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BY THE COMMITTEE

Statement of
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Before the
House Appropriations Committee
Subcommittee on Military Construction,
Veterans Affairs and Related Agencies

March 17, 2010

Chairman Edwards, Mr. Wamp, and distinguished members of the Subcommittee: I am honored to appear before you today to address the Department's implementation of Base Realignment and Closure (BRAC). In each of the prior BRAC rounds, my office has led the process that culminated in the Secretary of Defense forwarding a set of recommended actions to the BRAC Commission for its review. My office is also responsible for overseeing the implementation of the Commission's final decisions. In my testimony today, I will provide an overview of the latest round, BRAC 2005, and a status report on its implementation, which by statute must be completed by September 15, 2011. I will also summarize our efforts in two areas—environmental cleanup and provision of economic adjustment assistance to affected communities—for BRAC 2005 and prior BRAC rounds (1988, 1991, 1993 and 1995).

BRAC 2005

Overview

BRAC 2005 is the largest round undertaken by the Department by any measure. It includes 24 major closures, 24 major realignments and 765 lesser actions. Together, these actions affect some 125,000 military personnel at more than 800 locations across the United States. The cost of implementation, \$35.1 billion, far exceeds that of any prior round but so too do the projected savings of \$4 billion annually. (See Table below for a comparison of BRAC 2005 and prior rounds.)

(TY \$B)	Major Base Closures	Major Base Realignments	Minor Closures and Realignments	Costs ¹ (\$B)	Annual Recurring Savings ² (\$B)
BRAC 88	16	4	23	2.7	1.0
BRAC 91	26	17	32	5.2	2.3
BRAC 93	28	12	123	7.5	2.7
BRAC 95	27	22	57	6.6	1.9
Total	97	55	235	22.0	8.0 ³
BRAC 05	24	24	765	35.1	4.0

Note 1: As of the FY 2011 President's Budget including supplements (Feb 2010) through FY 2001 for prior BRAC Rounds and through FY 11 for BRAC 2005.

Note 2: Annual recurring savings (ARS) begin in the year following each round's 6-year implementation period: FY96 for BRAC 88; FY98 for BRAC 91; FY00 for BRAC 93; and FY02 for BRAC 95. These numbers reflect the ARS for each round starting in 2002 and are expressed in FY 08 dollars.

Note 3: Does not add due to rounding.

This projected cost of implementation—which includes \$24.7 billion in military construction and another \$10.4 billion to move personnel and equipment, outfit facilities, and carry out environmental clean-up—is admittedly well above the estimate used in the Department’s original analysis (\$21.1 billion). The dominant reason for the cost increase is the expansion in the scope of the construction and recapitalization beyond what was originally envisioned: the Department has used realignments as opportunities to build improved or new facilities either to enhance capabilities or to address deficiencies. As a result, BRAC 2005 has served as a significant engine of recapitalization of our enduring military facilities, with almost 70 percent of the implementation cost going to support MilCon requirements compared to 33 percent in the previous rounds. Other key reasons for the increase in implementation costs are the Department’s explicit decision to delay implementation because of competing budgetary priorities (delay adds to the cost of inflation) and the extraordinary inflation in construction industry prices in 2007 and early 2008—a period during which many of the large BRAC-related MilCon contracts were awarded.

In addition to its size, BRAC 2005 is the most complex round we have undertaken. This reflects the original goal of BRAC 2005—namely, to reconfigure our operational capacity to maximize war fighting capability and efficiency. Thus, our analysis of alternative actions for recommendation to the Commission included an assessment of the increased military capability that each action would achieve. By contrast, in previous rounds, the goal was focused largely on eliminating excess capacity.

The Department has fully funded BRAC 2005 requirements throughout the 6-year implementation period (\$35.1 billion for FY 2006 – FY 2011), consistent with detailed business plans developed by the assigned business plan managers. The FY 2011 President’s Budget includes the last tranch of that funding—\$2.4 billion. Although this is a decrease of \$5.1 billion below the FY 2010 enacted amount, it reflects the natural drop in spending on MilCon as we approach the statutory date for completion of BRAC 2005 (September 15, 2011). Most of the FY 2011 funding is designed to pay for the movement of personnel and equipment.

Implementation Status

The DoD components have implemented BRAC 2005 conscientiously and transparently, according to a well-defined process. The Department continues to monitor the process closely to ensure that we are meeting our legal obligations. To date, twenty eight BRAC 2005 recommendations have been certified as completed, and all others are on track for completion by the statutory deadline. We are on a tight timeline, however: 30 actions have at least one construction project that is scheduled for completion fewer than 90 days before the deadline (September 15, 2011). Of these 30 actions, 6 are of particular concern. We will provide your staffs with additional information on these in separate sessions.

