

STATEMENT OF

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**BEFORE THE
SUBCOMMITTEE ON READINESS AND MANAGEMENT SUPPORT
OF THE
SENATE ARMED SERVICES COMMITTEE**

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Chairman Akaka, Senator Ensign, and distinguished members of the Subcommittee, I appreciate the opportunity to appear before you today to address the President's Budget request for fiscal year 2008 and to provide an overview of the approach of the Department of Defense to the management of the Nation's military installation assets.

Overview

As our Nation's security challenges become more complex, the military must become an increasingly agile joint force that is dominant across the full spectrum of operations.

Installations are a critical component to this Nation's force capabilities. DoD is vigorously managing its facilities and infrastructure to ensure that it delivers cost effective, safe, and environmentally sound capabilities and capacities to support the National Defense Mission.

Not only is the Department incorporating best business practices but it is also expanding these practices into new, previously unexplored areas. For example, DoD's infrastructure investment strategy uses key metrics to provide quality facilities that directly support mission and readiness and also developed advanced business processes that align more closely to warfighter mission area requirements. Implementation of the Real Property Inventory Requirements document provides the basis for a more accurate and current asset inventory database which will maximize asset management and provide senior leaders with an improved decision-making tool to measure performance. With the development of a net-centric data warehouse for the Department's real property infrastructure and utilization information, timely and accurate real property data will be readily available to support key facilities metrics. The rigor provided by these practices in planning, managing, and maintaining DoD installations improves overall efficiency while improving investment decision-making.

Global Defense Posture

The Department continues its efforts to realign its permanent base structure at home and abroad to effectively enable military transformation and to better deal with 21st Century security challenges. The Department has begun the process of realigning or closing a number of large permanent bases overseas in favor of small and more scalable installations better suited for rapid deployments. The Global Defense Posture realignment effort identified an overall set of plans for returning overseas forces back to military installations in the U.S. These plans were integrated with the BRAC process regarding relocations from overseas to domestic bases during the prescribed BRAC time period. All Services factored requirements of returning forces into their domestic infrastructure requirements and this resulted in recommendations to accommodate forces at U.S. installations.

Some overseas changes have already been implemented in accordance with ongoing Service transformation efforts and within the framework of negotiations with host nations. In many cases, the changes involve units that are inactivating or transforming with no significant BRAC impact. As we begin implementing the BRAC recommendations there are overseas posture changes still being developed or being phased to be implemented after the BRAC implementation period. DoD will continue to consult with Congress on its plan and will seek your support as we implement these far-reaching and enduring changes to strengthen America's global defense posture.

Implementing Base Realignment and Closure (BRAC) 2005

The President approved and forwarded the Commission's recommendations to Congress on September 15, 2005. The Congress expressed its support of these recommendations by not enacting a joint resolution of disapproval and on November 9, 2005, the Department became

legally obligated to close and realign all installations so recommended by the Commission in its report. BRAC 2005 affects over 800 locations across the Nation through 25 major closures, 24 major realignments, and 765 lesser actions. The significant transformation to the Total Force and its operational capability, the Departments business operations, and to the savings ultimately derived from BRAC require resources to meet adequately the challenges of implementation.

The Congress provided \$1.5 billion to the Department in FY 2006 (\$1.9 billion was requested in the FY 2006 President's Budget) to begin implementing the BRAC recommendations. This initial funding was used to begin planning, design and construction, program management, and the environmental studies that serve as the foundation for constructing and renovating facilities to accommodate missions at receiving sites. Notable examples include the Brigade Combat Team (BCT) complexes at Fort Carson, Colorado, Fort Knox, Kentucky, and Fort Bliss, Texas, and a Division Headquarters and Sustainment Brigade Headquarters at Fort Riley, Kansas.

