship the way they want.

Senator, last week, my wife and I went to a Korean church. There were 10,000 people present. And as I walked in, the minister said, "They are praying for you and the United States Forces Korea." So we are getting tremendous support from the Korean people.

We have developed a Good Neighbor Program. This is designed to increase our interaction with the media, with the universities, with the surrounding communities, with the other military units. It is an outreach program. It is working very well. This month, we will have a—May is Good Neighbor Month for U.S. forces in Korea. We have tremendous programs where we are teaching English in schools. We have adopted orphanages. We are working with the military units on better ways to move on the roads, to coordinate with the local authorities. So we are putting a great deal of effort at every level to ensure that we have good relationships, and I think we are seeing the benefits of that. The South Korean people are fully in support of the United States Forces Korea being on the peninsula.

Senator FEINSTEIN. Thanks very much, General LaPorte, General Jones.

Thank you, Madam Chair.

Senator HUTCHISON. Senator Landrieu.

Senator LANDRIEU. Thank you, Madam Chair, and I thank the Ranking Member, as well, for their attention to this very important subject. And I wanted to just stop by today briefly. I am not going to be able to stay for the entirety of the meeting.

But I did want to, General Jones, just commend you for your work in this area as you outline your vision for the direction for our transformational force. As you know, I had the opportunity over the break to be in Romania for two purposes, one of which was military purpose—and had a chance to visit the—I do not even want to use the word "base," but the footprint, the hole that we have near Constantza for the operations in Iraq, which was extremely helpful. And the morale was very high, and what I witnessed and saw there was just a good partnership between the Romanian Government and our forces, in terms of our current operations. In looking at the map, having a location so close to the Black Sea, if it would be in Romania or Bulgaria, I think, is just crucial to our, you know, transformational-force concept of being able to launch with as little restriction and complication as possible to parts of the world that may need our attention.

So I just wanted to commend you and to, again, say that, at least from my brief visit, and it was brief, I feel that the Romanian leadership would be very open to work with us, you know, in the appropriate ways if that would be what we would have in mind.

Secondly, to say that realigning our bases in Europe in our current position, I think, makes a lot of sense, to sort of minimize our footprint where we are not so much needed, and try to be more strategically placed.

I also want to support Senator Feinstein's note about Africa. I do think it has been a continent that has not received the kind of attention that it should and most certainly deserves, not just because of its largeness and not just because of its future economic opportunities, but also because of the complicated politics of a Nation that is, in some ways, still very underdeveloped in certain areas—there are some very developed areas—and the potential for fundamentalism to creep into a situation where there is some hopelessness, and for us to be able to be there, if possible—we cannot be everywhere, but I want to just support that concept.

Thirdly, I wanted to say I read in the paper somewhere, or maybe heard somewhere on the news, maybe it was a commentator, that said something like we need to be careful, Madam Chair, to not go where we are not welcomed.

I would just want to say that we need to be where we are needed. And it would be nice if we were welcomed everywhere, but I am one that wants to be where we are needed; to be with our partners, to be where we are needed, to kind of carry out this new transformation vision. So I would hope that we would be guided by that fact and not just necessarily where we are welcomed.

Now, that is not to say that you can bust your way in through every door, but I want us to be, you know, forward thinking and fairly aggressive in this strategy, would be, you know, my thinking about it.

And, finally, I just want to commend both of you all. My experience now—it is just a few years, on the Armed Services Committee—Madam Chair, I have had the chance to visit a few of our installation bases around the world and, of course, through our country. And I want to say I do not think the military gets enough credit for the diplomats that you are, for the work that you do in terms of improving relations between countries, between the way—soldiers to soldiers. You may have on a different uniform, but fighting sometimes for the same cause. And I find that to be very, very helpful in America's efforts to get out our message, to express our values, to give an example of what our values are—not just talk, but actions.

And I wanted to come to this Committee just to compliment you all and to say that I want to be a stronger voice in complimenting what the military does, because serving in orphanages and teaching English in school and helping the local people—people in Louisiana appreciate the military presence in Louisiana. We appreciate what the military does. And I think—and I have witnessed and seen, other countries appreciate the communities, the military presence, and the good job that you all do as good neighbors.

So that is just really why I wanted to come by today and wait my turn to speak. I have some questions, Madam Chair, to submit to the record, and I look forward to working with you and the Ranking Member, because this is a very important realignment, and I think this work is extremely important, that it get done correctly.

Senator HUTCHISON. Thank you, Senator.

HOST NATION SUPPORT

I would like to ask a couple of other questions, and then I will see if there are others from Senator Feinstein.

I would like to know, in your two areas—now, your area is so big, I am really talking about Europe here—what the host-Nation support is. And then, in Korea, what is the host-Nation support? Because one of the criteria we will be using in looking at the overseas basing is, What are the host Nations doing in support of our troops, and, therefore, what kind of efficiencies do we have?