Enhanced Military Capability

In keeping with the Department's overarching goal, BRAC 2005 will significantly improve our war fighting capability and efficiency. As examples, consider the actions being taken at two installations—Fort Bliss, Texas, and Naval Air Station (NAS) Brunswick, Maine.

Fort Bliss is the largest operational Army BRAC movement. Approximately 15,000 Soldiers and their family members will move to Fort Bliss and the surrounding communities, and construction of BRAC operational facilities is moving ahead as planned in preparation for the arrival of the 1st Armor Division. Soldiers of the 1st Brigade, 1st Armored Division and Soldiers of the 4th Brigade, 1st Armored Division took occupancy of the first two Brigade Combat Team (BCT) Complexes, and the third BCT is scheduled for the 2nd quarter of FY 2011. The Army has programmed the construction of several quality of life facilities to support this growth including dental/health clinics, a hospital, a child development center, a commissary, a physical fitness center, and youth centers.

The closure of NAS Brunswick will reduce operating costs while allowing the single-siting of the East Coast Maritime Patrol (VP) community at NAS Jacksonville, Florida. NAS Jacksonville and NAS Brunswick collaborated to ensure seamless relocation of five aircraft squadrons along with the realignment of the maintenance functions and various mission support groups. The newly constructed hangar at NAS Jacksonville, completed in May 2009, now provides maintenance spaces for all five Brunswick squadrons and will be able to support the future transition to the P-8 Poseidon multi-mission maritime aircraft.

Medical Infrastructure

A key component of BRAC 2005 has been the Department's effort to rationalize and upgrade our medical infrastructure—both to address the transformation in healthcare that has occurred since many of our facilities were constructed and to adapt them to the changing needs of our wounded warriors. At one end of the scale, BRAC enabled the Department to close seven small and inefficient inpatient operations, converting them to ambulatory surgery centers. BRAC also enabled the Department to realign medical operations from McChord Air Force Base, Washington, to Fort Lewis, Washington, and to transform the Medical Center at Keesler Air Force Base, Mississippi, into a community hospital.

At the other end of the scale, BRAC 2005 enabled the Department to realign two of its major military medical markets: San Antonio, Texas, and the National Capital Region (NCR). I recently testified at a hearing on the NCR effort. This is an extraordinarily complex undertaking that will deliver major benefits not possible without BRAC. Moreover, its successful completion is dependent on the strict discipline that the BRAC

process provides. The construction now underway represents a balanced and reasonable approach to combining the functions of the old Walter Reed Army Medical Center into the new National Military Medical Center at Bethesda, Maryland. The result will be a medical delivery platform far superior to what we have now—and one on which we can continue to build upon.

Joint Basing

Another BRAC 2005 action that my office has championed is the consolidation of 26 installations into 12 joint bases. At each joint base, a *supporting* Service Component provides installation leadership for one or more *supported* Service Components. By consolidating installation management and delivery of installation support, joint bases will be able to provide more efficient and effective support for the overall military mission.

Our joint bases represent realigned, reconfigured national military assets for the joint teams they serve. The first five joint bases reached full operational capability on October 1, 2009. The remaining seven joint bases reached initial operational capability on January 31, 2010, and are on their way to full operational capability this coming October. We are no longer implementing joint basing. We are now operating joint bases.

The challenge of merging diverse, service-specific financial systems, management structures, operating procedures, and staffs has been daunting. To facilitate that process, I have regularly convened a cross-Service working group and I meet periodically with our joint base leadership. I am encouraged by their can-do spirit and dedication to providing excellent installation support to their joint teams. I have also had the opportunity recently to tour two of our joint bases: Joint Region Marianas on Guam and the Joint Expeditionary Base Little Creek-Ft. Story in Virginia. Having seen firsthand the extraordinary work they are doing, I am confident that our joint base commanders will realize the full potential and benefit of these actions.

Environmental Cleanup of BRAC Sites

BRAC sites often require a significant amount of environmental cleanup, and the Department has worked to speed up that process. Looking at installations affected by prior BRAC rounds (i.e., BRAC rounds prior to 2005), we have completed cleanup at 80 percent of our hazardous waste sites under the Installation Restoration Program (IRP) and 66 percent of our munitions sites under the Military Munitions Response Program (MMRP). This excludes long-term management (LTM) activities such as maintaining land use controls and conducting periodic reviews of site conditions to ensure continued protection of human health and the environment. The Department projects that (with the exception of LTM) cleanup will be complete at 95 percent of these sites by the end of 2017 at IRP sites (hazardous waste) or 2019 at MMRP sites (munitions). The remaining five percent of sites are technically complicated and some will take many years to

complete. For example, on one site at McClellan Air Force Base, a BRAC 1995 closure, cleanup of groundwater contamination will continue until FY 2066 although it will not impede base reuse.