The FY 2007 President's Budget requested \$5.6B to continue implementation. Previous continuing resolutions for FY 2007 provided \$542M to the Department for this purpose. However, the recently passed Joint Resolution limits FY 2007 funding to \$2.5B, a \$3.1B (55 percent) reduction from the President's Budget. This seriously affects construction timelines because over 80 percent of the BRAC budget in FY 2007 directly supports military construction. This 55 percent reduction will significantly jeopardize our ability to execute BRAC 2005 by the statutory deadline of September 15, 2011, thereby sacrificing savings that could have been achieved during the delayed timeframe, and delay achievement of operational mission requirements. The magnitude of the reduction requires careful evaluation to support allocating the reduced funding within the Department so that only those projects with the highest priority,

determined by their operational and/or business case effects, go forward on the schedule previously provided to Congress. While operational impacts are self-explanatory, business case considerations are worthy of note. These include cases where incrementally funded projects started last year must continue, and/or where projects support follow-on actions, produce significant savings, or lead to expeditious asset disposal. This evaluation formed the basis for the BRAC portion of the expenditure report required by the Joint Resolution that was provided to the appropriations committees on March 16, 2007. Implementing BRAC 2005 actions represents a significant financial commitment by the Department. In the FY 2007 budget justification material provided to the Congress, the Department indicated that, in some cases, the out-year program did not fully reflect expected costs for the remainder of the BRAC implementation period (FY 2008-2011). The Department of Army anticipated a shortfall as much as \$5.7 billion and the Air Force estimated its shortfall at approximately \$1.8 billion over the program.

The FY 2008 President's Budget request is approximately \$3.0 billion more than the FY 2007 President's Budget request and the \$8.2 billion requested, as well as the outyear program, represents full funding for BRAC 2005 implementation assuming funding is restored for FY 2007. In previous BRAC rounds, the third year of implementation was generally the peak of the "bell shaped" investment curve. For BRAC 2005, the FY 2008 budget request represents the critical year of execution in the six-year statutory implementation period and includes \$6.4 billion for military construction, \$1.2 billion for operations and maintenance to relocate personnel and equipment, \$112 million for environmental studies and remediation, and \$453 million for "other" costs primarily associated with installation communications, automation, and information management system equipment in support of construction projects.

The Department has embarked on assessing the domino impact the \$3.1 billion reduction will have on the FY 2008-2011 implementation program should it not be restored. The complexity and duration of many implementation actions required FY 2007 funding. Military construction projects and other expenditures related to the movements of missions contained in the FY 2008 President's Budget will need to be re-baselined.

Assisting Communities

The Department, through the Office of Economic Adjustment (OEA) and the Defense Economic Adjustment Program (DEAP), continues to work with states and communities across the country as they respond to the effects of broad changes in Defense infrastructure, including efforts resulted from BRAC, Global Defense Posture Realignment, and modularity. In the context of BRAC, to date, the Department has recognized 121 Local Redevelopment Authorities (LRAs) that are responsible for creating a redevelopment plan for property made available for civilian reuse as a result of BRAC and to directing implementation of the plan. The majority of these communities, with assistance from OEA, are presently working to develop a consensus for redevelopment that reflects the specific market forces, public facility and service needs, and private sector circumstances found at each location and to gauge local homeless and community economic development interests in these properties. At the same time, efforts are being made between these LRAs and the Military Departments to link local civilian redevelopment activities with the Department's environmental and property disposal efforts, including any necessary environmental remediation.

At the same time, DoD is working with several communities where mission growth is projected to impact the surrounding region. Across these locations, resources are being applied to assist communities to understand and respond to anticipated impacts on local housing,

schools, water and sewer, and transportation. Additionally, spousal employment, health care, public services, and child care are of some concern. A primary concern for all is how to develop and apply local, state, and private resources to address local need. Through this process, possible gaps in these civilian sources are also being recognized as opportunities for third party and Federal assistance. Presently, these communities are in close dialogue with the local installations to understand the timing and scope of these growth actions.

The ability to capably assist these communities, regardless of whether there is downsizing or mission growth, must include our Federal agency partners. On behalf of the Secretary of Defense, I Chair the President's Economic Adjustment Committee (EAC) at the sub-cabinet level to coordinate efforts across 22 Federal agencies to assist these communities. Under the auspices of the EAC, team visits will likely be undertaken to locations to better understand the local adjustment challenge and more capably address potential needs for other Federal assistance. A report documenting the efforts of the EAC to date will be submitted shortly for your review.

