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STATEMENT

OF

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DEPUTY UNDER SECRETARY OF DEFENSE
(INSTALLATIONS AND ENVIRONMENT)

BEFORE THE
SUBCOMMITTEE ON MILITARY CONSTRUCTION,
VETERANS AFFAIRS AND RELATED AGENCIES
OF THE
HOUSE APPROPRIATIONS COMMITTEE

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Chairman Edwards, Mr. Wamp, and distinguished members of the Subcommittee, I appreciate the opportunity to appear before you today to address the Department's implementation of Base Realignment and Closure (BRAC) decisions.

Base Realignment and Closure 2005

As previously discussed with this Committee, the BRAC 2005 effort is the largest round undertaken by the Department. After an exhaustive examination of over 1,200 alternatives, the Secretary of Defense forwarded 222 recommendations to the BRAC Commission for its review. The Commission accepted about 65 percent without change and its resulting recommendations were approved by the President and forwarded to the Congress. The Congress expressed its support of these recommendations by not enacting a joint resolution of disapproval by November 9, 2005, therefore, the Department became legally obligated to close and realign all installations so recommended by the Commission in its report. These decisions affect over 800 locations across the Nation and include 24 major closures, 24 major realignments, and 765 lesser actions. The BRAC Act required that the Department begin implementation of each recommendation within two years of the date the President transmitted the Commission's report to the Congress and complete implementation of all recommendations within six years of that date. The Department continues to monitor BRAC implementation to ensure we are meeting our legal obligation.

Results of Base Realignment and Closure 2005

Beyond the comparative size, it is important to note that BRAC 2005 is the most complex round ever. This complexity is not merely a function of its magnitude, but is, to the largest

extent, a function of the original goal established for this round: that BRAC 2005 would focus on the reconfiguration of operational capacity to maximize war fighting capability and efficiency. Focusing on operational capacity required that we appropriately assess the increased military capabilities we are achieving through these recommendations.

We accomplished that requirement and, through BRAC, are significantly enhancing each capability. The following examples highlight what we are achieving. Fort Bliss Texas is the largest Operational Army Base Realignment and Closure (BRAC) movement. Approximately 15,054 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 at Fort Bliss. The Army plans to build three Brigade Combat Team (BCT) Complexes; a Combat Aviation Brigade (CAB) complex; and a Division Headquarters. Additionally the Army has programmed 12 ranges and three specialized facilities to handle increased training requirements. In September 2008, soldiers of the 1st Brigade 1st Armor Division took occupancy of the first BCT Complex. Soldiers of the 4th Brigade 1st Armor Division are now in temporary facilities and eagerly await completion of the second BCT complex scheduled for September 2009. The Army has programmed the construction of several quality of life BRAC facilities to support this growth including Dental/Health Clinics, Hospital, Child Development Center, Commissary, Physical Fitness Center, and Youth Centers.

The closure of NAS Brunswick is another example. This action will reduce operating costs while allowing the single-siting of the East Coast Maritime Patrol community at NAS Jacksonville. This has been a collaborative effort between NAS Jacksonville and NAS Brunswick to make seamless the relocation of five aircraft squadrons along with the realignment

of the maintenance functions and various mission support groups. With approximately 2,000 personnel and their dependents making the move south, NAS Jacksonville personnel support groups have participated in information fairs held and hosted by NAS Brunswick.

In preparation for the arrival of the first Brunswick aircraft, the new BRAC hangar construction project is on track toward its late April 2009 completion target. This project will be the Navy's largest type II hangar and will be ready for a May 2009 move-in. It will be the home for the first returning Brunswick VP squadron which is currently deployed. The type II hangar will provide maintenance spaces for all five Brunswick squadrons and will also be able to support the future transition to the P-8 Poseidon MMA aircraft.

BRAC 2005 and Medical Infrastructure:

A key component of this BRAC round was rationalizing Medical infrastructure. This rationalization was needed to address the transformation in healthcare that has occurred since these facilities were constructed and to adapt our facilities to address the continuing changes in warrior care. 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 DoD to realign medical operations from McChord Air Force Base to Ft Lewis and transform the Medical Center at Keesler, Air Force Base into a community hospital. On the larger end of the scale, BRAC enabled DoD to realign two of its major military medical markets: San Antonio and the National Capital Region. The strategic realignments in San Antonio and the National Capital Region address a critical need to realign and consolidate key clinical and clinical research capabilities while addressing serious facility modernization requirements.