General Jones.

General JONES. Thank you, Madam Chair.

The European model does not lend itself quite to an easy answer in this regard, because it was not established at the same time as, for example, the model that—what we have in Japan, which I am very familiar with. And that proportion of host-Nation support, otherwise known as burden sharing, is a difficult one to grasp in Europe.

But while we do not have the similar type of agreements that we have in the Asia Pacific theater, we do have agreements that focus on access and use of host-Nation infrastructure, for example, that may come to us at no cost, or special agreements on construction with regard to who builds it and when it returns back to the host Nation. With Turkey, for example, we have the Turkish Construction Circular. And we have an agreement called the Shell Agreement with Italy. These agreements address the way we will do construction with those Nations.

The closest thing we have to infrastructure burden sharing is the NATO infrastructure program, and we are studying the 2,907 agreements for burden sharing to see if we cannot provide a better analysis. And if I could come back to you with a more complete answer on that, I would appreciate it, because it is extremely complex.

But what I would say, by way of a contemporary answer, is that, over the last 6 months, an equivalent of \$127 million has been contributed to the United States by 27 Nations within the European theater for primarily force protection and use of their fields and ports which have facilitated our mission—Germany, \$33.75 million; the United Kingdom, \$24 million; Greece, \$16 million; Turkey \$11 million; Spain, \$9 million; Hungary, \$7 million; Romania, \$7 million; and Italy, \$4 million.

So I would like to respond to the question for the record with the details that you deserve, but it is not quite as self-evident as it is in Asia.

Senator HUTCHISON. Well, it could be that as we go down the road and we are making decisions on bases, that we could be more specific—

General JONES. Clearly.

Senator HUTCHISON [continuing]. Because it will be part of the commission that we hope to set up. Part of their evaluation would include—

General JONES. Clearly.

Senator HUTCHISON [continuing]. Host-Nation support.

General LaPorte.

General LAPORTE. Senator, we receive both direct and indirect support from the Republic of Korea. Indirectly, we receive support in terms of use of their ranges, use of their facilities.

Force protection is provided by the Korean National Police at all our installations. An example would be within 24 hours after 9/11, South Korea put 5,000 Korean National Police as a force-protection force around all our installations in Korea. Today, they still have the Korean National Police serving as a force-protection element. That saves us significant dollars and also service-members' time.

Direct investments, I will just give you some examples. In 2001, South Korea provided \$425 million; in 2002, \$490 million—

Senator HUTCHISON. Put that in percentages of the total.

General LAPORTE. It is probably about 40—somewhere about 40 percent, Senator.

And then, this year we are scheduled to receive \$540 million; and in 2004, it is estimated to be approximately \$595 million.

Senator HUTCHISON. You are in the 40 percent range?

General LAPORTE. Yes, ma'am.

Senator HUTCHISON. I want to ask about the concept of unit rotations. The Army is looking at more unit rotations. The GAO took a look at the issue in 1994 and identified nearly a half-dozen times over the years where the Army has tried and halted various efforts to employ the unit-rotation concept overseas. And, General Jones, unit rotations are very much a part of your concept, but not so much yours, General LaPorte.

I wanted to ask you if it is something that could be done in Korea as a way to once again assure the training capabilities, or is it not as appropriate? And is it possible for the Army to have a unit-rotation system in Europe, but not in Korea?

I would start with you, General LaPorte.

General LAPORTE. Senator, when I went to Korea last year, I talked to all the service chiefs of staff, and one of the topics we discussed was the potential for unit rotations. And I told them I had a very open mind and would be willing to look at where this would be an appropriate strategy.

As you are well aware, we have a threat, a North Korean threat, that we must address each and every day. That does not mean that everyone has to be on a 1-year assignment. We are looking at it, we are talking, especially to the United States Army, the possibility of unit rotations—for instance, the Patriot batteries that are securing the air fields at Osan and Suwon. That is a similar task to what takes place in Kuwait and what used to take place in Saudi Arabia. So, theoretically, you could have those battery-sized locations. A battery would be about, say, 100 or 115 people. They could come to Korea on a rotational basis. So we are looking at that.

It becomes challenging when you get into the headquarters elements and you get into the combat brigades that are up in the 2nd Infantry Division. But I will tell you, we have, the Army has, a significant study looking at this. I have talked to General Jumper about this, in terms of Air Force assets. So we are going to continue to aggressively look at this.

Senator HUTCHISON. Anything that you would add to what you have already said?

UNIT ROTATION IN U.S. EUCOM

General JONES. Yes, ma'am.

We have, actually, a success story in unit rotation in Europe right now with the Army. All of the forces in KFOR in Kosovo and in Bosnia are National Guard units. The one in Bosnia is from Minnesota, and the one in Kosovo is from Pennsylvania. And these units come over on a 6-month rotation. They are among the most motivated National Guardsmen I have ever seen. They love what they do. They come into the theater, they make a tremendous difference, and then they go home to their home base.