Managing Infrastructure

The President's budget request for Fiscal Year 2008 will permit the Department to continue its efforts to manage installation assets comprehensively and efficiently. Along with continued improvement in business practices and a focus on environmental sustainability, the Department is focused on improving the quality of military installations as evidenced by the emphasis on more accurate Quality Ratings that are currently being collected by the military Departments. Managing DoD real property assets is an integral part of comprehensive asset management. The Department currently manages over 533,000 buildings and structures, which reside on over 51,400 square miles of real estate.

The President's Management Agenda Real Property Asset Management initiative focuses on improved asset management planning, inventory and performance measure data, and the disposal of unneeded assets. DoD has implemented an asset management plan and provides inventory and performance data to the Federal Real Property Profile annually. DoD's Real Property Inventory Requirements implementation continues to refine the quality of data collected and reported to the government-wide database. We continue to improve our progress on the Real Property Scorecard.

The quality of infrastructure directly affects training and readiness. To that end, the Department is incorporating installations assessments more fully into the Defense Readiness Reporting System. DoD has made significant progress in integrating its installations into this Department-wide program. There is currently an operational system in the Navy, Defense Readiness Reporting System-Navy, which is based on the contribution of installations to the achievement of mission essential tasks. To better manage infrastructure investments, the Department continues to develop models and metrics to predict funding needs. The Facilities Program Requirements Suite, a web-based suite of real property inventory data models and fact sheets, continues to be refined and further expanded to more accurately determine requirements, predict funding needs, and better manage infrastructure investments.

Sustainment: Facilities sustainment provides funds for maintenance and major repairs or replacement of facility components that are expected to occur periodically throughout the life cycle. Sustainment prevents deterioration, maintains safety, and preserves performance over the life of a facility. To forecast funding requirements, DoD developed the Facilities Sustainment Model using standard benchmarks for sustainment unit costs by facility type (such as cost per square foot of barracks) drawn from the private and public sectors. This model has been used to

develop the Service budgets since fiscal year 2002 and for several Defense Agencies since fiscal year 2004. Full funding of facilities sustainment has been and continues to be the foundation and first element of the Department's long-term facilities strategy and goals. In Fiscal Year 2007, the Department-wide sustainment was budgeted at 90 percent. In balancing risk across the Department's program, the Fiscal Year 2008 budget request reflects a slight decrease in the department-wide sustainment funding rate to 88 percent, although the total amount of funds requested for the program represent an increase of \$ 466 million. The Department-wide long term goal remains full funding for sustainment to optimize the investment in our facilities and ensure their readiness.

Sustainment and Recapitalization Request

(President's Budget in \$ Millions)

	Fiscal Year 2007 Request	Fiscal Year 2008 Request
Sustainment (O&M-like) *	6,267	6,733
Restoration and Modernization (O&M-like plus)*	992	1,353
Restoration and Modernization (MilCon)	6,093	6,736
TOTAL SRM	13,352	14,822

*Includes O&M as well as related military personnel, host nation, and working capital funds and other appropriations such as RDT&E

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

The current DoD goal remains a recapitalization rate of 67 years. In FY 2001, the Department's recapitalization rate was 192 years. This budget request supports a recapitalization rate of 67 years, an improvement over last year's budgeted rate of 72 years. The improvement in the rate is largely due to investments associated with BRAC construction investments and the Global Defense Posture realignment. Currently, DoD is in the process of developing and fielding a new recapitalization model for assessing the replacement cycle that will improve upon the existing recapitalization metric through the inclusion of depreciation schedules and other benchmark improvements that are derived from private and public sector standards.

The Department remains committed to maintaining a rate of investment in facilities recapitalization that will improve, modernize, and restore existing facilities while at the same time replacing facilities in support of efforts to reshape and realign infrastructure. However, as the Department consolidates and reshapes its infrastructure, it will also experience localized growth in the size of the facilities footprint. This is necessary to provide the quality and quantity of facilities and assets necessary to support military personnel and their families. These efforts include facilities to support Army Transformation, Navy and Marine Corps barracks, and facilities for the beddown of new weapons systems such as Predator, F-22, and the Joint Strike Fighter.