For BRAC 2005 installations, we have completed cleanup at 30 percent of munitions sites under the MMRP and 37 percent of hazardous waste sites under the IRP. The Department projects that cleanup other than LTM will be complete at 95 percent of munitions sites by the end of FY 2016. For hazardous waste sites, the comparable date is FY 2040. As with the prior- BRAC installations, the remaining five percent of the BRAC 2005 sites have unusually complicated clean-up challenges, some of which will take many years to resolve. For example, at Willow Grove Naval Air Station, in Pennsylvania, cleanup of contaminated soil will continue until FY2041.

BRAC Environmental Inventory Summary

	Sites	Sites w/Remedy-in-Place or Response Complete ¹	Cost to Complete ² FY2010-completion (\$M)
IRP – BRAC1990	4,975	4,354	2,601.4
IRP – BRAC2005	151	81	180.9
IRP Total	5,126	4,435	2,782.3
MMRP – BRAC1990	284	192	619.7
MMRP – BRAC2005	60	20	291.0
MMRP Total	344	212	910.7
BRAC Total	5,470	4,647	3,692.9

¹ A site has achieved remedy-in-place or response complete when the selected remedy is installed, functional, and operating as planned or when all cleanup goals have been met.

² The cost to complete represents funding projected for cleanup activities, including LTM, from FY2010 through completion of cleanup.

Although we strive to complete the process faster, environmental cleanup is not necessarily an impediment to reuse of BRAC property, and we often transfer the property “early,” even before we have completed the cleanup. In some instances, the property recipient agrees to assume responsibility for cleanup—typically in exchange for a reduction in the price of the property or some other payment from the Department. This allows the property recipient to accelerate the pace of cleanup.

For example, last year the Army completed the early transfer of property at Fort Ord to the Fort Ord Reuse Authority. Under an Environmental Services Cooperative Agreement, the Fort Ord Reuse Authority agreed to remove munitions from more than 3,300 acres of land in exchange for payment from the Army sufficient to cover the

estimated cost of cleanup, including the cost of environmental insurance and reimbursement to regulators for their oversight of the program. As another 2009 example, the Air Force completed an early transfer of a 62-acre parcel at McClellan Air Force Base to Sacramento County and the developer, McClellan Business Park. The County agreed to take responsibility for the cleanup of nine sites suspected to contain hazardous wastes. This will allow for speedier reuse of McClellan, one of the largest economic development projects in Northern California.

The FY 2011 President’s Budget requests \$445 million for BRAC Environmental Programs (\$337 million for prior-BRAC round sites and \$108 million for BRAC 2005 sites). These funds will help us continue to meet stakeholder expectations and complete cleanup at an additional 154 sites impacted by BRAC decisions. Although this request represents a decrease of \$109 million over the FY 2010 request, the reasons for the drop are positive. Specifically, the decrease is due to a) contract efficiencies, such as those achieved through performance-based acquisition and competitive bidding, and b) bid cost savings—a silver lining in the economic downturn. In addition, as the Military Departments have refined their characterization of munitions sites, they have found that fewer acres will require cleanup, which has lowered projected costs.

Comparison of BRAC Environmental Funding

(\$ Millions)	FY 2010 Enacted	FY 2011 Requested
BRAC1990	470.5	336.5
BRAC2005	203.0	108.3
TOTAL	673.5	444.8

Impact of BRAC on Local Communities

The Department is mindful of the adverse impact that a BRAC decision can have on the host community. As in previous BRAC rounds, we are directing significant resources to affected communities, largely through the Office of Economic Adjustment (OEA). Traditionally, most of OEA’s resources have gone to communities harmed by the closure of an installation. Although that process continues, OEA and the Department are now devoting more resources to communities experiencing significant growth as a result of the consolidation that occurred under BRAC 2005. In addition, my office is implementing the language in the FY 2010 National Defense Authorization Act, which clarified and revised our authority to transfer property through an Economic Development Conveyance (EDC).

Property Disposal

The Department has used the full range of its authorities to transfer and convey the property made excess by BRAC. One of the most important authorities has been the Economic Development Conveyance, which Congress created in 1994 to promote rapid transfer of BRAC property for job-creating economic development. Congress subsequently revised the statutory authority underlying EDCs several times; prior to the recent change, the Military Departments were required to seek to obtain fair market value. This and other requirements resulted in a process that was slow and cumbersome.

This new authority represents a marked change. The Department is no longer required to seek to obtain fair market value for an EDC. The law also provides explicit authority for the Department to use flexible tools for determination of “consideration” (payment), such as so-called “back-end” funding.