I want to emphasize something that General LaPorte said, because I think we have to be careful of what unit rotation is and what it is not. What it is, is that you can rotate combat forces, particularly light combat forces, to make a tremendous presence felt over a much wider area within our area of operation.

I do not face the symmetrical threat that General LaPorte faces, and his calculus on the type of force he needs in place ready to respond is different from mine, because mine is more asymmetric. Since the disappearance of the Soviet Union as a threat, we are an asymmetric-based organization.

But we can, through the proper disposition of equipment and combat support and combat service support that would be pre-staged and pre-based, rotate the combat forces that would be lighter, more agile, more deployable that would come into the theater, train, operate, train, influence, shape, engage, whatever the case may be, and then return home to their home bases, whether they be in Europe or whether they be in the United States or sometimes, if the Korean were—or Korean theater is peaceful, maybe General LaPorte will send us some of his units, as well.

Senator HUTCHISON. I was not really thinking of Guard and Reserve. I was thinking more of active duty, if that could be part of the—

General JONES. I wanted to give you an example of a success, and—

ACTIVE DUTY UNIT ROTATION

Senator HUTCHISON. Yeah. I have to say, with all due respect, that the leader in the effort of command and control by a Guard unit was the Texas unit that went to Bosnia. And I think that was the test, and they passed, and I think that really led the way. I happened to know, because I visited them when they were there, and it was just a wonderful experience, and it was something that a Guard unit could do that kept you from having to use active duty. But I was really thinking—in the active-duty terms, can you also do the rotations effectively and still stay up to speed and trained?

General JONES. This is an issue that we are currently working on with General Shinseki and the U.S. Army, because they will have to respond to the input from other commanders, like myself, who make demands on types of units.

But I think one point that I would like to make is that as we adjust our footprint, as opposed to the last time, 10 years ago, or 11 years ago, where we did a force drawdown in Europe, that force

disappeared from the active structure. The 7th Corps disappeared from the active structure. This time, I have to emphasize that no one is talking about end-strength reductions. This is a very important distinction.

And for a theater commander, such as myself, if we achieve a different basing modality from the standpoint of permanent infrastructure, large number of families, huge infrastructure costs, it will be because we can do a different—we can solve the problem differently with these rotational forces. But if we send forces home from Europe, it will be with the expectation that the Army, the Navy, the Air Force, and the Marine Corps will be able to replace in kind on a rotational basis the forces that we still need. So it is not a zero-sum game.

And so I think, with regard to the Army, that is a more difficult challenge, and we all know, because—we all know why. But I think we are going to work our way through it.

Senator HUTCHISON. Thank you.

Senator FEINSTEIN.

Senator FEINSTEIN. Thank you very much.

FORWARD OPERATING BASES

A technical question, General Jones. We could not identify, in the budget document, the funding for the planning and design for the forward-operating bases in Eastern Europe. My understanding is you may want to plan and design for that, and perhaps in Bulgaria and Romania. How much money do you need for planning and design in 2004? Is it six or seven?

General JONES. I requested, I think, \$6.8 million—\$6.85 million.

Senator FEINSTEIN. So it is \$6.5 million. That takes care of that.

General JONES. And that would be to do the surveys and all of the studies and the—because some of these areas are still relatively unknown to us.

EFFICIENT BASING SOUTH

Senator FEINSTEIN. One of the things that I got involved in was the Efficient Basings South, when General Meigs was in command. And I had an opportunity to visit—I think I mentioned this to you—Camp Ederle in Vicenza, which, as you know, is an urban base in the middle of the city. And to move troops out, you have to drive them 2½ hours to Aviano. And we have not had any requests that I could see for any additional MILCON at Aviano.

You added, I gather, a second airborne battalion to the 173rd Airborne Brigade, and I think 22,000 of those dropped actually in Iraq—

General JONES. Uh-huh.

Senator FEINSTEIN [continuing]. If my memory serves me correctly.

General JONES. Correct.

Senator FEINSTEIN. My question is, What lessons have you learned from that? And do you think that Ederle is going to be adequate for these needs? And Aviano, as well?

General JONES. I think the utility and the wisdom of the investments that we have made in that particular region and that particular unit are really an example of the kind of forces that we

need in Europe for the future. They are expeditionary by nature. They did participate in a combat drop into Northern Iraq.

As you know, when the discussions with the Turkish Government did not materialize with an agreement to be able to introduce the 4th Infantry Division by land, we had to come up with another scheme, and we successfully introduced almost 6,000 soldiers, sailors, marines, airmen, into Northern Iraq by air. And the first regular unit that was in there, conventional unit, was the unit from SETAF stationed in Vicenza, the 173rd. And I think this kind of unit is extremely useful for the theater because of their agility and their mobility and their proximity to Aviano. I would favor considering still another battalion to round out the unit. If it were left up to me, I would probably grow that unit even by one more battalion, because—

Senator FEINSTEIN. In Camp Ederle?