On January 24, 2006, DoD joined 16 other Federal agencies in signing a Memorandum of Understanding (MOU) for Federal Leadership in High Performance and Sustainable Buildings. The MOU indicates a commitment to incorporate sustainable design principles through a comprehensive approach to infrastructure management.

The Department continues to emphasize the elimination of excess and obsolete facilities, and to encourage the aggressive pursuit of demolition to avoid unnecessary facilities sustainment

and support costs. This effort to eliminate facilities that are no longer needed is separate and distinct from the BRAC process. With approximately 48 million square feet of infrastructure identified for elimination, the military Services and selected Defense Agencies are in the process of refining their annual targets for disposal and consolidation of excess capacity.

The Department established a common definition for Facilities Operation, formerly referred to as “Real Property Services.” The budget request includes \$7.15 billion for this program, to address utilities, leases, custodial services, grounds maintenance, and other related functions. The Facilities Operation Model was fielded to develop standard requirements, and the Department is continuing to refine the model with particular emphasis on Fire and Emergency Services, and Real Property and Engineering Management.

Installations Support: The Defense Installations Strategic Plan articulates the need to define common standards and performance metrics for managing installation support, and the Department has made considerable progress in this area. DoD’s objective is to introduce capabilities-based programming and budgeting within a framework for the Common Delivery of Installations Support which will link installation support capabilities to warfighter requirements. The Common Delivery of Installations Support also will play a large role in implementation of Joint Basing required by BRAC 2005. Guidance for implementing Joint Basing was developed in coordination with the Military Components and is currently in the review process.

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

The military construction appropriation is a significant source of facilities investment funding. The Fiscal Year 2008 Defense Military Construction and Family Housing Appropriation request totals \$21.2 billion. This funding will enable the Department to rapidly respond to warfighter requirements, enhance mission readiness, and provide for its people. This is done, in part, by restoring and modernizing enduring facilities, acquiring new facilities where needed, and eliminating those that are excess or obsolete.

Comparison of Military Construction and Family Housing Requests

(President's Budget \$ in Millions – Budget Authority)

	FY 2007 Request	FY 2008 Request
Military Construction	6,390	9,480
NATO Security Investment Program	221	201
Base Realignment and Closure IV	191	220
Base Realignment and Closure 2005	5,626	8,174
Family Housing Construction/Improvements	2,092	1,080
Family Housing Operations & Maintenance	1,989	1,851
Chemical Demilitarization	131	86
Family Housing Improvement Fund	3	0.5
Energy Conservation Investment Program	55	70
TOTAL	16,698	21,165

Improving Quality of Life

A principal priority of the Department is to support military personnel and their families and improve their quality of life by ensuring access to suitable, affordable housing. Service Members are engaged in the front lines of protecting our national security and they deserve the best possible living and working conditions. Sustaining the quality of life of our people is crucial to recruitment, retention, readiness and morale. At the outset of this Administration, the President and the Department's leadership identified revitalizing housing, largely through privatization, as a central priority for the Department. An aggressive target of 2007 was established to meet that goal. By late FY 2007, DoD will effectively complete all procedures to eliminate nearly all inadequate domestic family housing. More than 90 percent of

our inadequate housing will be turned over to the private sector for replacement or renovation and the remainder will be in the final stages of solicitation for award. As of February 2007, over 110,000 housing units determined to be inadequate have been privatized. Inadequate units are considered to be eliminated when they are conveyed to the private owner, who then revitalizes the housing.

The Department continues to rely on three pillars to improve housing thereby, enhancing the quality of life for our Service members: (1) Provide the basic allowance for housing (BAH) at zero-out-of-pocket expense for the average Service member living in private sector housing (achieved in 2005, now maintaining); (2) Privatization of family housing, where feasible; and, (3) Military Construction funding for all other domestic and all overseas locations.

The Department relies on a “community first” (private sector) approach to provide quality housing to its members and their families. Only when the private market demonstrates that it cannot supply sufficient levels of quality, affordable housing does the Department provide housing to our military families; first through the use of privatization, and where that is not feasible through government-owned and leased housing. For example, in the absence of privatization authorities overseas, we address our housing needs there through military construction and leasing.