Pending the issuance of revised regulations by my office, I have directed the Military Departments to apply the factors set forth in statute to evaluate EDC applications and design the terms and conditions of the proposed transfer. These factors include the local economic conditions in the affected community and the amount of public investment required. I have also directed them to expedite the EDC process, recognizing that closed military bases represent a potential engine of economic activity and job creation for former host communities. As Congress explicitly recognized, the slow pace of negotiations over EDCs has been “detrimental to both local communities, which are denied an expansion of their tax revenue base and the opportunity for jobs generation and economic development, and to the Department of Defense, which must maintain the properties....”

In this regard, I want to highlight the significant accomplishment represented by the recent agreement in principle to transfer the former Naval Station Treasure Island to the City of San Francisco (the Navy and the City are still negotiating the details). Treasure Island was a BRAC 1993 closure, which the Navy ceased using in 1997. Despite years of negotiations, the Navy and the City of San Francisco had been unable to reach an agreement on the value of the property or an arrangement for compensation. The language in the FY 2010 NDAA, by clarifying the authority for “back-end” profit participation, contributed to the two sides reaching an agreement. The agreement guarantees \$55 million to the Navy paid over 10 years with interest, and an additional \$50 million paid once the project meets a return of 18 percent. Then, after an additional 4.5 percent return to investors (22.5 percent total), the Navy will receive 35 percent of all proceeds. This agreement represents a unique opportunity to spur community development, and it allows the parties to share in the benefit of what both the City and the Navy expect to be a successful, job-generating redevelopment project.

Economic Adjustment Assistance

The Office of Economic Adjustment is DoD's primary source for assisting states and communities impacted by BRAC and other Department actions (e.g., the military buildup in Guam). OEA's technical and financial assistance enables communities to assess economic impacts caused by Defense actions, evaluate alternatives for local response, identify resource requirements, and develop and implement adjustment plans.

The FY 2011 President's budget requests \$51 million for OEA— up from the enacted level of \$44 million in FY 2010. This level of funding ensures that OEA can provide a multi-year program of support for affected communities. Most installations affected by BRAC 2005 will not be available for redevelopment until 2011 and beyond, so the need for community economic adjustment will continue. OEA is also helping more than 25 communities absorb an influx of personnel and their dependents, as a result of the consolidation of activities brought about by BRAC 2005.

OEA coordinates the delivery of adjustment assistance across federal agencies through the Defense Economic Adjustment Program. The ability to fully support state and local defense adjustment activities, including road construction, infrastructure development, demolition and site preparation, workforce development, and general economic development is beyond the Department's authorities. Accordingly, the Executive Order 12788, as amended, calls for 22 federal departments and Executive Agencies to give priority consideration to requests from Defense-affected communities for federal assistance. Following the prior BRAC rounds, federal agencies outside of the Department of Defense provided close to \$2 billion in assistance to affected areas. The relevant federal agencies have not budgeted specific resources to address the comparable problems resulting from BRAC 2005, however. Moreover, these agencies are facing major demands because of the national economic crisis, making it harder for them to find the resources to help Defense-impacted communities.

Transportation Impacts

As noted above, a number of communities are absorbing significant military growth, as a result of the consolidation called for under BRAC 2005. One area where growth can have an adverse impact is on local transportation. Transportation impacts have been and will continue to be mitigated through the application of our authority and funding under the Defense Access Road (DAR) program. The criteria used to determine whether a project qualifies under DAR are limited, however. In particular, they may not adequately address the scenario in which a defense action causes a significant increase in traffic congestion, as may occur in one or more cases as a result of BRAC 2005 consolidation.

To address this and related issues, the National Academy of Sciences is undertaking a study of BRAC Transportation Improvements, as required by the FY 2010

Military Construction and Veterans Affairs and Related Agencies Consolidated Appropriations. A panel of outside experts named by the National Academy's Transportation Research Board will evaluate the DAR criteria and assess the funding of transportation improvements associated with BRAC 2005. We hope to receive an interim report in May.

Conclusion

Thank you for giving me this opportunity to testify on the Department's implementation of BRAC. I am very proud of what the Department has been able to accomplish through the BRAC process—and of the central role my office has played in that process. Many if not most of these gains simply would not have been possible in the absence of BRAC. My office is monitoring the implementation of BRAC 2005 closely, and we will keep you informed about actions that are on a tight timeline. In four previous rounds, the Department has never missed a BRAC deadline, and we will make every effort to preserve our perfect record. We are also mindful of the impact that BRAC actions have on local communities, and we have requested a budget that would allow us both to provide the appropriate community economic adjustment assistance and to maintain the current pace of environmental cleanup of BRAC sites. I appreciate your strong support for military installations and look forward to working with you to continue to improve the effectiveness and efficiency with which we maintain them.