General JONES. In the area, in the vicinity. Perhaps not quite specifically there, because, as you said, space is very tight. But it is, geostrategically, very well located, in terms of the theater and in terms of the potential threats in the east and the south, and can be deployed very quickly, as we saw in the Iraqi Freedom Operation. So it is a very, very important, strategically important, area for us and a very modern capability that we will need in the 21st century.

Senator FEINSTEIN. But is there anything in this budget having to do either with expansion at Aviano or Ederle?

General JONES. For Efficient Basing South, deployment facility phase one at Aviano, \$15.5 million. For deployment facility phase two at Aviano—

Senator FEINSTEIN. Excuse me. For a deployment facility?

General JONES. Uh-huh.

Senator FEINSTEIN. Which would be exactly what?

General JONES. Essentially to facilitate the throughput of deploying forces from that region and facilitating the difficulties that you—including the modalities and basing arrangements to facilitate the rapid departure of troops and also the reentry of troops.

And then we have \$16.4 million earmarked for Vicenza, as well.

Senator FEINSTEIN. That is about a total of \$30 million, then, to improve—

General JONES. \$34.9 million, to be exact.

Senator FEINSTEIN. 34—

General JONES. Yes, ma'am.

Senator FEINSTEIN [continuing]. To improve deployment and basing—

General JONES [continuing]. Environmental support—

Senator FEINSTEIN. [continuing]. At Ederle and—

General JONES. Vicenza.

Senator FEINSTEIN [continuing]. Aviano Air Base.

General JONES. Yes, ma'am.

Senator FEINSTEIN. Okay, that is what I wanted to know. Thank you very much.

General JONES. If I could just add another remark to that. The Joint Deployment Training Facility provides the heavy drop-rigging facility for the SETAF of the 173rd Brigade to deploy from Aviano during contingency operations, will provide space to support 1,000

deploying soldiers, 20-ton overhead lift for heavy drop-rigging, parachutes shakeout, drying tower, rollarized floor for heavy drop-rigging, and air/land palletization, a wash bay for preparation of vehicles for air/land—quite a bit of capability there.

RELATIONSHIP WITH NATO

Senator FEINSTEIN. Thank you very much.

As the SACEUR, would you care to comment on your role in revitalizing the United States and NATO relationship?

General JONES. Well, I am privileged, Senator Feinstein, to have my second assignment to be the commander of the Allied Command in Europe. This is also a transformational period for the alliance. As you know, the traditional role of the Supreme Allied Commander Atlantic will change very shortly to be the Allied Commander for Transformation, and that is why the European theater—I am sorry, the NATO theater—the European theater has expanded by air and sea, because I have been assigned the previous operational area that SACLANT used to have.

The military portion of the alliance is very strong, very robust. Senator Landrieu pointed out that the engagement yields have tremendous dividends. And after the many years of the alliance, we have formed lifelong friendships and partnerships across the 19 member Nations. And the military portion of the alliance is very robust and very strong, and it survives all kinds of strains and pushes and tugs as the diplomatic and political debates rage on around us.

We are in the business of transforming NATO. NATO, as a political alliance, has signaled the strong message that members desire to expand the alliance. And as the leader of the military portion of that alliance, we are working hard to develop the NATO Response Force, which will be the engine of transformation for the 21st century military alliance capability. And this is very exciting and very promising work.

And it provides, really, the framework for what the U.S. European Command is doing. As NATO expands, so, too, must we reevaluate the U.S.'s contribution to the alliance. But being able to do both of those things simultaneously is a real privilege and something that I—

Senator FEINSTEIN. Just let me tell you where I am going, and you might not want to comment. But when you told me the sheer size of the NATO military force, I found it just unbelievably large, at well over 2 million. And yet the basic inability, at least apparently, to really participate efficiently and quickly in any military action that might take place, it made me—last evening, I was thinking about whether the NATO people are aware of that and the fact that by their very bulk in size there is an obsolescence that tends to set in because they cannot be relevant in what you describe as the new asymmetrical world.

General JONES. This is why I use the term “NATO at the crossroads,” because NATO is what it is today because of a very—the most successful military alliance in history. It has served its purpose as a defensive alliance. We built it a certain way. America was privileged to lead. That threat went away as a symmetric threat, and now we are in the business of reshaping the military arm that

undergirds the alliance in such a way that it will be more useful in the future.

On the one hand, it is extremely large, with 19 sovereign Nations, each of which have to decide for themselves what they want in their own individual militaries. My job is, I believe, to signal to those 19 Nations what we think, in NATO, is militarily relevant to the future challenges of NATO, and the instrument of that change will be the NATO Response Force.