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

An additional 22 percent of our military families are provided government-owned housing and three percent live in leased housing. DoD projects that by the end of FY 2008 over 90 percent of military families will be receiving BAH, thus allowing families the opportunity to make housing choices according to their individual preferences.

As of February 2007, the Department has awarded 71 privatization projects, which includes over 147,000 total military family housing units privatized. The private sector's cumulative contribution to the 71 awarded deals awarded thus far totals over \$20 Billion (or 90 percent) of total project development costs. The Services have contributed \$1.5 billion in development costs primarily through equity investment or government direct loans.

For FY 2008, the Department requests \$2.93 billion, a decrease of \$1.2 billion from the FY 2007 President's Budget request. The decrease reflects cost savings realized by the Department achieving its respective goal to eliminate inadequate housing and to privatize the inventory on a cost-effective basis. The Department's privatization plans in the FY 2008 budget will ultimately result in the privatization of over 90 percent of its domestic family housing inventory, or roughly 194,000 units privatized by the end of FY 2008.

- FY 2008 funding provides for the continuation of the privatization program to reduce costs to the government and provide quality housing to service members and their families. The FY 2008 request will privatize 4,261 family housing.
- FY 2008 request provides \$353 million for the Army and Navy "Grow the Force" initiative, which will provide housing support for end-strength increases.
- 1.9 billion to operate and maintain approximately 80,000 government-owned family housing units, and lease 38,000 units worldwide.

In FY 2008 and beyond, DoD will monitor the military housing privatization projects over the next 40+ years and conduct oversight of their financial performance. DoD will protect the government's interest while acknowledging that it is the responsibility of the private sector to take the lead on operating these projects. Current project highlights include:

- The majority of the awarded privatization projects initial development plans for renovation/construction are on schedule.
- Thirteen projects have completed their construction/renovation schedules
- The privatization projects are achieving 90 percent occupancy across all projects.
- There have been no defaults for the awarded projects.
- Awarded projects are receiving high tenant satisfaction ratings.

Finally, in FY 2008 DoD will continue to push expansion of the privatization authorities for unaccompanied housing and lodging. In FY 2007, the Navy executed the first Unaccompanied Housing pilot project in San Diego in December 2006, with two additional projects planned -- Hampton Roads, Virginia (award April 2007), and Mayport, Florida (future date TBD). The Army anticipates award of the first Lodging Privatization project in September 2007.

Competitive Sourcing

The Department of Defense continues to strongly support the President's Management Agenda Initiative for Competitive Sourcing. Introducing private sector competition into commercial functions performed by the Department improves business efficiency and reduces cost to the taxpayer. Public/private competitions using the procedures of OMB Circular A-76 have demonstrated substantial savings whether the in-house or private sector wins the competition. During Fiscal Years 2000 through 2006, the Department completed 870 such competitions encompassing about 91,000 positions. These competitions will have resulted in

over \$9 billion dollars in savings (cost avoidance) over the life of the resulting performance periods, normally about five years. The Department has an additional 7,969 positions currently undergoing competitions, plans to compete 10,000 positions in FY 2007, and expects to maintain the same level of competitions in Fiscal Year 2008.

These new competitions use the procedures of OMB Circular A-76 which evaluate public and private proposals concurrently using the Federal Acquisition Regulations. As the Department's designated Competitive Sourcing Official (CSO), my office is working continuously to improve the competition process. For example, competitions that used to take up to 48 months to complete can now be completed in as little as 12 months. Such improvements will reduce stress on our workforce and will make savings available earlier to reinvest in the Department's operation.

Energy Management

The Department continues to aggressively attempt to reduce its energy consumption and associated costs, while improving utility system reliability and safety. To that end, DoD developed a comprehensive energy strategy and issued updated policy guidance incorporating the provisions and goals of the Energy Policy Act (EPAct) of 2005 and is implementing the recent enactment of the new chapter 173 of title 10, U.S.C. The Department is also in the early stages of implementation of Executive Order 13423, recently issued by the President to strengthen Federal environmental, energy, and transportation management. This strategy will continue to optimize utility management by conserving energy and water usage, improving energy flexibility by taking advantage of restructured energy commodity markets when opportunities present themselves.