These transformations, requiring facility closures as well as restructuring, could not have been accomplished holistically or efficiently without the authority provided by the BRAC process.

In San Antonio, DoD is consolidating in-patient services into a recapitalized Brooke Army Medical Center while facilitating DoD's goal of replacing the aging Wilford Hall medical center with state-of-the art ambulatory outpatient center. The BRAC analysis correctly determined that the San Antonio healthcare requirements would be best served with a single medical center and a large ambulatory care center (at Wilford Hall) that allows for focused facilities that will provide the best possible care for the foreseeable future.

We are working similarly in the National Capital Region. BRAC will allow DoD to close Walter Reed and transfer its services to both an expanded Bethesda and the new community hospital at Ft. Belvoir. In addition, the medical center at Andrews Air Force Base will be transformed into a clinic by the closure of the inpatient wards. This allows DoD to forgo the cost of renovating the aging Walter Reed facility and instead focus its resources to re-align the active duty beneficiaries to the remaining hospitals in line with their demographics. The BRAC recommendation correctly recognized that renovation of the Walter Reed Army Medical Center was not the optimum application of our resources due to its age (and doing so would significantly degrade the availability of the healthcare needs across the NCR). As such, through BRAC we were able to address long-standing health needs regarding the need to better match facility locations and capabilities, medical advances, and changing wounded warrior needs.

After BRAC, the National Capital Region will host two premier facilities that will provide the best possible care while being a center of research and training of health care professionals. For the National Capital Region, the FY 09 costs (including the \$263M included in the FY 2009 supplemental request) are \$2.0B. As is the case with San Antonio, costs rose due

to construction inflation, wounded warrior lessons learned, and unforeseen costs as the construction process has unfolded.

Unique to the National Capital Region is the effort to enhance and accelerate construction at Bethesda and Ft. Belvoir as result of lessons learned and the Department's commitment to implement the recommendations of the Independent Review Group (IRG) on Rehabilitative Care and Administrative Processes at Walter Reed Army Medical Center and National Naval Medical Center (Co-Chaired by former Secretary of the Army Secretary Togo West and former Secretary of the Army and Congressman Jack Marsh). The IRG's April 2007 report recommended a variety of measures to improve medical care and recommended that DoD accelerate BRAC projects in the National Capital Region (NCR). In order to implement the report's recommendations and incorporate other war-related lessons learned, the Department committed to create Warrior Transition Unit facilities at the Bethesda Campus to enhance wounded warrior care, especially the outpatient convalescent phase. The Department also committed to enhance the inpatient facilities at both Belvoir and Bethesda. These enhancements together with a commitment to accelerate construction to ensure that the new facilities will be operational as soon as possible, required the investment of an additional \$679M. The FY 2008 supplemental appropriated \$416M. These enhancements and other cost increases (construction inflation and scope increases) would bring the total of the investment to \$2.0B as of the FY 09 President Budget (including the \$263M in the FY 2009 supplemental appropriations request).

BRAC 2005 and Joint Basing

2005 Defense Base Closure and Realignment Commission Report Recommendation #146 calls for the transfer of installation management functions from 14 designated installations, to 12 other installations – setting the stage for creation of 12 joint bases. Full implementation of the recommendation is required by law to be completed by September 15, 2011. The Department is using this opportunity to create the conditions for more consistent and effective delivery of installation support. Joint bases will be created at the following installations:

- Joint Base Andrews- Naval Air Facility Washington: installation management functions move from Naval Air Facility Washington, MD, to Andrews AFB, MD;
- Joint Base Little Creek-Story: installation management functions move from Fort Story, VA, to Commander Naval Mid-Atlantic Region at Naval Station Norfolk, VA;
- Joint Base Myer-Henderson Hall, VA: installation management functions move from Henderson Hall, VA, to Fort Myer, VA;
- Joint Region Marianas, Guam: installation management functions move from Andersen AFB, Guam, to Commander, US Naval Forces, Marianas Islands, Guam;
- Joint Base McGuire-Dix-Lakehurst: installation management functions move from Naval Air Engineering Station Lakehurst, NJ, and Fort Dix, NJ, to McGuire AFB, NJ;
- Joint Base Anacostia-Bolling: installation management functions move from Bolling AFB, DC, to Naval District Washington at the Washington Navy Yard, DC;
- Joint Base Charleston: installation management functions move from Naval Weapons Station Charleston, SC, to Charleston AFB, SC;
- Joint Base Pearl Harbor-Hickam: installation management functions move from Hickam AFB, HI, to Naval Station Pearl Harbor, HI;

- Joint Base Elmendorf-Richardson: installation management functions move from Fort Richardson, AK, to Elmendorf AFB, AK;
- Joint Base Lewis-McChord: installation management functions move from McChord Air Force Base (AFB), WA to Fort Lewis, WA;
- Joint Base Langley-Eustis: installation management functions move from Fort Eustis, VA, to Langley AFB, VA.
- Joint Base Lackland-Sam Houston-Randolph: installation management functions move from Fort Sam Houston, TX, and Randolph AFB, TX, to Lackland AFB, TX.

Joint basing calls for installations that share a common boundary or are in close proximity to consolidate installation management functions and the delivery of installations support functions, while considering best business practices and ensuring war fighting capabilities are preserved or enhanced. Unlike previous BRAC actions where the customer base was eliminated due to excess or surplus capacity, with Joint Basing the customer base remains largely unchanged. Therefore, most military, civilian and contractor workforce will still be required to perform the day-to-day installation management functions. Installation support functions are as defined in the Joint Basing Implementation Guidance (JBIG), signed by DEPSECDEF on Jan 22, 2008. Civilian personnel performing those functions will transfer from the Supported Component(s) to the Supporting Component.

Within DoD, installations use military, civilians, and contractors to perform common installation management and support functions. All installations execute these functions using relatively similar processes. DoD developed Common Output Level Standards (COLS) to provide common output or performance level standards for installation support functions. COLS

are joint definitions, standards, and performance metrics to support each identified installation support function that will be consolidated at each joint base.

A Memorandum of Agreement (MOA) for each Joint Base, signed by affected Service Vice Chiefs of Staff, will define relationships between Components and commit the Supporting Component to delivery of support at approved output levels. A governance framework, called the Joint Management Oversight Structure, allows for approval of variations to policy guidance, deviations to approved output levels, and dispute resolution. The Supporting Component (lead Service) will establish a Joint Base Commander (JBC), who will be responsible for installation support to Supported Component(s) and tenants. The 12 Joint Bases will be established in two phases, with Full Operational Capability (FOC) for Phase I in October 2009; Phase II in October 2010. At FOC, both the total obligation authority (TOA) and real property transfer from supported Component(s) to the supporting Component.

Oversight

The Department recognizes the unique challenges associated with implementing the more complex recommendations and the synchronization efforts required to manage the interdependencies among many recommendations. To apprise senior leadership of problems requiring intervention as early as possible, the Department institutionalized an implementation execution update briefing program in November, which this report acknowledges as a positive step in oversight. These update briefings, representing 86 percent of the investment value of all recommendations, provided an excellent forum for business plan managers to explain their actions underway to mitigate the impacts of problem issues. The business managers have and will continue to brief the status of implementation actions associated with recommendations

which exceed \$100M on a continuing basis through statutory completion of all recommendations (September 15, 2011). The business managers are also required to brief other plans for which they have concerns.

General Accountability Office (GAO) and BRAC 2005

A recently published GAO report acknowledges that the Department has made steady progress thus far in implementing BRAC 2005. Even though the BRAC 2005 round is costing more and savings less than originally estimated in 2005, implementation of these recommendations are expected to enhance defense operations and management as the Department reshapes and realigns forces to meet future national security needs. The report accurately characterizes the Department's viewpoint that this BRAC round is transforming DoD by aligning the infrastructure with the defense strategy, fostering jointness across the Department, and reducing excess infrastructure and producing savings. The Department appreciates the fact that this report acknowledges that the Department has made steady progress thus far in implementing these recommendations.