Nations will have to decide for themselves how big they wish their forces to be and, more importantly, how they wish to shape those forces. And it is a fascinating dialogue, to be able to go from one country to the other to present the concept of NATO transformation through the NATO Response Force and to engage in the dialogue that goes through as to how do Nations contribute to that NATO Response Force.

My feeling is that, as we go down this trail together, that we will produce something that will be very relevant, but it will be different than the large monolithic threat-based symmetrical response force that we have had, and that NATO will kind of go through something that the United States went through in the last 10 years of gradually shrinking and collapsing the capabilities that are not terribly useful in the 21st century and hopefully generating some resources from within to transform the force into a capable NATO Response Force that we all seek and the United States would absolutely welcome in the 21st century.

And so I am extremely optimistic about our direction, and I find it very exciting to be able to participate in this process. It will take a little time. It will take some focus. But to give you a sense of how quickly things are moving, it is hoped that at the June ministerial that the NATO Response Force, which was stipulated at the Prague summit as something that the Nations wished to do, will receive the endorsement of the Ministers as saying that we endorse the concept. And by October of this year, we hope to be able to have available for other Nations to see a sample of the most expeditionary piece of the NATO Response Force with, say, something between 2- to 5,000 integrated air, land, and sea forces that will be presented as an example of how NATO can go if it wishes to do so in the future. And I think this is very exciting.

Senator FEINSTEIN. I just want to say at least this Senator thinks you are really on the right track. And I think, in terms of really satisfying a basic need, that this is really the way to go. And I really very much hope that you have the cooperation of all those Nations that are a part of NATO.

And I know that politically the mass means something, but strategically I do not really think it does. And so I think you are absolutely right in the direction in which you are going, and——

General JONES. Thank you.

Senator FEINSTEIN [continuing]. To have a really leaner, more mobile, more modern, more transformed force would be much more effective in the future, and I think this is really very smart thinking. I just want to say that.

General JONES. Thank you, ma'am.

Senator FEINSTEIN. Thank you.

General JONES. And may I say that I am receiving—we are receiving, those of us who are doing this work—we are receiving enthusiastic support by all member Nations who, one at a time, have told me that they consider the NATO Response Force to be extremely important, and they are all looking at ways in which they can make a contribution, and I find that very uplifting.

Senator FEINSTEIN. Thank you very much.

General JONES. Thank you.

Senator FEINSTEIN. I appreciate that. And thank you, General LaPorte.

That concludes my questions.

ADDITIONAL COMMITTEE QUESTIONS

Senator HUTCHISON. Well, thank you. This has been very helpful. I appreciate so much—you both came a very long way to be here, and I am so pleased that we really were able to work before this. I think you have started on a path that is going to transform the military and certainly start the thinking process for assuring that we are spending our dollars on the strategic needs that our country has. And I appreciate both of your service very much and look forward to continuing to work with you.

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

QUESTIONS SUBMITTED TO GENERAL JAMES L. JONES, JR.

QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

BASING CONCEPT

Question. You envision a basing concept that employs semi-permanent bases that do not have full support facilities. Can you elaborate on that concept and describe in more detail what such a base would look like and how it would differ from a traditional European base? In general terms, how many such bases would be required?

Answer. Our concept involves a network of Joint Main Operating Bases, Joint Forward Operating Bases, Joint Forward Operating Locations and Joint Pre-positioned Sites. This network will transform United States European Command's (USEUCOM's) operational flexibility to better prosecute the war on terrorism, respond to crisis, conduct security cooperation, increase stability in the region and maintain operational readiness through enhanced training and exercises. Our concept includes a reduction of permanently assigned forces to USEUCOM thereby allowing us to reduce the number of large main operating bases required to support the families and services associated with permanently assigned forces. An essential element of our concept is the increased reliance and use of forces that are rotated from the United States to Europe in order to conduct training exercises and other security cooperation activities in order to maintain a United States presence. These rotations would be for a short duration, perhaps 3 to 6 months, and the troops would use Joint Forward Operating Bases and Joint Forward Operating Locations as their logistical hubs.

The following characteristics of Joint Main Operating Bases, Joint Forward Operating Bases, Joint Forward Operating Locations and Joint Pre-positioned Sites helps to explain the concept and shows how they differ.

—*Joint Main Operations Base (JMOB).*—Strategically enduring asset established in friendly territory to provide sustained command and control, administration, and logistical support in designated areas. Ramstein Air Base, Germany, is an example of a JMOB.

—*Joint Forward Operating Base (JFOB).*—Semi-permanent asset used to support tactical operations without establishing full support facilities. Can be scalable, and may be used for an extended time period. May contain pre-positioned equipment. Backup support by a JMOB may be required. Camp McGovern, Kosovo, is an example of a JFOB.