DoD, as the largest single energy consumer in the Nation, consumed \$3.5 billion of facility energy in FY 2006. Though overall cost continues to increase due to commodity costs, consumption has decreased from the 2003 baseline. Our program includes investments in cost-effective renewable energy sources or energy efficient construction designs, and aggregating bargaining power among regions and the Services to achieve more effective buying power.

The Department's efforts to conserve energy are paying off. In FY 2006, military installations reduced consumption by 5.5 percent, exceeding the energy conservation goal of two percent. Energy conservation projects accomplished through Energy Savings Performance Contracts (ESPC) typically account for more than half of all facility energy savings. Lapse of ESPC authority in 2004 negatively affected the Department's ability to reach the 30 percent reduction goal under Executive Order 13123. However, with ESPC authority reauthorized in the FY 2005 National Defense Authorization Act and extended for an additional 10 years in the Energy Policy Act of 2005, DoD has launched an aggressive awareness campaign and is well on its way to meeting the new goals established in the Energy Policy Act of 2005. Use of ESPC for 2006 increased 316 percent, reaching an award value over \$586M.

DoD has significantly increased its focus on purchasing renewable energy and developing resources on military installations. Renewable energy projects are consistently more expensive than similar conventional energy sources, resulting in limited opportunities but that are life cycle cost effective. The Department has increased the use of Energy Conservation Investment Program (ECIP) funds for renewable energy projects from \$5 million in FY 2003 to \$17 million planned in FY 2007, and to \$24 million budgeted for FY2008 out of a \$70 million ECIP request. The FY 2007 program for ECIP also contains \$2.6 million in hydrogen fuel cell projects. The Department easily exceeded the EAct 2005 renewable energy goal of 2.5 percent

in FY 2006. The Department's total renewable energy purchases and generation accounted for 9.5 percent of all electricity use. Also, while EPAct 2005 did not articulate a specific water reduction goal, the new Executive Order 13423 does have a goal of a 2 percent water reduction per year. The Department has reduced water usage by an impressive 29.6 percent from the FY 2003 baseline year.

Environmental Management

Managing Cleanup: The Department is committed to cleaning up property that, as the result of past military activities, is contaminated with hazardous substances and military munitions. DoD has achieved "remedy in place" or "restoration complete" status at 85 percent (16,833 out of 19,796) of its environmental restoration sites on active installations. As of the end of FY 2006, 85 percent (4,275 out of 5,010) of the environmental restoration sites at BRAC locations closed or realigned by the first four rounds of BRAC or closed in BRAC 2005 have a cleanup remedy constructed and in place and operating successfully, or have had all necessary cleanup actions completed in accordance with Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) standards. Hazardous substance cleanup at Formerly Used Defense Sites (FUDS) has achieved "remedy in place" or "restoration complete" status at 53 percent (2,487 out of the 4,654) of known sites.

As of the end of FY 2006, DoD fulfilled its cleanup obligations at over 122 of the approximately 373 identified Military Munitions Response Plan (MMRP) sites at BRAC installations, and has cleanup actions underway at 251 sites. A similar situation can be found at Formerly Used Defense Sites (FUDS), where 29 percent of the MMRP sites identified have had all cleanup actions completed. Over 473 of the 1,633 FUDS with currently identified

Unexploded Ordnance (UXO) contamination have been addressed, and another 1,160 are undergoing cleanup actions or study.

Environmental Management Systems: DoD implemented environmental management systems (EMS) as required by Executive Order 13148 at all appropriate facilities. This transformation embeds environmental management as a systematic process, fully integrated with mission planning and sustainment and is essential for continued successful operations at home and abroad. Implementing EMS helps preserve range and operational capabilities by creating long-term, specific and measurable targets in comprehensive programs to sustain capability while maintaining healthy ecosystems. Benefits accrued to date are an increased awareness of environmental issues and how they can impact operations, increased communication and cooperation between departments, new initiatives to mitigate environmental impact and risk, and strengthened relationships with communities and regulators.