The Department considers the updating of savings estimates on a regular basis to be essential. While sufficient guidance already exists in the financial management regulation, additional emphasis on this effort is being provided during all program execution update discussions and in all future business plan update approval documentation.

BRAC Budget Request:

The BRAC program is substantial, and as of the FY09 Presidents Budget it represents a \$33.2 billion requirement over 2006-2011 and \$4B in annual savings after full implementation

(after FY 2011). The Department originally estimated BRAC 2005 investment using the Cost of Base Realignment Actions (COBRA) model at \$22.5 billion (adjusted for inflation) with Annual Recurring Savings of \$4.4 billion. When compared to our current requirement there is a \$10.7 billion or 48 percent increase in these costs. The \$10.7 billion increase over the COBRA estimate, which was fully funded in the President's FY 2009 budget request, results primarily from inflation, changes in military construction, environmental restoration and program management costs not included in COBRA, additional Operation and Maintenance to support fact of life cost increases, and construction for additional facilities to enhance capabilities and/or address deficiencies. The savings decrease is primarily a result of revised personnel eliminations.

Almost 70% of the BRAC 2005 program supports MILCON requirements compared to 33 percent experienced in the previous rounds. The COBRA model used in the analysis estimated costs based on standard factors to array the relative merit of options - it was never intended to be budget quality nor used for implementation planning. In the BRAC 2005 round, DoD has now made decisions to:

- Use new construction vs. renovated space (existing space diverted to other needs)
- Accommodate changes in unit sizes, functions or responsibilities by increasing facilities, changing configurations, or building additional facilities
- Accept inflation factors exceeding previous planning factors (delayed implementation compounds the inflation increase)

Assisting Communities

It is DoD policy that every practical consideration shall be given to implementing DoD actions that seriously affect the economy of a community in a manner that minimizes the local impact. To that end, the Department provides economic adjustment assistance through its Office of Economic Adjustment (OEA) to help communities help themselves, using the combined resources of the Federal, State, and local governments and the private sector to support local initiatives.

OEA, through the Defense Economic Adjustment Program, continues to work with states, territories, and more than 147 communities across the country impacted by the Department's continuing closure, downsizing, and mission-growth actions.

Mission-Growth Communities: Over two dozen locations are looking at unprecedented increases in military, civilian and contractor personnel as a result of BRAC 2005, Global Defense Posture Realignment, Army Modularity, and "Grow the Force" activity. For most locations, OEA is providing overall planning support for personnel, procurement, and construction activity to prepare local adjustment strategies, including growth management plans, to support local mission growth. The challenge for many of these locations is to respond to a myriad of hard (road, schools, houses, water and sewer) and soft (public services, health care, child care, spousal employment) infrastructure issues that directly bear on the quality of life for our warfighters, their dependents, and the homeowners, businesses, and workers in the surrounding communities.

A primary concern, particularly at this time of economic uncertainty, is how to apply scarce Federal, State, and local public resources with those of the private sector to carry out adjustments in local facilities and public services, workforce training programs, and local

economic development activities. Needs for public investment, such as road improvements, water and sewer infrastructure, and school construction have emerged and OEA is working with each affected state and region to document these needs and bring them to the attention of other Federal Agencies for their consideration and assistance. To date, OEA has found that, but for \$1.7 billion in Federal or other support, over 50 critical projects that are otherwise ready to move forward, will not commence. Additionally, communities identified over 300 other mission growth related projects totaling \$7 billion that were in various planning phases with incomplete funding strategies.

While OEA is presently bringing these needs to the attention of the U.S. Departments of Transportation, Commerce, Education, and Agriculture as the cognizant agencies where assistance might be made available, they are also seeking to update the information to account for the current economic strains and those other growth efforts that may have information available.

Plans are also underway for a conference to take place in the Fall of 2009 as part of a broader meeting for all BRAC-affected states and communities to further address community needs.