—*Joint Forward Operating Location (JFOL)*.—Expeditionary asset similar to a Forwarding Operating Base, but with limited in-place infrastructure. May contain pre-positioned equipment.

—*Joint Preposition Site (JPS)*.—Sites that contain pre-positioned war reserve materiel (Combat, Combat Support, Combat Service Support), usually maintained by contractor support.

The exact number of sites is yet to be determined, however, our concept envisions a reduction in the number of JMOBs in EUCOM. We will maintain those required and consolidate or reduce the rest. We will build a small number of new JFOBs in Eastern Europe and in Northern Africa. In order to extend our reach into Eastern Europe and Africa, we will develop a series of JFOLs, although total number has yet to be determined.

NEW ENDURING BASES

Question. To what extent do you envision having to reestablish new “enduring” bases elsewhere in your command’s area of operations?

Answer. Our proposed strategic transformation concept does not establish or build new infrastructure on the level of existing full support facilities we have traditionally operated in Western Europe. Our vision is to optimize existing installations through consolidation and, in some cases, closure, and establish a network of joint forward operating bases and locations that provides employment of a rotational deployment concept. This structure will ensure increased operational capability to prosecute the global war on terrorism, respond to crises throughout our area of responsibility, and conduct security cooperation, as well as provide increased stability and enhanced training and readiness.

NEW TRAINING AREAS

Question. Do you envision establishing significant new training areas further East in Europe? If so, what would be the scope of any such facilities?

Answer. Although our forces may not initially enjoy the same level of training range capability they have traditionally had at Western Europe locations, we anticipate full cooperation of our future host nation partners in exercising our military capability to the greatest extent possible. Over time, as our joint forward operating base infrastructure matures, we envision building up instrumented ranges and facilities that will provide fully joint coordinated training between our services and allies. Realistic and demanding training has been the asymmetric edge of United States forces over the past decade. Our success in combat, whether ground, air or sea, has been solidly based in our training. We believe that new training areas in Eastern Europe and North Africa will provide us the opportunity to keep that asymmetric edge well into the future.

RESIDUAL VALUE

Question. Has the United States European Command completed negotiations for residual value for all of the more than 560 installations returned during the last decade? If not, how many installations are still in negotiation? When will these negotiations be completed?

Answer. No, United States European Command has not completed negotiations for residual value for the more than 560 installations returned during the last decade.

There have been 566 installations returned in the last decade. Of these 566 installations, only 26 percent, or 149 installations, are currently under negotiation and 417 have been completed.

The host nations significantly impact the negotiation process for residual value. Our goal is to conclude these negotiations as quickly as possible where no residual value is anticipated. For the remaining installations, the goal is by the end of 2004.

Question. What stumbling blocks have United States negotiators encountered during more than a decade of residual value negotiations? How might our strategy be adjusted should we return additional installations?

Answer. There have been no stumbling blocks to date. With the Federal Republic of Germany, in particular, United States European Command has negotiated many technical arrangements over the years that have now resulted in a predictable and stable Residual Value negotiation environment and fair market returns are being realized. In 1994, the General Accounting Office validated our Residual Value strategy and the Office of Management and Budget has reviewed and approved all of our yearly Residual Value packages. Additionally, the United States policy in some countries is not to seek Residual Value due to overarching United States political goals.

In compliance with the Commander of United States European Command's intent for more forward operating bases and forward operation locations in countries where we now have little or no presence, the requirement for new construction in our traditional host nations will be less. We will be less likely to pursue payment-in-kind as a means of Residual Value with our traditional host nations due to the lessened requirement for new construction. In accordance with Article 48 of the Supplementary Agreement to the North Atlantic Treaty Organization (NATO) Status of Forces Agreement, whenever we do not have a need for facilities anymore, we must return those facilities as quickly as possible.

ENVIRONMENTAL DAMAGE

Question. According to a 1994 GAO report, the extent of United States improvement and damages to the facilities in Germany figures prominently into the negotiated value. The Status of Forces Agreement with Germany explicitly cites environmental damage caused by United States forces as an offset of the facility's value. In the past, what has been the cost of environmental damage on United States facilities that we have returned to Germany and other European countries? In the future, will United States facilities that will be returned to Germany be evaluated for environmental damage? What are the criteria for assessing environmental damages?

Answer. With regard to the return of property, there has been no cost for environmental damage in any host nation other than Germany. The cost to date for environmental remediation in Germany occurred during the period between 1992 and 1997 for a total of \$23.8 million. Ongoing negotiations are considering environmental costs as part of the final settlement.

United States facilities returned to Germany in the future will be evaluated for environmental damage. Before United States facilities are returned, an environmental summary report will be completed. This document characterizes the environmental condition of a site being returned. The purpose of preparing this report, among others, is to establish the environmental condition of the site to assist in determining the validity of any claim for environmental damages that may be asserted by the host nation following return.