Pollution Prevention: Maintaining compliance with environmental laws is an integral part of sustaining DoD operations. From Fiscal Year 2000 through Fiscal Year 2006 the Department reduced the number of new Federal and state enforcement actions received by 18 percent while the number of regulatory inspections increased by six percent during the same time period. In 2005, DoD installations reached a 95 percent compliance rate with wastewater treatment permits. For the 3.4 million customers served by DoD drinking water systems, in 2005, less than seven percent of the population received notice that their water exceeded a drinking water standard (most “exceedences” were not immediate health concerns and both interim and long term solutions are either completed or underway). The Department continues to demonstrate a commitment to reduce solid and hazardous waste. From 2000 through 2005, the Department reduced hazardous waste over 15 percent by using various pollution prevention

opportunities. In 2006, over 3.7 million tons of solid waste was diverted from landfills which avoided approximately \$153 million in landfill costs. This 59 percent diversion rate exceeds the Department's diversion goal of 40 percent in 2005. Integrating a strong compliance program into installation environmental management systems will strengthen this program.

Sustaining the Warfighter

Our Nation's warfighters require the best training and the best equipment available. This means sustaining our vital range and installation infrastructure, both here and abroad, where we test equipment and conduct training. Development in the vicinity of DoD installations and ranges continues to challenge sustainability. The unintended consequences of this encroachment upon our ranges and installations are varied, and include such issues as more noise complaints from new neighbors; diminished usable airspace due to new structures or increased civil aviation; a compromised ability to test and train with the frequency needed in time of war; and a loss of habitat for endangered species.

History and experience gained over decades demonstrate that proper training of U.S. troops will result in victory. Assured access to operational ranges is the only way to continue that training. In 2001 the Department undertook the Readiness and Range Preservation Initiative (RRPI) to achieve a balance between national defense and environmental policies. As a result, DoD has successfully balanced the statutory requirements of the Migratory Bird Treaty Act, the Marine Mammal Protection Act, and the Endangered Species Act with our national defense mission requirements. However, the Department continues to seek legislative clarification under the Clean Air Act, the Comprehensive Environmental Response, Compensation, and Liability Act, and the Resource Conservation and Recovery Act.

The Congress provided statutory authority to use Operations and Maintenance (O&M) funds to create buffers around our ranges and installations. Using this authority the Department established the Readiness and Environmental Protection Initiative, or REPI, and has worked with willing partners to cost-share land conservation solutions that benefit military readiness and preserve natural habitat. In FY 2005, REPI leveraged \$12.5 million of O&M funding to secure \$48.2 million worth of buffer land and easements, encompassing 10,238 acres at seven installations. The 2006 and 2007 projects will continue to leverage REPI funds against partner contributions. REPI and partner funding has allowed DoD to protect the Navy's one-of-a-kind La Posta Mountain Warfare Training Facility in California; to keep training areas open at Marine Corps Base Camp Lejeune, North Carolina; and buffer live-fire training ranges at Fort Carson, Colorado. Overall in FY 2006, REPI initiated 23 projects in 17 states, and for FY 2007 an additional 32 projects have been identified for funding. The Department has requested \$30 million dollars in the FY 2008 budget to support REPI.

Partnerships are essential to success and the Department continues to work with state governments and other Federal agencies in the Southeast Regional Partnership for Planning and Sustainability – or SERPPAS. In 2006, the State of Alabama joined North Carolina, Florida, Georgia, and South Carolina as SERPPAS state members. Through this process, the partners hope to promote better planning related to growth, preservation of open space and protection of the region's military installations. The regional approach to facilitate dialogue and to address issues of mutual concern is proving successful, and in 2006, the Department took the initial steps to establish a regional partnership in the Western states.

In 2006, DoD worked closely with other Federal agencies to sustain military readiness. At Fort Riley, Kansas, the Department of Agriculture's Natural Resource Conservation Service

and the Department of Defense signed a Memorandum of Understanding (MoU) to work together on conservation efforts that sustain agricultural productivity on private lands that will buffer military lands. On energy issues, the Department of Defense is working with other Federal agencies to ensure that wind farm projects and energy transmission corridors are compatible with military readiness activities. The Department is also working with the Department of Homeland Security to ensure that our military readiness activities and infrastructure in border regions are not impacted by new security measures. Outreach to non-Federal and non-governmental organizations continues to be a significant part of the Department's sustainability program, and today we are working with state, county, and local governments, Indian tribal, and environmental groups on issues of mutual concern to seek win-win solutions. Overseas, DoD is developing mission sustainment procedures to work with our host nations Global Defense Posture partners. To sustain today's warfighters, and our nation's future warfighters, the Department of Defense will continue its engagement and partnering efforts.