BRAC Closure and Downsizing Communities: OEA, on behalf of the Department, has recognized Local Redevelopment Authorities (LRAs) for 116 locations to: provide leadership and speak on behalf of the impacted area with one voice; identify the impacts of closure across local businesses, workers, and communities; plan redevelopment and other economic development activities to lessen these impacts; and, direct implementation of the redevelopment plan to respond to these actions. Approximately 96 redevelopment plans have been completed to

date. When completed, they are submitted as part of a statutorily-mandated homeless application to the U.S. Department of Housing and Urban Development (HUD), who, in turn, must review each application for compliance with statute prior to Military Department property disposal and the redevelopment effort going forward.

The redevelopment plan is also significant at the Federal level because: 1) the Military Departments dispose of buildings and property in accordance with a record of decision or other decision document and, in preparing this decision document, give substantial deference to the LRA's redevelopment plan; and 2) other Federal agencies are to afford priority consideration to requests for Federal assistance that are part of the plan under Executive Order 12788, as amended, "Defense Economic Adjustment Programs."

As with the growth-impacted communities, OEA is presently working with affected closure and downsizing communities to identify specific needs for "public" investment and expects to have a working estimate of those needs by this summer. In the past, these needs have included demolition, road alignments, infrastructure development, etc. With disposal for these locations yet to occur, communities will need some additional support from the U.S. Departments of Commerce (Economic Development Administration (EDA)), Labor ((Employment Training Administration (ETA)), and Agriculture (Rural Development Administration) through FY2014.

Federal Assistance: The ability to support state and local economic adjustment activities, including road construction, infrastructure development, demolition and site preparation, workforce development, and general economic development is beyond the Department's capacities. Accordingly, the Department relies upon the Economic Adjustment

Committee (EAC), through the Defense Economic Adjustment Program (DEAP), as directed by Executive Order 12788. The EAC is comprised of 22 Federal Departments and Executive agencies, and among its functions is to: coordinate interagency and intergovernmental adjustment assistance; serve as a clearinghouse for the exchange of information between Federal, state, and local officials involved in the resolution of economic adjustment concerns resulting from DoD actions; and, afford priority consideration to requests from Defense-affected communities for Federal assistance that are part of a comprehensive base redevelopment or growth management plan.

In response to the previous four rounds of base closure and realignment activity, approximately \$1.9 billion in Federal assistance was provided to assist affected states, communities, workers, and businesses. EDA, ETA, the Federal Aviation Administration, and OEA accounted for this funding. The response to date for BRAC 2005 has consisted of approximately \$212 million, primarily from OEA and the Department of Labor. The BRAC support has concentrated on worker assistance, community economic adjustment planning for growth and downsizing, and coordinating public benefit property conveyances for downsizing communities.

The EAC is chaired by the Secretary of Defense, and the Secretaries of Commerce and Labor are co Vice-Chairs. If affected states and communities are to benefit from these Federal resources, it will be important for the cognizant Federal programs to adequately source their staff and program budgets to respond. To date, we have not had much response to assist either growth- or downsizing-impacted areas. Moreover, the current Federal response to the national economic crisis has placed even greater stress on the cognizant agencies, with the effect of further subordinating needed attention for Defense-impacted communities. Accordingly, the

intergovernmental coordination of adjustment assistance under the EAC will continue to be reviewed to further improve its overall responsiveness to the needs of these states and communities.

Prior BRAC Disposal and Redevelopment

The Department has used the full range of transfer and conveyance authorities to dispose of real property made available in prior BRAC rounds (1988, 1991, 1993, & 1995). Property disposal is complete at 205 of 250 prior BRAC locations where property became available for disposal, and local redevelopment efforts in turn have resulted in the creation of over 143,700 jobs, more than offsetting the 129,600 civilian jobs that were lost across 73 prior BRAC locations where OEA is monitoring redevelopment activity.

Conclusion

In closing, Mr. Chairman, I sincerely thank you for this opportunity to highlight the Department's Base Realignment and Closure efforts. I appreciate your continued support of the Department's plans to strengthen America's defense posture and the Department looks forward to working with the Subcommittee as plans continue to be put into action.