In Germany, the 1993 Supplementary Agreement to the North Atlantic Treaty Organization (NATO) Status of Forces Agreement states that German law applies within an accommodation, e.g., a United States installation. The appropriate criteria for environmental remediation shall be guided by German Federal and Lander (state) laws that serve as a framework for soil and groundwater remediation in German states containing United States Forces installations.

As part of Residual Value negotiations, each installation identified for realignment is evaluated for environmental damages on a site-specific basis, employing a risk-based approach. Neither the NATO Status of Forces Agreement nor the Supplementary Agreement specifically obligates the United States Forces to accomplish environmental cleanup before return. Under Department of Defense Instruction 4715.8, the United States Forces are not authorized to expend funds to remediate environmental damages after an installation has been announced for return unless it is determined that remediation is necessary to avoid an imminent danger to life or health or necessary to sustain current operations in light of the projected return date. The result of failure to clean up the environmental damage before return is that a monetary claim may be asserted under Article VIII of the NATO Status of Forces Agreement, Article 41 of the Supplementary Agreement or may be set off against Residual Value under Article 52 of the Supplementary Agreement. The treaty obligation for the United States Forces to bear costs arising in connection with the assessment, evaluation, and remedying of hazardous substance contamination caused by the United States Forces is set forth in paragraph *8bis(b)* of the Protocol of Signature Re Article 63, Supplementary Agreement.

QUESTION SUBMITTED BY SENATOR MARY L. LANDRIEU

FUTURE BASING ROLE OF EASTERN EUROPEAN COUNTRIES

Question. General Jones, I recently returned from a trip to Romania, where I visited with the 5,000 Marines stationed there. Romania is a North Atlantic Treaty Organization (NATO) aspirant, and I hope the Senate will soon approve NATO's expansion and membership for Romania, Bulgaria, Latvia, Lithuania, Estonia, Slovenia, and Slovakia. These aspirants have been members of the Coalition of the Willing, and we should be grateful to these burgeoning democracies for supporting America's efforts to oust a dictator. In particular, I want to commend Romania for

housing United States troops, opening its airspace, and committing its own forces to the operations in Afghanistan and Iraq.

Regrettably, our traditional allies Germany and France were reluctant to support America's efforts bring freedom to the Iraqi people. Additionally, Germany's reluctance to allow United States over flight and Austria's refusal to do so complicated the United State's ability use its airfields in Germany. United States planes flying over Europe en route to the Middle East or United States also had to change their routes to avoid flying over Austrian airspace. There is also a growing sentiment in Germany against America's military presence in Germany. This could potentially create force protection problems for our 68,000 troops in Germany.

Given the change in strategic threats to the United States, the lack of support faced by United States forces in Germany and Central Europe, and the support found for United States foreign policy and the military in Eastern European countries such as Romania, Hungary, Bulgaria, and Poland, what role can these countries have in basing United States troops? Do you foresee permanent basing of United States forces in these countries? Is the United States evaluating whether to increase, decrease, or keep constant its troop strength in Europe? Has the Department conducted studies to determine the costs associated with the construction of new bases in Eastern Europe? If so, what are the anticipated costs? If not, please make them available once formulated.

Answer. Eastern European countries such as Romania, Hungary, Bulgaria, and Poland will play a very important role as we transform United States European Command (USEUCOM). These countries have the potential for hosting new and improved training facilities as well as Joint Forward Operating Bases and Joint Forward Operating Locations that will support our concept for the use of rotational forces. Overall, our concept does not envision creating new large main operating bases that have been the tradition in Europe. We envision a very small and limited number of permanently based United States forces in the new areas we move to. Only those absolutely required will be permanent—the vast majority will be rotational forces brought over for specific training and security cooperation objectives.

We are evaluating what the troop strength in Europe needs to be. We have yet to determine the exact number but we have determined that we will reduce the number of permanently assigned forces and rely more on the use of rotational forces.

We are just now beginning the process to estimate costs associated with our Transformation. We must conduct detailed site surveys as well as negotiations with the host nations in order to determine costs. Once we have cost estimates developed, we will provide them.

QUESTIONS SUBMITTED TO GENERAL LEON J. LAPORTE

QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

KOREA

Question. Are you giving up training areas under the Land Partnership Plan and if so, how will you make up for the loss of those facilities?

Answer. Under the Land Partnership Plan, we are returning many heavily encroached training areas that are of very limited use to USFK. In return, we have gained guaranteed time on Korean military training facilities, at no cost to USFK, to meet our requirements. We have kept our primary training areas and the Korean government has agreed to remove the encroachments to increase the safety and effectiveness of our training. This agreement has already provided great improvements in the quality of training and ultimately our readiness.