Integrating Business Enterprises

The Department as a whole has made significant strides in breaking down the cultural and information technology (IT) systems barriers that hinder business agility. There is an increased need for tighter alignment of end-to-end business functions, better management visibility into operations, and a definitive focus on execution excellence. The current climate of making measurable business improvements every six months, tied to releases of the DoD Business Enterprise Transition Plan, has succeeded in driving progress. Changing the cultural mindset has meant redefining Defense business in terms of functions performed and the customers served, rather than who performs them. Breaking down IT systems barriers has

meant, among other things, using common standards to integrate the business data owned by the Components.

The Real Property and Installation Lifecycle Management (RP&ILM) Core Business Mission area has had tremendous success with business transformation because it has been driven by the top leadership and supported across all Components and all levels. Over the past few years, RP&ILM has developed enterprise wide capabilities for real property accountability and visibility, environmental liability accountability and valuation, and hazardous materials operational controls. These capabilities are founded on requirements for standard business processes, data elements, and business rules. The Military Departments and Agencies, in coordination with the DUSD (I&E), have begun implementation efforts for these capabilities.

I&E community leadership actively oversees IT system investments to ensure that IT systems are being modernized to support the new business enterprise capabilities. I&E has become a leader in implementing DoD's net-centric vision and has already stood up a site unique identifier registry, that will allow all IT systems (and communities) with a need for location information to easily get authoritative source information. All of this foundational and transformational work has been achieved because of the established RP&ILM governance processes. These governance processes support federated management because the business owners themselves drive business modernization and the associated support IT. This work has also been completely integrated into the activities of the Business Transformation Agency, ensuring that RP&ILM capabilities support the broader DoD enterprise business transformation efforts.

During the past year, the Department expanded its efforts beyond defining transformation requirements to actual implementation of business transformation. Each Military Service has

either completed and is implementing, or is developing implementation plans, to deliver these reengineered capabilities. Some of our recent successes include:

- Ability to assign unique identifiers to all DoD's sites. For the first time in our history, the warfighter and business mission areas will have the ability to obtain access to real property site information at the push-of-a-button, with assurance that the data is authoritative and consistent from Service to Service.
- Development of Real Property Inventory Requirements (or RPIR) compliance assessment tools and procedures. These tools assure that the Services will implement and maintain consistent, accurate, and complete information on our vast and geographically diverse real property asset portfolio.
- Update of antiquated policies. Policy change promotes behavioral change. Building on this best practice, DoD is in the process of updating policies to include modernized processes for construction in progress, real property acceptance, and workplace hazard communication.
- Completion of standardized requirements for the management of regulatory and chemical hazardous materials information. This success allows the Defense Logistics Agency to serve the entire Department with standardized regulatory information on hazardous materials from a central repository of authoritative data. As the Services use this information in their business processes, DoD will realize cost savings, and more importantly, improve operational control of mission activities involving hazardous materials.
- The funding of a pilot to utilize geospatial information systems (GIS) and RPIR processes to determine official DoD boundaries for land parcels. The pilot also supports

mapping any known environmental liabilities as outlined in the new Environmental Liabilities requirements. This pilot will enable DoD to reap many benefits as accurate geospatial information will be easily available and no longer isolated in the real property community.

- The development of Spatial Data Standards for Facilities, Infrastructure, and Environment (SDSFIE). Precision and speed are no longer unique qualifiers of the operational community alone. DoD is applying these drivers to core business mission areas as well. Fundamental to total asset management is knowing exactly where an asset is geographically located. The SDSFIE will ensure a level of accuracy and consistency never before seen as the Department geospatially enables its business areas.

CONCLUSION

In closing, Mr. Chairman, I sincerely thank you for this opportunity to highlight the Department's successes and outline its plans for the future. I appreciate your continued support of our installations and environment portfolio, and I look forward to working with you as we transform these plans into actions.