Question. You have stated that you would like to increase the number of accompanied tours in Korea. What are the military construction implications of increasing accompanied tours? Even if housing is privatized, won't this require additional infrastructure to support more families?

Answer. Increasing the number of accompanied tours is an important part of our overall strategy to enhance, shape, and align our forces in Korea. We currently have less than 2,000 family units in Korea. My goal is to provide 5,500 family housing units on enduring facilities south of Seoul and outside of North Korean artillery range. With the increase of accompanied tours there will be a need to increase the supporting infrastructure. We plan to fund the overwhelming majority of this increase using Build-to-Lease and Military Family Housing Privatization Initiatives. The build-to-lease projects will include the needed facilities and infrastructure (roads, power, water, waste and recreation facilities) improvements associated with

the increase in accompanied tours. Other requirements not covered by Build-to-lease will be met through Land Partnership Plan, Yongsan Relocation and Host nation funded construction as USFK consolidates units on enduring locations.

Question. Following recent negotiations between Defense Department and ministry of National Defense officials, the press reported that Yongsan Army Garrison would be moved to Osan by the end of the year. How long do you expect the relocation to take?

Answer. We have an agreement with the Korean government to relocate United States forces out of the capital of Seoul, with all expenses paid by the Korean government. The Yongsan facilities will be moved to Camp Humphries/Pyongtaek and not Osan Air Base as indicated in the question. Once the ROK Government processes the land and funds the facility construction, the Yongsan relocation will take approximately 3 years to complete.

Question. The Defense Department has submitted a budget amendment requesting that several barracks projects scheduled for fiscal year 2004 be shifted from Camps Casey and Hovey to Camp Humphreys. This approach depends on the Korean government fulfilling a promise to provide the land for these facilities, which it has not yet acquired. Would you describe the steps that have to take place before we are ready to begin fiscal year 2004 construction projects on this land?

Answer. The Status of Forces Agreement establishes the Facilities and Areas Subcommittee under a SOFA Joint Committee to consult, make recommendations, and execute decisions land and facility decisions. The United States Forces Korea Engineer and the ROK Ministry of National Defense (MND) Chief of Real Estate are the subcommittee co-chairmen.

The Steps in the Land Grant Process in the Republic of Korea

- The Facilities and Area Subcommittee (FASC) conducts a joint survey of the proposed area to define boundaries.
- The FASC develops, negotiates and forwards an “Agreed Recommendation” to the SOFA Joint Committee, stating the size, location, and any proposed land grant conditions.
- ROK MND acquires the land for USFK as per the 25 April 2003 letter from Minister of Defense to the Secretary of Defense. This letter pledges to purchase all the land required to meet USFK alignment need within United States government timelines.
- ROK MND acquires the land and establishes a property vacate date.
- ROK MND coordinates with local government officials to make any required changes to local zoning restrictions for the land.
- ROK MND completes land acquisition
- The grant is then approved by the SOFA Joint Committee.
- ROK MND and USFK exchange real estate documents recording the grant of the property to the United States.

ROK MND has just completed the purchase and grant of new land to USFK for the construction of the fiscal year 2003 Family Housing project at Osan Air Base following this procedure. We are confident ROK MND will meet our land requirements again next year.

Question. What concerns have South Korean officials voiced concerning environmental clean-up of facilities to be returned to them under the Land Partnership Plan? Have environmental concerns halted or delayed any land transfers under the Land Partnership Plan? Will the Korean government pursue environmental testing of land returned to them by the United States Government?

Answer. Under the Status of Forces Agreement (SOFA) and Department of Defense policy, USFK will remedy any contamination that poses an imminent and substantial endangerment to human health and safety. The Republic of Korea is then responsible to remediate by Korean law prior to returning the land to public use. The Land Partnership Plan (LPP) was negotiated under this premise and ratified by the National Assembly. As part of our transfer process we have worked together to establish a system of joint surveys and consultations with the Korean government prior to any transfer of land. This process will ensure a full understanding of the conditions of the property, and any remedial actions to be performed. The joint surveys and consultations fulfill all ROK and United States requirements under the SOFA and LPP. This process has resulted in the delay of 2 small properties to perform our initial surveys and to work through any lessons learned on these new procedures. It is our intent to refine this process before we begin the sizable land returns planned for the near future. Currently are also establishing new guidelines and environmental standards to be met for the land that will be acquired under the LPP for caretaking and possible long range turnover back to the Korean government.

CONCLUSION OF HEARINGS

Senator HUTCHISON. As I told both of you earlier, we are going to try to delay Military Construction because of the changes that are very clearly being made right now, and we would like to wait as long as we can. So we will wait for your final review of your Tier I installations. We will certainly work with you, as I know a lot is happening right now with Korea, and try to have our final bill as late as possible in the year.

Thank you so very much.

[Whereupon, at 6 p.m., Tuesday, April 29, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]

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